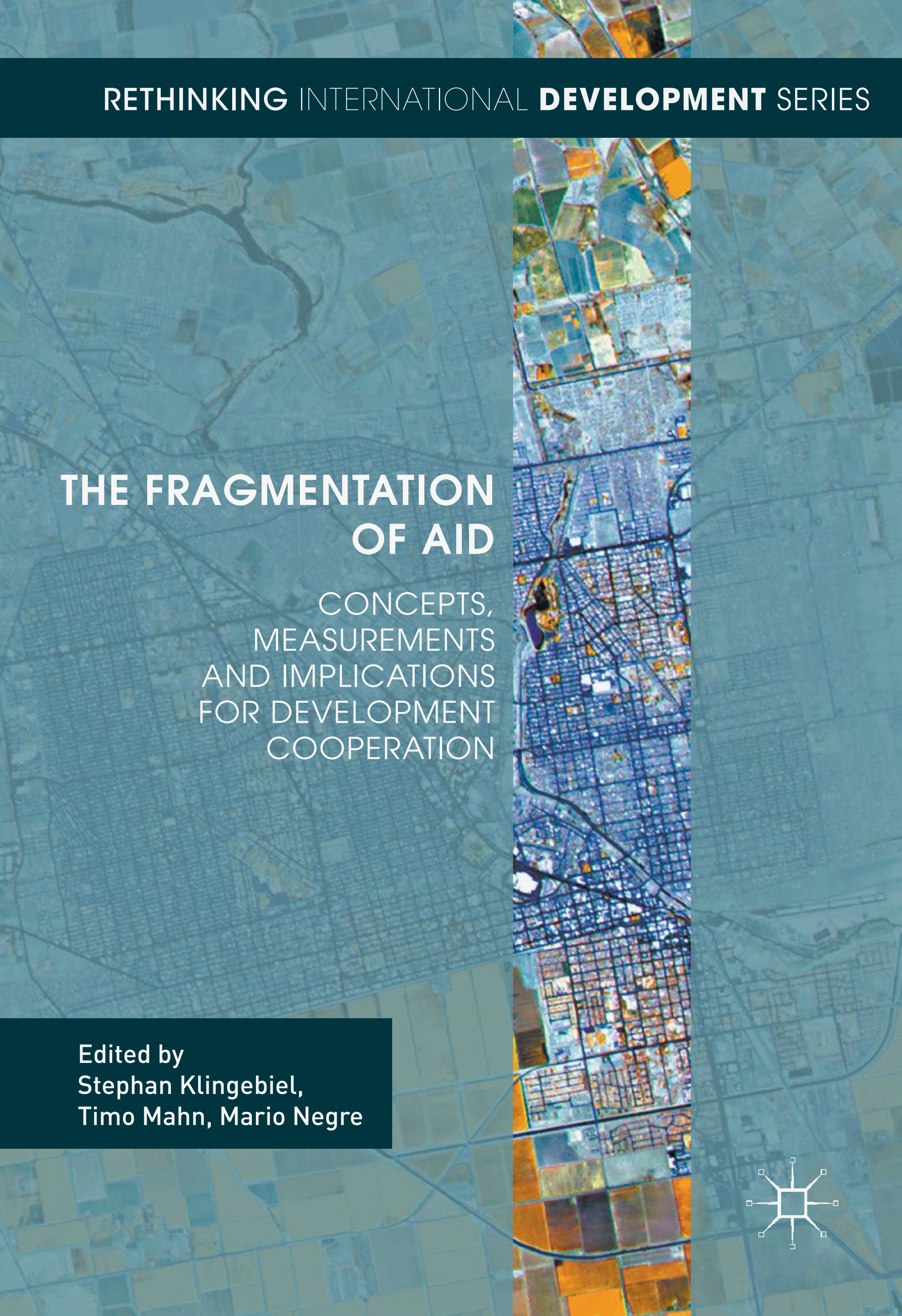


RETHINKING INTERNATIONAL DEVELOPMENT SERIES

THE FRAGMENTATION OF AID

CONCEPTS, MEASUREMENTS AND IMPLICATIONS FOR DEVELOPMENT COOPERATION

Edited by
Stephan Klingebiel,
Timo Mahn, Mario Negre

Rethinking International Development series

Series Editors

Andy Sumner
Fellow of the Vulnerability and Poverty Research Team
Institute of Development Studies, UK

Ray Keily
Professor of International Politics,
Queen Mary University of London, UK

Aim of the Series

Rethinking International Development is dedicated to publishing cutting-edge titles that focus on the broad area of 'development'. The core aims of the series are to present critical work that is cross disciplinary, challenges orthodoxies, reconciles theoretical depth with empirical research, explores the frontiers of development studies in terms of 'development' in both North and South and global inter-connectedness, and reflects on claims to knowledge and intervening in other people's lives.

More information about this series at
http://www.springer.com/series/14501

Stephan Klingebiel • Timo Mahn • Mario Negre
Editors

The Fragmentation of Aid

Concepts, Measurements and Implications for Development Cooperation

palgrave
macmillan

Editors
Stephan Klingebiel
German Development Institute /
Deutsches Institut für
Entwicklungspolitik (DIE)
Bonn, Germany

Timo Mahn
German Development Institute /
Deutsches Institut für
Entwicklungspolitik (DIE)
Bonn, Germany

Mario Negre
The World Bank
German Development Institute /
Deutsches Institut für
Entwicklungspolitik (DIE)
Bonn, Germany

Rethinking International Development series
ISBN 978-1-137-55356-0 ISBN 978-1-137-55357-7 (eBook)
DOI 10.1057/978-1-137-55357-7

Library of Congress Control Number: 2016944550

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Macmillan Publishers Ltd. London

Acknowledgements

An edited volume is necessarily a collaborative project. Indeed numerous people across the globe have contributed to this volume, and in different ways.

This volume has its roots at the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE). The editors are current or former researchers at the institute and they wish to acknowledge the German Development Institute's continued support for this volume. Most importantly, we would like to thank all authors for their valuable contributions, as well as their patience and diligence in responding to our requests throughout the process.

We are happy to have worked on this project with Palgrave Macmillan and we thank Christina Brian and Ambra Finotello for their continued support and assistance in seeing this volume through to its finalisation.

We are grateful to Stephen Brown and an anonymous reviewer for their valuable feedback on the book proposal and relevant comments on parts of the final product. Finally, the editors thank Cornelia Hornschild, Carolin Frisch, Lea Mohnen and Melanie Mirsch at the German Development Institute for their editorial and essential other support.

As is the usual practice, all errors remain the editors'.

Stephan Klingebiel, Timo Mahn and Mario Negre

Contents

1 **Fragmentation: A Key Concept for Development Cooperation** 1
Stephan Klingebiel, Timo Mahn, and Mario Negre

Part I Measurements of fragmentation 19

2 **Measuring Fragmentation: The Financial Significance of Aid Relations** 21
Fredrik Ericsson and Suzanne Steensen

3 **Measuring Cross-Country Proliferation: Towards a New Non-proliferation Treaty?** 33
Lau Schulpen and Rik Habraken

4 **A Composite Index of Aid Fragmentation** 45
Daniela Buscaglia and Anjula Garg

Part II Drivers and Actors of fragmentation 61

5 Bilateral Donor Bureaucracies and Development Cooperation Pluralism 63
Erik Lundsgaarde

6 Fragmentation's Losers: Who Are the Aid Orphans? 79
Elena Pietschmann

7 Fragmenting Aid or a Platform for Pluralism? The Case of 'Vertical Funds' 93
Margret Thalwitz

8 EU Engagement in Fragile and Conflict-Affected Countries: Comprehensive Policy, Fragmented Operations 107
Mark Furness

9 South-South Cooperation and Fragmentation: A Non-issue? 121
Gerardo Bracho and Sven Grimm

Part III Impact and Consequences of Fragmentation 135

10 The Age of Choice: Developing Countries in the New Aid Landscape 137
Romilly Greenhill, Annalisa Prizzon, and Andrew Rogerson

11 Aid Fragmentation and Donor Coordination in Uganda: A District-Level Analysis 153
Peter Nunnenkamp, Michaela Rank, and Rainer Thiele

12 Aid Fragmentation and Effectiveness for Infant and Child Mortality and Primary School Completion 165
Mitsuaki Furukawa

13 The Implications of Multi-bi Financing for Multilateral Agencies: The Example of the World Bank 185
Bernhard Reinsberg

14 Diversification in Practice: How Fragmented Aid Affects Renewable Energy Support in the Philippines 199
Jens Marquardt

Part IV How to deal with fragmentation 215

15 Managing Diversity: A Partner Country Perspective 217
Elena Pietschmann

16 One Recipe for Many Cooks? Multi-actor Coordination in Post-conflict Countries: Benefits and Risks 231
Tanja Kasten

17 The United Nations in Development: Confronting Fragmentation? 247
Timo Mahn

18 How Serious Is the EU on Aid Fragmentation? 261
James Mackie

19 Assessing the Costs and Benefits of Reducing Fragmentation: Coordination in European Aid 277
Mario Negre and Stephan Klingebiel

20 Aid Fragmentation and Coherence: Is a More Integrated Approach the Answer to Canadian Aid Effectiveness? 295
Rachael Calleja, David Carment, and Yiagadeesen Samy

21 Afterword—Fragmentation: A Challenge of Leadership 311
Erik Solheim

Bibliography 315

Index 351

List of Abbreviations

AAA	Accra Agenda for Action
ABC	Brazilian Cooperation Agency (Agencia Brasileira de Cooperacao)
ADB	Asian Development Bank
AFD	Agence Française de Développement
AfDB	African Development Bank
AFI	Aid Fragmentation Index
Afrodad	African Network on Debt and Development
AIMS	Aid Information Management Systems
AMC	Advanced Market Commitment
AMEXCID	Mexican Development Cooperation Agency (Agencia Mexicana de Cooperación Internacional para el Desarrollo)
AMORE	Alliance for Mindanao Off-Grid Renewable Energy
AusAID	Australian Agency for International Development
BB	Building Block on Managing Diversity and Reducing Fragmentation
BMU	German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
BMWi	German Federal Ministry for the Economy and Technology
BMZ	German Federal Ministry for Economic Cooperation and Development
BPd	Busan Partnership document
BRECDA	Barangay Renewable Energy and Community Development Associations
BRICS	Brazil, Russia, India, China and South Africa
BS	Budget support
CBDR	Common but Differentiated Responsibility

CBRED	Capacity Building to Remove Barriers to Renewable Energy Development
CEB	Chief Executives Board of the United Nations System
CEnergy	Climate Change and Clean Energy Project
CESM	Center for Environmental Studies and Management
CFSP	Common Foreign and Security Policy
CGIAR	Consultative Group for International Agricultural Research
CIDA	Canadian International Development Agency
CIF	Climate Investment Funds
CPA	Country Programmable Aid
CPIA	Country Policy and Institutional Assessment
CRS	Creditor Reporting System
CSDP	Common Security and Defence Policy
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DAG	Development Assistance Group
DFAIT	Department of Foreign Affairs and International Trade
DFATD	Department of Foreign Affairs, Trade and Development
DFID	Department for International Development
DILG	Department of the Interior and Local Government
DOE	Department of Energy
DoL	Division of Labour
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	European Court of Auditors
ECDPM	European Centre for Development Policy Management
ECOSOC	Economic and Social Council
EDF	European Development Fund
EDPRS	Economic Development and Poverty Reduction Strategy
EEAS	European External Action Service
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EP EAVU	European Parliament—European Value Added Unit
ERD	European Report on Development
ERP	Enterprise Resource Planning
EU	European Union
FA	Factor Analysis
FCA	Fragile and Conflict-Affected
FDI	Foreign Direct Investment
FIF	Financial Intermediary Fund

FTI	Fast Track Initiative
GAVI	GAVI Alliance (formerly known as Global Alliance for Vaccines and Immunization)
GBS	General Budget Support
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria
GIZ	Deutsche Gesellschaft für International Zusammenarbeit
GMM	Generalised Method of Moments
GNI	Gross National Income
GPE	Global Partnership for Education
GPEDC	Global Partnership for Effective Development Co-operation
GTP	Growth and Transformation Plan
HDI	Human Development Index
HHI	Herfindahl-Hirschman Index
HLF	High-Level Forum
HOMs	Heads of Missions
IAD	Institutional Analysis and Development
IBRD	International Bank for Reconstruction and Development (usually referred to as the World Bank)
IBSA	India, Brazil, South Africa
ICG	International Crisis Group
ICRG	International Country Risk Guide
IDA	International Development Association (a member of the World Bank Group)
IDB	Inter-American Development Bank
IDP	Index of Donor Proliferation
IDS	International Development Statistics
IEA	International Energy Agency
IEG	Independent Evaluation Group
IEO	Independent Evaluation Office
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFFIm	The International Finance Facility for Immunization
ILO	International Labour Organisation
IMF	International Monetary Fund
IPR	Intellectual Property Rights
IPS	International Policy Statement
JGA	Joint Governance Assessment
JICA	Japan International Cooperation Agency
JP	Joint Programming

LAP	Learning Advisory Process
LDC	Least Developed Countries
LGU	Local Government Unit
LIC	Low-Income Countries
LMIC	Lower Middle-Income Countries
MDB	Multilateral Development Banks
MDBS	Multi-Donor Budget Support
MDGs	Millennium Development Goals
MDTF	Multi-Donor Trust Funds
M&E	Monitoring & Evaluation
MFA	Ministry of Foreign Affairs
MIC	Middle-Income Countries
MINECOFIN	Ministry of Finance and Economic Planning
MISP	Municipal Solar Infrastructure Project
MRI	Mutual Reliance Initiative
MS	Member States
NEDA	National Economic Development Agency
NEFIN	Nepal Federation of Indigenous Nationalities
NGO	Non-Governmental Organisation
NIEO	New International Economic Order
NORAD	Norwegian Agency for Development Cooperation
NSDP	National Strategic Development Plan
NTDA	Non-traditional Development Assistance
NTP	Non-traditional providers
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OJ-EU	Official Journal of the European Union
OLS	Ordinary least squares
ONDCP	Office of National Drug Control Policy
PBA	Programme-Based Approaches
PCA	Principal Component Analysis
PD	Paris Declaration
PFM	Public financial management
PIU	Project Implementation Units
PNRELSP	Palawan New and Renewable Energy and Livelihood Support Project
PPP	Public–Private Partnerships
PRSP	Poverty Reduction Strategy Paper
PV	Photovoltaic
QCPR	Quadrennial Comprehensive Policy Review
QUODA	Quality of ODA

RGC	Royal Government of Cambodia
SCF	Strategic Climate Fund
SDGs	Sustainable Development Goals
SECO	Swiss State Secretariat of Economic Affairs
SEP	Special Energy Program
SHS	Solar home systems
SP	Silent Partnership
SPLM	Sudan Peoples' Liberation Movement
SSC	South-South Cooperation
START	Stabilization and Reconstruction Task Force
SWAps	System-Wide Approaches
SWGs	Sector Working Groups
TDA	Traditional Development Assistance
TOSSD	Total Official Support for Sustainable Development
UN	United Nations
UNAMSIL	United Nations Mission in Sierra Leone
UNDAF	United Nations Development Assistance Framework
UN DESA	United Nations Department of Economic and Social Affairs
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIPSIL	United Nations Integrated Peacebuilding Office
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development
WDI	World Development Indicator
WEF	World Economic Forum
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

List of Figures

Fig. 1.1	Fragmentation: a key concept	4
Fig. 2.1	Total number of aid providers per country	24
Fig. 2.2	Aid relationship categories	28
Fig. 2.3	Large and small provider bias, using different measures	30
Fig. 2.4	Fragmentation ratio per country	31
Fig. 12.1	Project fragmentation and infant and child mortality rate	177
Fig. 12.2	Overall HHI for the primary school completion rate among different groups	181
Fig. 14.1	Energy-related development cooperation in the Philippines over time	204
Fig. 14.2	Development cooperation activities promoting renewables in the Philippines	206
Fig. 18.1	ODA-EU institutions and nine largest member state donors	272

List of Tables

Table 4.1	Top 10 countries ranked by AFI in selected years	58
Table 5.1	Key DAC development bureaucracies	66
Table 6.1	Watch-list of potentially under-aided countries	83
Table 11.1	Regional and sectoral focus of Top-10 donors in Uganda, 1996–2013	158
Table 11.2	Duplication of aid efforts at the sector level: Number of active donors, 1996–2013	160
Table 12.1	Project fragmentation and infant and child mortality rate	174
Table 12.2	Project Fragmentation and Primary School Completion Rate	178
Table 15.1	Advantages and disadvantages of different coordination approaches for partner countries	223
Table 16.1	Potential impact of peace building activities in Rwanda and Sierra Leone	240
Table 16.2	Aid harmonisation in Rwanda and Sierra Leone	243
Table 19.1	Summary of effects of better EU implementation of the Paris Declaration (€ billions; 2012 prices)	291

Notes on Contributors

Gerardo Bracho a Mexican Diplomat, is currently Senior Advisor at AMEXCID, Mexico's Development Cooperation Agency. With many years of experience in the Development Cooperation Agenda, Mr Bracho has served as Senior Advisor at the DCD/DAC (2013–2014), Deputy Director General in AMEXCID (2011–2013) and Mexican (observer) DAC delegate (2005–2011). He has also been posted at the Mexican Embassies in the UK and Russia. Mr Bracho holds a master degree in Development Studies at the University of Sussex (IDS) and a Bachelors degree in Economics at the Autonomous University of Mexico.

Daniela Buscaglia has been working, since 2012, at the Joint Research Centre of the European Commission, where she joined the EU Aid Explorer team as an Economist, working on the design and implementation of a composite indicator on Aid Fragmentation. She holds a PhD in Political Economics, and she has working experiences as a researcher for the European Central Bank, Italian Ministry of the Treasury, Italian National Institute of Statistics and University of Pavia. Her research interests are mainly in Macroeconomics, in International Economics and Finance and in Development Economics.

Rachael Calleja is a PhD Candidate at the Norman Paterson School of International Affairs at Carleton University, Canada. Her dissertation focuses on understanding the determinants of the organizational structure of bilateral aid agencies and probing the link between aid management and donor performance. Rachael holds a BA in History and Political Science from McMaster University and an MA in Political Science from the University of Guelph.

David Carment is a Senior Fellow at the Centre for Global Cooperation Research in Germany and a full Professor of International Affairs at the Norman Paterson School of International Affairs, Carleton University. Carment is a Fellow of the

Canadian Defence and Foreign Affairs Institute (CDFAI) and is listed in the Who's Who in International Affairs. Carment serves as the principal investigator for the Country Indicators for Foreign Policy project (CIFP). He was the Director of the Centre for Security and Defence Studies at Carleton University. His most recent work focuses on developing failed and fragile state risk assessment and early warning methodologies and evaluating models of third party intervention. He is the editor of *Canadian Foreign Policy Journal*.

Fredrik Ericsson is a Statistician at the International Telecommunication Union (ITU) with ten years of experience in quantitative analysis from the finance sector and international organisations. Prior to the ITU, he worked for over seven years as Statistical Analyst at the OECD focused on composition and allocation of development finance. His primary areas of expertise are data analysis and international statistics. Fredrik holds a Master's degree in Statistics from Uppsala University in Sweden and previously worked in the finance sector performing quantitative business analytics.

Mitsuaki Furukawa currently serves as Chief Representative for the South Sudan Office of the Japan International Cooperation Agency (JICA). The latter is the Japanese governments' agency tasked with providing bilateral Official Development Assistance (ODA) to developing countries. Dr Furukawa joined JICA in 1989 following 2 years engagement in the private sector. Before his posting in South Sudan he had served as Executive Senior Research Fellow of JICA Research Institute (2009–2014) and Resident Representative of JICA UK Office (2007–2009), among other posts. Dr Furukawa holds a PhD in Social Sciences from the Graduate School of Social Sciences, Hitotsubashi University, Japan.

Mark Furness is a senior researcher in the Bi- and Multilateral Development Cooperation department at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) in Bonn. His current research and policy advisory work focuses on EU development policy, aid effectiveness, the security-development nexus and development cooperation in the MENA region.

Anjula Garg has been working at the Joint Research Centre of the European Commission since 1997. She is currently managing the EU Aid Explorer project (https://euaidexplorer.ec.europa.eu) which supports donor coordination, transparency and aid effectiveness. She holds a Bachelor's degree in Physics from the University of Delhi, plus two postgraduate degrees in Engineering Computation and Computer Science from the UK. She has worked as a project leader in the UK, Germany and now Italy on Information Technology projects for almost 30 years in the areas of CAD/CAM, Formal Specification Languages, Management Information Systems, Object Oriented Technologies, and Gathering Information from the web.

Romilly Greenhill is Team Leader for Development Finance at the Overseas Development Institute. Her research interests include financing the Sustainable Development Goals and the perspectives of developing countries in managing the new aid landscape. Before joining ODI, Romilly worked as the aid transparency team leader and head of secretariat of the International Aid Transparency Initiative at the UK's Department for International Development (DFID). She has also worked for ActionAid UK and Cambodia, the New Economics Foundation, and the Ugandan Ministry of Finance, Planning and Economic Development. Romilly is the author of numerous articles and reports on aid and development finance.

Sven Grimm is senior researcher at the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE) in Bonn, Germany, and Extraordinary Associate Professor of Stellenbosch University, South Africa. He is a political scientist with a strong interest in South-South cooperation, focusing particularly on external partners' cooperation with African states. He has led research projects on emerging economies' African relations and their implications for European cooperation policy. He has published widely specifically on China-Africa relations and was director of the Centre for Chinese Studies at Stellenbosch University, South Africa, between 2010 and 2014.

Rik Habraken is a PhD student at the School of International Development—University of East Anglia (United Kingdom) where he focuses on the effect of social embeddedness on aspirations in Eastern Uganda. He holds a Master's degree in Organisation Studies and in International Development. Previously, he worked at the Centre for International Development Issues Nijmegen (Netherlands) on civil society, public support, and the (new) aid architecture topics. He was also responsible for coordinating research cooperation with universities in Ghana and Indonesia.

Tanja Kasten is a policy consultant with the German Development Cooperation (GIZ). She is part of a specialized consultancy unit on aid effectiveness which serves as an advisory body for the German Ministry of Development (BMZ). Previously, she worked as a development worker and policy advisor in Guatemala in support of a local peacebuilding network. Tanja Kasten holds a PhD in Political Science and has focused her academic work on the nexus between peacebuilding and development.

Stephan Klingebiel is Head of the Department of Bi- and Multilateral Development Cooperation at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) in Bonn, Germany. His research and university teaching focuses on political economy of aid, aid & development effectiveness, political economy and governance issues in sub-Saharan Africa, and crisis prevention and conflict management. He is a regular Visiting Professor at Stanford University and a senior lecturer at the University of Marburg.

Erik Lundsgaarde is a Senior Researcher at the Danish Institute for International Studies with expertise on global multi-stakeholder initiatives, aid politics and the organization of donor systems. His publications include the books *The Domestic Politics of Foreign Aid* (Routledge 2013) and *Africa toward 2030: Challenges for Development Policy* (Palgrave Macmillan 2012). He holds MA and PhD degrees in Political Science from the University of Washington.

James Mackie is Senior Adviser on EU Development Policy at the European Centre for Development Policy Management (ECDPM) in Maastricht, Netherlands where he has worked since 2002. He coordinated the ECDPM contribution to the European Report on Development and led the team that produced ERD2013 on Post-2015: Global Action for an Inclusive and Sustainable Future. Prior to ECDPM he worked in the NGO development sector, latterly as Secretary General of the NGO-EU Liaison Committee (now CONCORD). Mackie holds a PhD in Geography from SOAS (London). He is also a Visiting Professor on international development at the College of Europe.

Timo Mahn is a researcher and public sector consultant at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) in the department on 'Bi-and Multilateral Development Cooperation'. His current research and policy advisory work focuses on the United Nations, aid modalities, public financial management and fraud prevention. He has published several articles on these issues. Timo has previously worked for the World Bank, German Financial Cooperation in Rwanda, as well as for the Joint Inspection Unit of the United Nations. He holds a Masters degree in Political Science from the Free University of Berlin and a Master of International Studies from the George Washington University in Washington DC.

Jens Marquardt is a Research Associate at the Martin Luther University Halle-Wittenberg, Germany. He holds a PhD in Political Science from the Freie Universität Berlin. Apart from his research on environmental development cooperation he is particularly interested in energy transitions and the role of power in multi-level governance systems. In Southeast Asia, Jens Marquardt worked for the German donor organization GIZ. He was previously employed at the Centre for Sustainability Management in Lüneburg and worked as a freelancer for adult education, public relations and communication.

Mario Negre is a senior economist in the World Bank Research Group seconded by the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) in Bonn, Germany. He has worked at the European Parliament in the past. His fields of specialization are pro-poor growth, inclusiveness, inequality and poverty measurement as well as development cooperation policy, particularly European. Mario holds a BSc in Physics (University of Barcelona), an MA in Development Policies (University of Bremen), and a PhD in development economics (Jawaharlal Nehru University, India).

Peter Nunnenkamp is a senior economist at the Kiel Institute for the World Economy in Germany. He has published extensively on the allocation and effectiveness of foreign aid. His recent research has focused on donor coordination and aid fragmentation, across and within recipient countries.

Elena Pietschmann currently works at the International Fund for Agricultural Development (IFAD), based in Rome. She previously worked for the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), and for NGOs implementing rural development projects in Uganda.

Annalisa Prizzon is a Research Fellow within the Centre for Aid and Public Expenditure at the Overseas Development Institute (United Kingdom). At ODI, Annalisa is currently leading the portfolio analysing the implications of the new development landscape at country level. Before joining ODI, she was an Economist at the OECD Development Centre and at the World Bank. She holds a PhD in Economics and Public Finance with a focus on external debt sustainability in low-income countries.

Michaela Rank is a senior research assistant and IT specialist at the Kiel Institute for the World Economy in Germany. She has been closely involved in previous research on donor coordination and the division of labour among donors within recipient countries.

Bernhard Reinsberg is post-doctoral research associate at the University of Cambridge and the University of Zurich in political economy and development studies. He received his PhD from the University of Zurich. Previously, he studied at ETH Zurich, University of Geneva, and Freie Universität Berlin, and completed fellowships at various international development organisations. In his dissertation project, he analysed the proliferation of multilateral funds and multi-bi financing of multilateral organizations. For this purpose, he compiled a new dataset on multi-bi aid activities over the past 25 years. He also conducted a large number of interviews at donor governments and multilateral agencies including the World Bank and United Nations agencies.

Andrew Rogerson is a Senior Research Associate at the Overseas Development Institute, United Kingdom. From 2009 to 2011, he was on the staff of the Organization for Economic Cooperation and Development (OECD) and advised its Development Assistance Committee. From 2006 to 2008 Andrew was head of the Human Development Group at the UK Department for International Development (DFID), responsible for overall policy on health, HIV-AIDS and education. Andrew had earlier spent 26 years at the World Bank, including management assignments as both Country and Sector Director and as Special Representative to the European Union.

Yiagadeesen Samy is an Associate Professor and the Associate Director at the Norman Paterson School of International Affairs, Carleton University, Ottawa, Canada, where he has been teaching and doing research since 2003. He holds a PhD in Economics and his broad research interests are in international trade and development economics. He is the author and co-author of numerous peer-reviewed articles and book chapters on various issues including trade and labour standards, foreign direct investment, Small Island Developing States, state fragility, aid effectiveness, domestic resource mobilization and income inequality.

Lau Schulpen is senior researcher and lecturer at the Centre for International Development Issues Nijmegen (CIDIN) (Radboud University, Netherlands). He has published extensively on Dutch development policy, NGDOs, private initiatives, and fragmentation. He recently edited (with Paul Hoebink) a book on private development aid in Europe (published by Palgrave MacMillan, 2014) and (with Stefan Verwer and Ruerd Ruben) a book on 60 years of Dutch development cooperation.

Erik Solheim is the Executive Director of the United Nations Environment Programme (UNEP). Previously, he was elected Chair of the OECD Development Assistance Committee (DAC) in January 2013. He has emphasized reform of Official Development Assistance, focusing more assistance to the least developed countries, using assistance to mobilize more private investment and to support domestic resource mobilization through better taxation. Erik Solheim is also serving as United Nations Environment Programme's special envoy for environment, conflict and disaster. From 2007 to 2012 he held the combined portfolio of Norway's Minister of the Environment and International Development; he also served as Minister of International Development from 2005 to 2007. From 2000 to 2005, Erik Solheim was the main negotiator in the peace process in Sri Lanka. As minister he contributed to peace processes in Sudan, Nepal, Myanmar and Burundi.

Suzanne Steensen is manager of the OECD work programme on development architecture and global governance, which provides evidence to support bilateral and multilateral allocation policies and contributes to the modernisation of the OECD's statistical framework on development finance. Suzanne is an economist with 20 years' experience with international development co-operation. She holds a Master's degree in Mathematics and Economics from Copenhagen University and previously worked in the Danish ministry of Foreign Affairs and as a consultant performing a wide range duties relating to financial and economic analysis, public finance, results-based management and institutional and organisational capacity building in developing countries.

Margret Thalwitz is a Senior Expert Fellow at the Centre for Global Cooperation Research. She graduated in economics from the University of Freiburg and completed the Post Graduate course at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE). She was a staff member of the World Bank, has worked as a consultant for the World Bank, UNICEF, and the BMZ, and has been a visiting scholar at the Global Economic Governance Program of the University of Oxford. Her current interests and research include agriculture, nutrition and the fighting against hunger.

Rainer Thiele is adjunct professor of development economics at Kiel University and a senior researcher at the Kiel Institute for the World Economy in Germany. His research over the last 10 years has addressed various aspects of foreign aid, with a recent focus on donor specialisation and coordination within and across recipient countries.

CHAPTER 1

Fragmentation: A Key Concept for Development Cooperation

Stephan Klingebiel, Timo Mahn, and Mario Negre

Introduction

In an ever increasing number of policy fields, international cooperation under the conditions of 'fragmentation' is a reality. Fragmentation is the phenomenon of a multiplication of actors and growing atomisation, affecting goals, modalities, and instruments as well as the numerous operational and non-operational activities. The term 'fragmentation' is used in a number of areas and academic disciplines, including, in particular, the field of development cooperation.

To illustrate the fragmentation challenge, the construction of an Airbus A380 offers a compelling metaphor. Such an enterprise is characterised by 'fragmentation' in terms of actors, activities, processes and parts. Before such a plane can be assembled, the fuselage construction is completed in Germany and France, the United Kingdom is specialised in manufacturing the wing and tail, while the fin and pitch elevator are made in Spain. Once made, all main parts are then transported to Toulouse for final assembly (ECORYS 2009). The construction of the core aeroplane components requires a sophisticated planning process. An A380 comprises around four million individual parts which are produced by 1,500 companies across 30 different countries. For nonexperts in aircraft construction, it is an amazing feat that the production process will finally result in one of the most modern aircrafts in the world. It would be impossible to construct an aeroplane like the A380 without a highly specialised planning, construction and assembly process.

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_1

Where development cooperation is concerned, the A380 example provides insights on several basic facts. Each activity and each process consists of 'fragments'. This is true for daily routine activities and complex processes of production alike. However, many routine and straightforward activities are quite different from the construction of an aeroplane. In the case of an A380 airliner, managing a highly specialised process involving many actors and activities is unavoidable.

Comparisons and parables have their limitations, though. It would be naive to assume that the construction of an A380 could provide directly transferable insights for the examination of the 'fragments' of development cooperation. Nonetheless, such a different perspective helps to identify the right questions: Is development cooperation an activity like building an aeroplane or are things more straightforward? If we need to construct an aeroplane: Are all donors doing similar things—for instance, are all donors building a tail? Is any actor, recipient or donor, in a position to play the role of the lead engineer or the CEO of the aircraft company? If development cooperation is a straightforward activity and a 'mechanical' process, are we all using the same methods and are the basic aspects organised in a similar fashion?

The search for insights from broader social science thought may illuminate even more fundamental and underlying concepts in development cooperation and the nature of development processes. By making William Easterly's (2006) distinction between 'planners' and 'searchers', we may be implicitly using totally different basic concepts. In his view, the 'planners' in development cooperation use old and failed models of the past: the 'financing gap', the 'poverty trap', a 'government-to-government aid model', and an 'expenditures equal to outcomes' mentality. In Easterly's perspective the methods of the 'searchers' display clear advantages: they imitate the feedback and accountability of markets and democracy to provide goods and services to individuals until homegrown markets and democracy end poverty in the society as a whole. An example of the more promising 'searchers' approach, in his view, is that of Nobel Peace Laureate Mohammad Yunus and Grameen Bank. Ben Ramalingam (2013) uses complexity theory to get away from technical 'problem-solution' approaches that are not suitable to 'aid on the edge of chaos'.[1] Meanwhile, Jeffery Sachs' (2005) approach is characterised by confidence in the planning capacity in the development area, whereas Easterly praises the 'searchers'. 'The man without a plan' portrayed by

Amartya Sen (2006) in discussing Easterly's book would probably not be in a position to construct a flyable aircraft.

Against this background, the present edited volume attempts to offer a number of different perspectives on fragmentation rather than one specific answer to the challenges it poses in the context of development cooperation. This effort involves a conceptual and theoretical debate on the topic, along with various different qualitative and quantitative attempts to assess the phenomenon and to discuss ways of how to overcome its main challenges.

Fragmentation as a Key Concept in International Cooperation

'Fragmentation' as a concept is used to analyse the existing organisational structure, for example in the policy fields of international security and global environmental governance (Oberthür and Schram Stokke 2011; Zelli and von Asselt 2013; Biermann et al. 2009) and the structure of trade regimes (e.g. Cottier and Delimatsiss 2011; Snyder 2010). Thus, in discussions on international relations, the term is important for theoretical approaches and concepts. An increasing need for regulation to manage the processes of globalisation has led to the development of a number of international institutions and regimes. These institutions and regimes are characterised by overlaps, by the complex constellations of the actors involved, and by the management of linkages within and between the different fields of cooperation. When institution-builders of the 1940s established the main structures, they essentially began with a clean slate. The institutional landscape of today however is much more complex (Hale et al. 2013).

Recent debates look at innovative areas of international relations where new models of interaction and cooperation are applied. For example, the governance structure of the World Wide Web is unique and demanding in many regards (that is, in terms of the number of different actors, the role of public and private stakeholders, the interest of several countries to limit access to the internet etc.). In other words, the management of international relations looks quite different from cooperation patterns of the past: the 'Orchestrating Global Solution Network' is one example of innovations by organisational entrepreneurs (Abbott and Hale 2014); a current model for such a new multistakeholder initiative, which includes countries, civil-society groups and companies is, for instance, the Extractive Industries Transparency Initiative (EITI).[2]

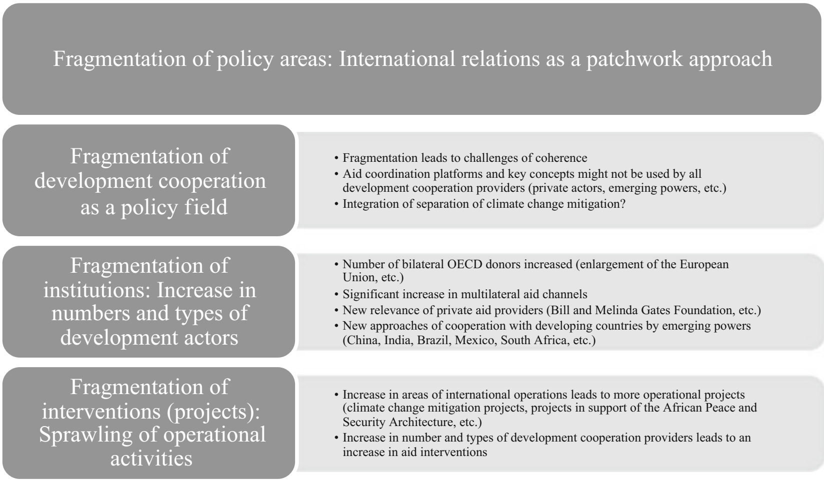


Fig. 1.1 Fragmentation: a key concept
(Source: Author's own compilation)

The need for specialised institutional solutions is clearly confronted with trade-offs related to institutional proliferation tendencies in a number of areas. Against this background, fragmentation can be seen as a concept to provide a better understanding of institutional arrangements and to analyse complex structures. In Fig. 1.1 we call this 'Fragmentation of policy areas: International relations as a patchwork approach' to point at the overlaps and gaps in terms of international regimes.

Fragmentation in the Field of Development Cooperation

These basic considerations also apply to the field of development cooperation (official development assistance, ODA). There is an increasing interest in fragmentation as a concept that is useful for the analysis of the aid landscape and aid architecture, the political economy of aid actors and the way aid is delivered. The interest in using 'fragmentation' as a starting point or a framing concept for aid does not only apply to the academic debate but also to the discussion among practitioners. The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) organised an academic conference on the topic in 2013 where the idea for this book originated.[3] On the practitioners' side, the Global Partnership Initiative (GPI) on "Managing Diversity and Reducing Fragmentation",[4] a main forum for development partners and partner countries to reflect on related challenges, points to the relevance of the issue (see Chap. 15 by Pietschmann in this book).

Fragmentation leads to important unintended consequences for donors and partners alike, which can thwart their attempts to increase the effectiveness of aid. Each aid relation carries transaction costs that burden the administrative capacity of aid agencies; each additional aid relation complicates efforts to coordinate effectively, which increases the likelihood that sectors and countries are neglected, efficiency suffers and policy incoherencies are intensified.

In terms of academic approaches there has been an increasing number of pieces of quantitative empirical research on fragmentation in addition to fairly qualitative work on patterns and consequences of fragmented cooperation approaches (e.g. Nunnenkamp et al. 2015; Knack and Rahman 2004) (see Chap. 12 by Furukawa; Chap. 14 by Marquardt; Chap. 16 by Kasten; Chap. 11 by Nunnenkamp, Rank and Thiele in this book). To a large extent, the academic literature explains challenges through collective action theory and the political economy of aid that hinder a greater use of these instruments on the ground.

The term 'fragmentation' points to negative aspects of the complexity of development cooperation. At the same time, development cooperation and partner countries in particular might benefit from an approach that includes more competition stemming from diversity. This is why a continued diversification of development cooperation providers and approaches may also be viewed from a positive perspective: it increases the potential for mutual learning, innovation and competitive selection among the various different providers of development cooperation.

These differing assessments of the observed diversification of goals, approaches and actor constellations as well as the processes through which they are managed pose a challenge for the assessment of how to make development cooperation more effective. Whereas the critical viewpoint sees pluralism as an impending factor to increasing the effectiveness of aid, the more favourable stand views pluralism as beneficial to making aid more effective by creating a 'market for aid' and thereby more choices.

Drivers and Actors: Proliferation and Fragmentation Trends

Since the beginning of the 2000s in particular, there has been an acceleration in the trend towards the simultaneous proliferation and fragmentation of actors providing aid and other forms of international cooperation (Severino and Ray 2010; Janus et al. 2015). The increasing number of donors and other actors, as well as goals and instruments, has created an environment that is increasingly difficult to manoeuvre in. Critics argue that the continuous proliferation of actors and approaches has led to a fragmented development cooperation landscape in many aid-dependent countries. There are several aspects of relevance regarding this trend (see Ashoff and Klingebiel 2014).

In those *areas of international cooperation* not attributable to aid or only partly so, donors are increasingly establishing other approaches to cooperation and proposing forms of cooperation that mainly serve the interests of a specific sector. These cooperation models may deal with a range of matters, including issues of international security, the environment or research policy (see Chap. 14 by Marquardt in this book). An example of this is climate finance, whose volume has already reached a size similar to development cooperation.[5]

The circle of *multilateral aid institutions* and *EU donors* has become even larger (see Chap. 13 by Reinsberg; Chap. 17 by Mahn; and Chap. 18 by Mackie in this book). Indeed, the high number of international institutions that offer multilateral aid leads Reisen (2009) to describe it as a 'non-system'. As for the proliferation of providers, this is due in part to the creation of vertical funds, an increasing number of which have been set up since the 1990s, some of them endowed with considerable sums of money. Vertical funds are earmarked for specific issues, meaning they can respond relatively quickly and flexibly to new topics in a targeted manner (see Chap. 7 by Thalwitz in this book). New aid providers include several countries that joined the EU relatively recently, such as Poland and Lithuania, which contribute small amounts of aid and add to the proliferation process.

As *new donors,* dynamic middle income countries such as China, India and Brazil are of great interest in political and academic debates, given the considerable momentum they generate and the political implications of their involvement (see Chap. 9 by Bracho and Grimm in this book). Their cooperation with other developing countries is described as South-South cooperation, more horizontal cooperation relationships than traditional vertical cooperation between North and South. What distinguishes these countries from traditional donors is that they have an explicitly different understanding of development cooperation (Bracho 2015; Chaturvedi 2014; Chaturvedi et al. 2012). This is seen, for example, in the way they seek to refrain from getting involved in matters of political dialogue, that is, political noninterference, or in the way they highlight the mutual benefits of cooperation. Regarding the latter, they tend to emphasise their own economic interests to a greater extent and intentionally link aid with commercial instruments, whereas donors organised in the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) seek to avoid mixing the interests of development policy with those of foreign trade, at least with regard to aid standards. For these very reasons, resource-rich countries such as Angola, Nigeria and Sudan are openly recognised by new donors as important cooperation partners. New donors often give prominence to infrastructural projects as part of their aid activities (transport, energy projects, construction of public buildings, etc.). On the whole, new donors intentionally refrain from adopting the aid logic of the DAC donor group (Chaturvedi 2014; Bracho 2015; UNDP 2013; Chaturvedi et al. 2012; Klingebiel 2014). To some extent, Arab donors show similarities with this group of 'new donors'. However, donors such as Saudi Arabia, Kuwait and the United Arab Emirates have been involved in development policy activities since the 1970s (Zimmermann and Smith 2011, p. 730f.; Walz and Ramachandran 2011, p. 11ff.).

Finally, private foundations and *philanthropic donors* have been entering the aid arena in increasing numbers since the 1990s, financing their work through endowment funds. By the end of the 2000s, the work of these foundations had reached tangibly substantial levels, equalling about 6–8 % of aid provided by OECD/DAC donors. The Bill & Melinda Gates Foundation, currently the largest foundation, outstrips many smaller public donors such as Finland and Portugal (Lundsgaarde et al. 2012; Missik and Romon 2014).

Fragmentation or 'More Choices': The Development Finance Landscape

Development finance is undergoing a process of rapid transformation as well (see Chap. 10 by Greenhill, Prizzon and Rogerson in this book). Its structure reflects the radical changes taking place in the aid system environment in terms of the extensive differentiation processes within and between development regions and the dynamics produced by external conditions.

Four features of diversification can be identified with regard to development financing (Adugna et al. 2011; Walz and Ramachandran 2011; Zimmermann and Smith 2011; UN DESA 2014). From a development policy perspective, the trend of increased choices of development finance is *prima facie* a positive change for many developing countries. Resources from a greater variety of origins and based on economic activities provide much more room for independent decisions by partner countries, as well as potentially more sustainable funding. At the same time, 'more choices' are also associated with an additional burden on the part of the recipient countries in terms of coordinating the various actors, as well as on quantitative and qualitative standards and rules for the system as a whole. Several aspects are relevant in this regard.

First, there has been a significant increase in private financial flows, particularly in the form of foreign direct investment, during the 1990s and 2000s. Viewed as a whole, these flows represent the most important external contribution to development finance. This applies first and foremost to more advanced countries (middle-income countries), which are now only dependent to a small extent on aid. Poor countries (low-income countries or least-developed countries) are also receiving more private finance, although this has not yet outstripped public flows in terms of volume. For example, foreign direct investment in Sub-Saharan Africa stood at US$ 52 billion in 2013, with the volume of aid for the region amounting to US$ 45 billion in the same year.[6]

Second, developing countries on the whole are becoming increasingly less reliant on ODA contributions. Over 50 countries have been removed from the recipient list in the last 40 years, due primarily to a process of graduation whereby developing countries increased their GDP *per capita* and moved up into the next income group (Sedemund 2014). OECD forecasts show that a further 28 countries with a combined population of two billion people could be taken off the list by 2030. Even those countries still on the list are making less frequent use of development cooperation as a source of finance. ODA flows account for a small proportion of the international funding available for developing countries. Although ODA still represents a significant proportion of public investment in some poor developing countries, even these countries are becoming less dependent upon it on average. ODA flows account for around 75% of all external resource flows in the world's poorest countries, representing 59% of these nations' own tax revenues. However, in the group of upper middle income countries, ODA only represents 2% of external resource flows or 0.8% of their tax revenues (Sedemund 2014; Klingebiel 2014).

Third, payments transferred by migrants back to their home countries (officially recorded payments and informal figures) are making an increasingly significant contribution to development finance. The majority of migrants that send remittances do not work in OECD countries, but rather in nations (often neighbouring developing countries) that are marginally more prosperous than their home countries. Estimates put the volume of migrants' remittances received from abroad in 2012 by people living in developing countries at around US$ 351 billion, almost three times the volume of ODA (Nwajiaku et al. 2014).

Fourth, new donors are becoming increasingly important in terms of the volume of development finance available. It is not possible to obtain complete data on this group, and the criteria needed for comparison (for instance, to see whether development assistance fulfils the aid criteria of the DAC) with OECD statistics, for instance, is not available in many cases. At the same time, it can be seen that aid from these new donors increased significantly in the 2000s and that, in many cases, it is highly relevant and visible in individual partner countries and within specific sectors. The OECD estimates that around 8.4% of all global concessional development finance is provided by countries beyond the circle of OECD-DAC members (OECD 2014b, p. 382).

The Impact of Fragmentation and the Way Forward

'Fragmentation' as a challenge to the development cooperation system is not new at all. Related issues and terms, especially the need to coordinate, can be regarded as one of the traditional topics in the academic and the practitioners' debates on aid (see, for instance, Dearden 2013; Wood et al. 2011). The necessity to overcome fragmentation in the area of aid through coordination was indeed a central rationale for the creation of the DAC of the OECD in 1961 and its work was focused regularly on this topic in the 1970s, 1980s and 1990s (Herman 2013, p. 10) (see commentary by Solheim in Chap. 21 in this book). More recently, the discussion has mostly taken place within the context of the debate on 'aid effectiveness.' This involves the Rome High Level Forum (HLF) in 2003, the Paris Declaration (PD) in 2005 and the subsequent forums in Accra and Busan on the one hand, and the Global Partnership for Effective Development

Co-operation (GPEDC) on the other. The first major international event on 'aid effectiveness' Rome 2003 was even called the "High-Level Forum on Harmonization."[7]

Harmonisation and coordination of aid approaches contributes to overcoming the negative aspects of a fragmented aid system. In other words, the need for coordination exists because aid is fragmented, and it is so mainly for two reasons: (i) Development cooperation comes from a number of different bilateral and multilateral sources; (ii) Typically ODA provides resources such as investments, loans or grants, goods, advice, training, etc. These resources are split up into a number of interventions per donor, normally projects and programmes (Acharya et al. 2006). In Fig. 1.1 we call this challenge "Fragmentation of interventions (projects): Sprawling of operational activities".

Fragmentation of aid has a number of consequences with a particular impact on aid recipients, as the direct and indirect transaction costs can be significant. These are likely to increase because donors are engaged in a number of countries and sectors, and each donor intervention requires attention in terms of consultations, missions, reporting needs, and so on.

In this context, the issue of coordination has gained a new impetus in recent years. Better coordination is considered crucial for overcoming the negative consequences of aid fragmentation. The December 2011 Busan outcome document encouraged developing countries to increase coordination efforts to "manage the diversity" of donors, programmes and projects.[8]

From its outset in the 1950s and 1960s, justifications for, and conditions attached to, development cooperation has been continuously evolving. Since the 2000s, however, these have undergone a fundamental reorientation, particularly so in the wake of rapid global economic and political transformations and an ongoing debate on what constitutes, and how best to achieve, global development. The changing context for development cooperation is so profound that the aid architecture is being faced with a fundamental overhaul if it wishes to remain 'fit for purpose'. Behind the pressure to reform are global transformation processes which are shifting the parameters that have traditionally defined the aid system's contours. On the side of some of the partner countries, we can observe both a convergence towards the economically advanced countries, as well as increasing uncoupling from development progress in others. Partners from the global South are entering the actor landscape in increasing numbers, albeit with distinct conceptions of what can and cannot be expected of them. These trends have important implications for the way aid architecture is set up and for challenges related to 'fragmentation'. This means that many developing countries suffer either from 'too little aid from too many donors' (cross-country fragmentation) and/or from 'donor spread across many sectors at country level and small project size' (in-country fragmentation), according to a rough classification of the OECD (see Chap. 2 by Ericsson and Steensen; Chap. 3 by Schulpen and Habraken; Chap. 4 by Buscaglia and Garg in this book). This raises fundamental questions about the size and outreach of development institutions: To what extent is organisational and mandate consolidation necessary? Up to what point is organisational stretch and mandate creep beneficial? And, if so, to whom and in what way? Put differently, how can we 'right-size' organisations? Overcoming fragmentation vis-à-vis managing pluralism—or diversity—entails greater coordination among, and possibly even integration of, providers of development cooperation under the local leadership of partner governments. To this end, development partners and partner governments have been strongly encouraged to develop and apply technical tools to address fragmentation, including the European Union's 'Code of Conduct on Complementarity' and 'Division of Labour', the European Union's 'Joint Programming' exercise (see Chap. 8 by Furness; Chap. 18 by Mackie; and Chap. 19 by Negre and Klingebiel in this book), or the United Nations 'Delivering as One' approach (see Chap. 17 by Mahn in this book).

In the case of the EU, for instance, more and improved coordination or even integration (of actors or activities) are a straightforward directive for which tools are available; however the monitoring and evaluation results of these tools point towards the existence of fundamental challenges. For instance, implementation of in-country division of labour is hampered by a lack of the active involvement and leadership of partner governments and the mixed performance of the donors participating (EU (European Union) 2009b, c, 2011; Furness and Vollmer 2013; Klingebiel et al. 2013a). In the case of the United Nations, implementing "Delivering as One" remains complicated due the existence of strong organisation-specific accountability systems. This is caused by the nature of the UN development system, composed of a myriad of independent agencies, each characterised by its own structures, norms and performance assessments (UN 2012c).

In essence, these examples show the limitations of applying essentially technical approaches including aid coordination mechanisms to fragmentation challenges, which also have significant political, commercial and other interests at their root. With high-level political support for the aid effectiveness agenda waning in recent years, pressures to search for the 'raison d'être' of development cooperation and the associated pressure to highlight national contributions and goals are a continuous force (see Knack and Rahmann 2008a; Vollmer 2012). Development cooperation actors are on the one hand eager to commit to overcoming fragmentation challenges mainly through more and better coordination and harmonisation. On the other hand, the political economy analysis of donor behaviour also shows that 'best practices' in aid are not automatically a driving force and quite often less important than other donor interests.

Contributions in This Book and Future Research Agenda

The research agenda on fragmentation we are confronted with includes several fundamental questions and challenges which are dealt with in the present edited volume. This edited volume purports to give space to a number of different perspectives on fragmentation rather than one specific answer to the challenges it poses in the context of development cooperation. This involves a conceptual and theoretical debate on the topic together with various different qualitative and quantitative attempts to assess the phenomenon and to discuss ways of how to overcome its main challenges.

Conceptual Approach

First, we are in need of a good understanding and a clear definition of 'fragmentation'. Similar to other terms, there is a common-sense understanding of the meaning. However, when probing further, fragmentation can mean many different things to many different people. Are we focusing on aid institutions and actors? Or do we have a broader understanding which would go beyond institutional arrangements? Does fragmentation indicate a specific level of proliferation, or do we use the term in a fairly neutral manner? Any definition of this key term may contribute at the same time to a conceptual design of fragmentation. This introduction and the papers in this volume reflect this approach. The introduction is followed by four other parts (I–IV) which contain several chapters each.

Measurement of Fragmentation (Part I)

An appropriate definition of fragmentation is an important point of departure for any kind of analysis. Agreeing on a meaning of 'fragmentation' is a prerequisite when looking for empirical evidence and developing quantitative approaches. Using quantitative approaches is one main scientific way of creating a research agenda to deal with fragmentation. These are particularly important for establishing an understanding on main trends: Is fragmentation in development cooperation stable, increasing, or decreasing? Can we come to some conclusions on costs and benefits? Part I in this volume is therefore focussed on quantitative approaches to analyse fragmentation.

Ericsson and Steensen present a concept to identify potentially underaided countries ('aid orphans') which can be a result of fragmented aid. The approach draws on four already established aid allocation models based on countries' needs and/or institutional performance.

Schulpen and Habraken measure the proliferation of aid, defined as the spread of donors' portfolios over many countries. They conclude that international agreements to reduce proliferation have had little impact.

Finally, Buscaglia and Garg present an innovative approach to measuring fragmentation by using a composite index. This measure takes account of the significance of donor-partner country aid relations in financial terms as well as multiple aspects of this phenomenon relating to coordination among donors, commitment between donors and recipients, and the resilience of the recipient countries.

Drivers and Actors (Part II)

Furthermore, we need a better understanding of the reasons fragmentation occurs and exists. This is why it is important to deal with the rationales behind the political economy of fragmentation. To design political approaches to address negative aspects related to fragmentation, it is necessary to incorporate political economy analysis. Part II therefore looks at various different determinants and important drivers of fragmentation.

At the national level, the paper by Lundsgaarde examines the issue of bureaucratic fragmentation within donor countries and discusses its practical implications for development cooperation. The paper explores the role of sector-specific ministries in donor countries as providers of aid.

Globally, the relationship between aid allocation and fragmentation is addressed by Pietschmann. An increasingly complex aid landscape makes it urgent to find ways for partner countries to manage the diversity of aid actors and channels. However, it remains unclear what 'managing diversity' actually means and how this vague idea should be put into practice. In this contribution, various different approaches to managing diversity are discussed and compared. Drawing on country experiences, it also analyses the role that contextual factors play in shaping incentives for the actors involved to implement various different aid coordination strategies. This is further linked to allocation strategies by donors and how fragmentation plays a role in both the 'under-aided' recipients phenomenon and the 'most-in-need' versus the 'most-of-those in need' allocation dilemma.

Thalwitz examines the case of vertical funds, posing the question of whether they are culprits of fragmentation and 'mission creep' or in contrast a (positive) platform for pluralism to address global public goods challenges often neglected by traditional ODA. Taking a more narrow focus, Furness analyses the EU's engagement in conflict-affected countries and efforts towards aid coordination that face particularly daunting challenges because of high levels of fragmentation.

Using the example of the EU, Furness explores three sets of factors that intervene between policy and the operations level: *cognitive factors* related to turning knowledge of conflict processes into appropriate actions; *interest-related* conflicts of interest and trade-offs that are difficult to resolve; and *system-related* factors concerning actor capacity and the coordination of complex operations.

Finally, Bracho and Grimm present an in-depth analysis of fragmentation with regard to emerging southern cooperation providers, looking in particular at their internal bureaucratic fragmentation, as well as the proliferation of actors from a recipient and global governance perspective.

Impact and Consequences (Part III)

Fragmentation has both intended and unintended consequences and impacts, which is why it is vital to get a better understanding of its implications in development cooperation. To a large extent, aid practitioners assume it has mainly negative impacts in terms of reduced efficiency and effectiveness of aid. Looking for evidence in this regard is thus a key area of research. At the same time, we also need to better understand other consequences and potential positive impacts, if any, of fragmentation. For example, we should have a good understanding of requirements and preconditions if we are thinking about 'a market for aid' to determine how a healthy competition between aid providers can be organised. Following this logic, the presence of a certain number of aid providers may be good to ensure that some competition of ideas, and therefore plurality, exists.

At the macro level, Greenhill, Prizzon and Rogers show that changes in the aid landscape due to a strong upsurge in the number non-traditional donors are deemed positive by recipient countries as the benefits of greater choice are found to outweigh the potential costs of the additional fragmentation. This helps to strengthen the negotiating power of recipient governments and diminishes the influence of traditional donors on their policies. The authors conclude, however, that the capacity of countries to benefit from the changed landscape depends heavily on their ability and willingness to manage these flows strategically. Also on the multilateral side, the soaring number of trust funds ('multi-bi')—earmarked sources of development finance, channelled through the multilateral system—are identified as an important driver of fragmentation.

Nunnenkamp, Rank and Thiele employ geocoded aid data from Uganda to assess whether the country's donors have increasingly specialised and better coordinated their aid activities at the district and sector level. However, their findings point in the opposite direction: in 2006–2013, the aid from most major donors in Uganda became more fragmented, and the duplication of aid efforts increased.

In the health and education sectors, Furukawa examines the effect of aid fragmentation. He focuses on the infant and child mortality rate for the health sector and the primary school completion rate for the education sector. The paper concludes that the effectiveness of aid-fragmentation reduction differs from one sector to another and depends on the degree of aid dependence.

Reinsberg discusses how 'multi-bi' financing channelled through trust funds shapes the organisational practices of multilateral agencies, using evidence from a large number of interviews conducted at the World Bank. The analysis covers several types of possible consequences raised by a primarily policy-driven literature, including differences in the portfolio of activities of trust funds and core resources, and the alignment of trust-funded activities with development needs.

In contrast Marquardt's chapter provides insights from the experience of the Philippines by addressing whether fragmentation is perceived as negative or positive (pluralism) and how diversification influences the overall goal of supporting the expansion of renewable energies.

How to deal with fragmentation (Part IV)

Given the availability of substantial evidence on the negative consequences of fragmentation, we need to develop approaches to reduce or eliminate their impact. A main challenge in this regard is collective action. By looking at some reform attempts, we have good evidence at our disposal on the fact that changes to the aid system are difficult to agree upon and even more difficult to successfully implement. The poor implementation of the Paris Declaration commitments is but one important indication that aid providers do not easily adjust their approaches. Part IV discusses ways and strategies on how to overcome the challenges of fragmentation.

Pietschmann argues that reasons for disproportionally low aid receipts can differ widely from country to country, ranging from limited absorptive capacity for aid and a lack of strong political and commercial ties to donor countries, via uncoordinated aid allocation, to donors' reaction to undemocratic changes in receiving countries. The author suggests hybrid needs/performance criteria for compiling lists of under-aided countries.

Kasten then provides an examination of fragmentation in fragile states. She explores how the different ways of multi-actor coordination are put into practice and how this interaction affects the promotion of peace in developing countries.

At the level of international organisations, the paper by Mahn analyses the fragmentation of the United Nations's engagement in development, including approaches such as 'Delivering as One' that have been launched in response.

The EU's 'Code of Conduct' on complementarity and the division of labour is assessed afterwards by Mackie. The author argues that, while the EU is in theory committed to reducing fragmentation, the reality is different. The follow-up process to the Code of Conduct suggests no clear positive impact on fragmentation. He suggests that the way forward on fragmentation is to continue a slow but steady increase in the proportion of aid channelled through the EU, expanding budget support and the use of joint programming.

Analysing the quantitative and qualitative costs and benefits of increased aid coordination among member states and EU institutions, Negre and

Klingebiel provide an assessment of the potential impact of reducing fragmentation in aid provided by the EU. Their paper assesses potential costs and benefits for EU coordination in terms of quantity and quality, and concludes that savings could amount to several billion euros annually, whilst also positively impacting policy, programming and implementation.

Examining the case of the transformation of the Canadian International Development Agency into the Department of Foreign Affairs, Trade and Development from a comparative perspective, Calleja, Carment and Samy examine the internal dimension of fragmentation by asking whether coherence is advanced through bureaucratic consolidation, and how, and whether this translates into enhanced effectiveness.

Afterword

In the afterword, Erik Solheim, the former Chair of the OECD's DAC and current executive director of UNEP, finally argues that leadership is a crucial factor in dealing with issues of fragmentation. He supports a comprehensive approach in which main OECD donors, recipient countries, South-South providers and private foundations must come together to identify policies that work and to develop common, open and transparent standards and definitions to make sure developing countries can more easily locate all available sources of development finance.

Notes

1. Ramalingam uses the image of the complexity of a garden and describes the role for development cooperation to be close to that of a gardener.
2. EITI is a global standard to promote open and accountable management of natural resources: https://eiti.org/.
3. See: www.die-gdi.de/veranstaltungen/fragmentation-or-pluralism-the-organisation-of-development-cooperation-revisited/. This event was a main impulse to edit the present volume.
4. Until 2015, this initiative was called the "Building Block on Managing Diversity and Reducing Fragmentation". See: http://www.fragmentation-diversity.org/.
5. The calculation of climate finance (financial resources mobilised to help developing countries mitigate and adapt to the impacts of climate change) is difficult. The main international objective in this regard is the amount of US$ 100 billion by the year 2020 (see: http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9312.pdf). Some calculations assume that this level has already been reached; for example, Buchner

et al. (2011) estimate the volume of climate finance to be at least US$ 97 billion per annum. ODA reached US$ 135 billion in 2013.

6. See for FDI: http://www.fdiintelligence.com/News/Sub-Saharan-Africa-a-leading-FDI-desintation-IMF?ct=true; date accessed 25 March 2015. See for ODA data: http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm, date accessed 25 March 2015.
7. Harmonisation is understood here as efforts by donors to use similar procedures, standards, monitoring and evaluation, etc., to reduce transactions costs for partner countries.
8. 'Developing countries will lead consultation and co-ordination efforts to manage this diversity at the country level, while providers of development assistance have a responsibility to reduce fragmentation and curb the proliferation of aid channels' (High Level Forum 2011, Para. 25).

PART I

Measurements of Fragmentation

CHAPTER 2

Measuring Fragmentation: The Financial Significance of Aid Relations

Fredrik Ericsson and Suzanne Steensen

Introduction

Major shifts in the international development finance landscape have created new opportunities for developing countries to access external finance for their development priorities; however, these shifts have also created new challenges and risks for managing such flows. While many countries generally prefer more funding options despite the increasing complexity of managing new resources (OECD 2014c), fragmentation of aid remains a critical challenge to the effectiveness of development co-operation.

This fact was acknowledged in the Paris Declaration on Aid Effectiveness in 2005, which called for more effective division of labour to increase the complementarity and decrease transaction costs of concessional finance provided to developing countries. The Accra Agenda for Action (AAA) in 2008 broadened this to a notional 'international division of labour' across countries vis-à-vis official development assistance (ODA) allocations, and committed providers to using existing channels for aid delivery before creating additional new channels. More specifically, in Accra signatories committed to 'reduce the fragmentation of aid by improving the complementarity of providers' efforts and the division of labour among aid providers, including through improved allocation of resources within sectors, within countries and across countries' (Accra Agenda for Action (AAA) 2008). The Busan Partnership Agreement in 2011 emphasised the

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_2

leading role of developing countries in managing the diversity of resources through consultation and co-ordination efforts at the country level, with a corresponding responsibility by providers of development co-operation to support this process by reducing fragmentation and curbing the proliferation of aid channels. These commitments were reiterated in the communiqué from the First High-Level Meeting of the Global Partnership for Effective Development Co-operation in Mexico in 2014.

Multitude of Aid Allocation Approaches

Aid fragmentation is partly due to the current lack of concerted and co-ordinated allocation practices among providers of development co-operation. Each aid provider has its own priorities, values and set of norms that underpin its development co-operation policy and its strategic allocation of official resources for development. These can be motivated by a focus on poverty alleviation, historical ties, geographical proximity, economic interests, global peace and security issues, and/or climate change and other environmental considerations. More recently, providers have also been attentive to enhancing the catalytic role of ODA to maximise resource mobilisation and its effectiveness.

While bilateral allocations are sovereign decisions, they are not necessarily taken in isolation from the rest of the development co-operation community. However, rather than focusing on division of labour across countries, these decisions can sometimes have adverse effects. An example is the prominence of 'herding behaviour' among providers' choices of priority countries, countries in which the provider has a long-term development co-operation strategy (OECD 2014d). While most bilateral aid providers choose to focus most of their aid on a small set of priority countries, some countries are considered more attractive than others, which inevitably results in significant discrepancies in aid receipts across countries—despite similar development challenges. Geographical gaps in aid receipts that emerge as a result of these decision processes (commonly referred to as 'aid orphans') are further discussed in a separate chapter (see Chap. 6 by Pietschmann).

The majority of multilateral agencies use resource allocation formulas based on their specific mandates to determine their aid allocations to countries. The formulas used by the multilateral development banks' concessional funds (such as IDA, International Development Association, and African and Asian Development Banks) take into account both countries' needs (measured by population and income per capita) and their institutional performance (measured by annual assessments of countries' policies and institutions for promoting economic growth and poverty reduction). The United Nations agencies use other allocation approaches largely based on needs, using similar measures. For some global funds and programmes resource allocations are driven by country-specific demand. In practice, multilateral country-specific allocation approaches allow for flexibility through subsequent reviews and modifications, including by setting floors and ceilings for different groups of countries and/or adjusting for country size. However, despite a more equitable allocation of resources based on objective criteria, multilateral agencies contribute to increasing fragmentation simply by not taking the allocation decisions of other actors into account in their own resource allocation frameworks.

The complex and uncoordinated nature of aid allocation patterns not only creates gaps in terms of the varying supply of aid between developing countries, but also overlaps in terms of the number of providers present at country level, some of which contribute relatively small amounts. Different aid-extending agencies within bilateral providers may also have different project or programme practices and procedures, and thus could be perceived as separate and distinct aid providers at the country level. Managing a 'long tail' of relatively small providers can impose additional transaction costs which can hamper countries' ability to effectively manage development co-operation resources.

In 2013, most ODA-eligible countries and territories had 20 or more bilateral or multilateral providers of development co-operation. The largest number was found in Vietnam with 40 providers. The distribution of the number of providers is illustrated in Fig. 2.1.

A Few Words on Transaction Costs

Developing countries differ greatly in the challenges they face, but many share a common problem: too little aid from too many providers. This is particularly the case in low-income countries (LICs), which have very limited institutional capacity to manage a large and growing number of financially less-significant actors.

Fragmentation of aid creates transactions costs for both providers and partner countries. Aid transaction costs are defined as 'the costs arising from the preparation, negotiation, implementation, monitoring and enforcement of agreements for the delivery of official development assistance

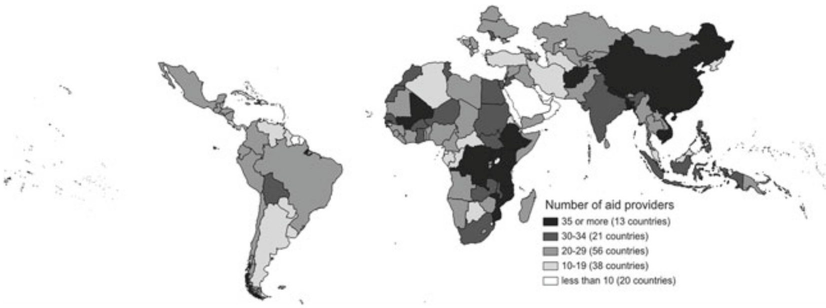


Fig. 2.1 Total number of aid providers per country 2013
(Source: Authors' own calculations based on OECD-DAC Statistics)

(ODA)' (DFID and UNDP 2000). These include administrative costs as well as indirect and opportunity costs (the value lost by diverting resources toward management of aid portfolios). Transaction costs are distributed between recipient governments and providers, even if in most cases provider resources for the management of aid may be taken as a given.

For providers, aid relations incur some fixed transaction costs, irrespective of programme or project size. These include costs associated with maintaining a minimum in-country professional presence and with different phases of the project or programme cycle, including identification and planning, negotiations and consultations with relevant stakeholders as well as monitoring, reporting and evaluation of interventions. At the country level, a large number of providers with different and often uncoordinated management practices (that is, in the absence of lead provider arrangements) places a heavy burden on the administrative capacity of partner governments.

Fragmented and sometimes competing provider practices, especially where there are many small providers and no large providers acting as leads or 'anchors' for others, erode the administrative capacity of recipient partner governments (Knack and Rahman 2007). Notwithstanding the fact that small but well-targeted aid programmes can still have a significant development impact, concentrating on fewer, but larger, partnerships can reduce transactions costs at both ends of the delivery chain. It is important to try to assess the impact of these interventions in the light of the transaction costs avoided. The assumption is that this administrative burden can be reduced and providers can achieve efficiency gains when rationalising their overall provider-country aid relations. If reallocation decisions are made, they necessitate careful, coherent and coordinated approaches to ensure optimal portfolio allocation of aid resources across countries and providers.

Analysing Aid Fragmentation: Country Programmable Aid (CPA)—A Key Aid Metric

The analysis of provider allocations across countries—the 'methodology' for assessing aid fragmentation—needs to be based on actual development co-operation patterns and relationships between countries and aid providers.

To assess the volume of these flows, the OECD-DAC introduced in 2007 a new measure for aid: Country Programmable Aid (CPA). CPA is the portion of aid that providers can programme for individual countries or regions, and over which partner countries could have a significant say. As such, it is a closer proxy of aid that actually flows to partner countries than the concept of official ODA. CPA is derived from gross ODA by subtracting aid that:

- Is unpredictable by nature (humanitarian aid and debt relief);
- Entails no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in provider countries);
- Does not form part of co-operation agreements between governments (food aid, aid from local governments and ODA equity investments); and
- Is not country programmable by the provider (for example core funding of non-governmental organisations [NGOs]).

CPA is measured in disbursement terms, that is, the actual transfer of resources, rather than commitments that reflect an agreement between a provider and a recipient country to make transfers (over a number of years). It thus tracks aid that actually crosses borders into the developing country receiving it.

Excluding Micro-Aid 'Noise' Adjustment

In addition to excluding aid that is not country programmable by the provider, very small official sector aid relationships, sometimes referred to as 'micro-aid relationships', are also excluded. The OECD-DAC Secretariat has applied a country-level threshold of USD 250,000 per year. For each provider, total country-level aid operations below this level are excluded from the analysis. The threshold is only applied to bilateral providers, as small grants are not generally applicable to most multilateral providers. These types of small grants often take the form of non-project technical co-operation, which includes activities such as scholarships, volunteers and trainees and minor grants channelled through NGOs or multilateral organisations. These micro-aid relationships amounted to only 0.1% of total CPA, but made up almost one-third of the total DAC provider-country relationships.

Introducing Fragmentation and Concentration Measures

There is no universal measure of the fragmentation of aid. Different techniques and methods can be used depending on the scope of the analysis. The objective is to propose a measure of fragmentation that will prompt some rationalisation in the distribution of aid across countries (that is to help reduce 'too many, contributing too little, in too many recipient countries').

Defining the Significance of Aid Relations

The amount of aid extended to a given country may be very low compared to the amount given to other countries within the providers' overall aid portfolio; however, this does not necessarily mean the provider's presence is not significant from the country's perspective.

When considering the significance of an aid relation, it is important to examine both the provider and partner country perspectives. The policy inference is that where aid relations are neither significant from the provider's point of view, nor from the recipient's point of view, there is a rationale to revisit these aid allocations.

The OECD methodology assesses the significance of each aid relation in financial terms based on the following two questions:

1. Does the provider give a higher share of aid to the partner country than the providers' overall share of global aid?

2. Is the provider among the largest providers that cumulatively account for at least 90% of the partner country's aid?

The first question assesses whether the provider gives a higher than average priority to a given country, that is, whether the provider can be perceived as concentrated. The second question assesses whether the provider's financial contribution is significant from the country's perspective, that is, the importance of the provider's contribution at country level.

Using these criteria, four types of aid relationship categories can be distinguished

A. *Concentrated and important*: The provider gives more aid to the country than its global share of aid would suggest, and it is among the larger providers that together provide at least 90% of this country's aid (that is, the answer to both questions above is yes).
B. *Concentrated*: The provider gives more aid to this country than its global share of aid would suggest, but it is still among the smaller providers that together account for less than 10% of this country's aid (that is, yes to question 1 and no to question 2).
C. *Important*: The provider gives less aid to this country than its global share of aid would suggest, but it is still among the larger providers that together account for at least 90% of this country's aid (that is, no to question 1 and yes to question 2).
D. *Non-significant*: The provider gives less aid to this country than its global share of aid would suggest, and it is among the smaller providers that together account for less than 10% of this country's aid (that is, no to both questions) (Fig. 2.2).

Concentration and Fragmentation Ratios

The optimal aid allocation situation is the case where the country is a significant partner country not only from the provider's perspective but also from the country's perspective, that is, category A. For a provider, the higher proportion of relations in this group, the better. The 'narrow' concentration ratio is defined as the share of the number of aid relations in category A divided by the total number of aid relations.

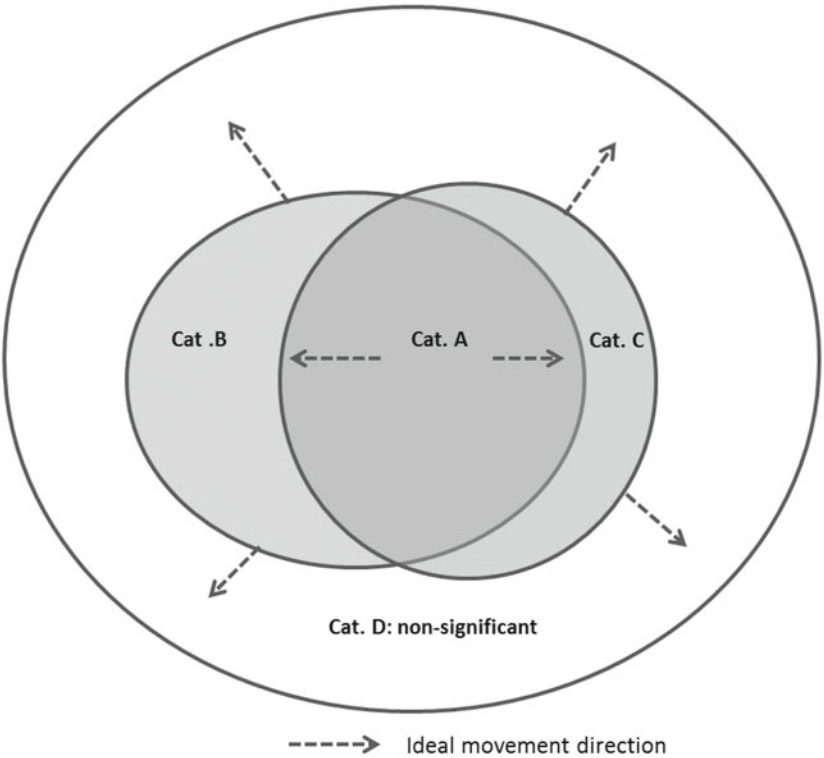


Fig. 2.2 Aid relationship categories
(Source: OECD 2009c)

However, achieving a high proportion of A would be very challenging for financially smaller aid providers, as they would have to concentrate their development assistance on dramatically fewer and smaller countries (where the provider can be among the top providers). Therefore, a 'broader' definition of the concentration ratio is derived, which also takes into account relationships that are only significant in one of the two dimensions, in other words, that includes all the aid relationships in category A, B and C as a percentage of the total number of aid relations. This draws attention increasingly to the need to reduce category D, which is the group that is suboptimal from every point of view.

From a provider perspective, the overall aim is a concentrated portfolio with significant partner country aid relations. On this basis, the concentration ratio measures the number of providers' significant aid relations compared to all of its aid relations. The higher the concentration ratio, the less a provider's portfolio is fragmented.

However, from a partner country point of view, the aim is to minimise the number of non-significant relations. Therefore, the inverse, that is, the share of non-significant relations in a country, is defined as the fragmentation ratio [D/(A + B + C + D)]. The lower the fragmentation ratio, the less fragmented is the country.

The direction of improvement would be to decrease the number of relationships in category D by expanding the number of relationships in category A, B or C. This could be done by allocating additional resources to less significant partnerships or, if that is not feasible, by: (i) reallocating from non-significant partnerships to significant partnerships; or (ii) leaving funding unchanged and channel the resources through other agencies where providers wish to maintain these non-significant country allocations.

The Biases of the Two Criteria

The concentration measure (that is, Category A and B) is biased towards small providers to the detriment of large providers. It is relatively easier for small providers to provide more aid in a country than its global share of aid would suggest. Using only the top providers' criterion (that is, Category A and C) will create a similar bias to large providers, who can have country-level impact quite easily even where they are not considered concentrated. Figure 2.3 illustrates these biases. By combining these two criteria, as proposed above, we compensate for both small and large provider bias.

For reference, the global share of the providers in 2013 is shown in the parentheses following the provider name on the horizontal axis. The optimal situation should be where two lines in the graph intersect and with highest possible shares as discussed above.

Where Does Fragmentation Occur and Who Are the 'Fragmenters'?

The global fragmentation ratio in 2013 was 39%, meaning that nearly two out of every five provider-country relations are non-significant. This is a slight decrease from the peak of 40% in 2009. In 2013, the extreme case of fragmentation was Myanmar at 86%, where three aid providers provided 87%

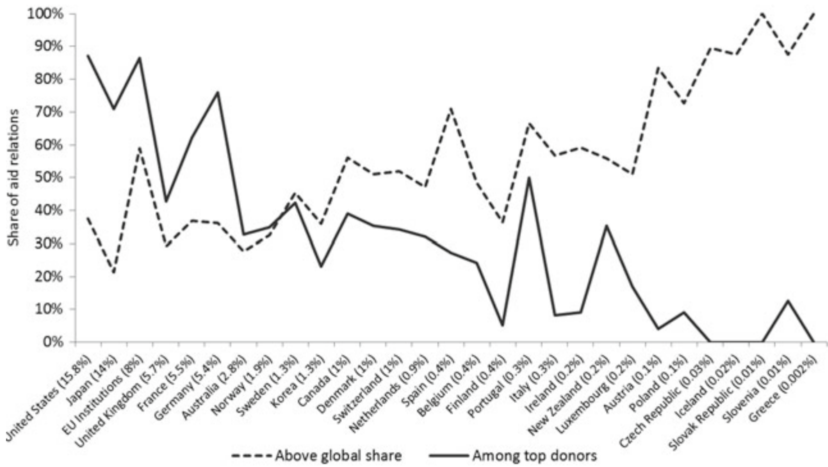


Fig. 2.3 Large and small provider bias, using different measures 2013 (Source: Authors' own calculations based on OECD-DAC Statistics)

of all aid and aid from the remaining 26 altogether only represented 13% of total aid receipts. In total, 34 countries have a fragmentation ratio above 50%, meaning more than half of the provider-country relations are nonsignificant. Most of these are middle-income countries. However, while fragmentation in middle-income countries has stagnated during the past decade and even declined slightly since the peak in 2009, fragmentation is still rising in low-income countries. Figure 2.4 shows the fragmentation ratio across countries.

Fragmentation at the global level stems from both bilateral and multilateral sources with a rapid increase of multilateral non-significant relations.

During the past decade, many bilateral aid providers have reduced their number of partner countries in an effort to achieve greater results through larger financial partnerships. The process of phasing out country programmes seems to have accelerated in recent years mostly due to country graduation—but also for several DAC members due to fiscal constraints as a result of the 2008 financial and economic crisis. Consequently, two-thirds of DAC members have reduced their number of partner countries since 2009, resulting in an increase in the overall concentration ratio from a low of 57% in 2009 to 60% in 2013.

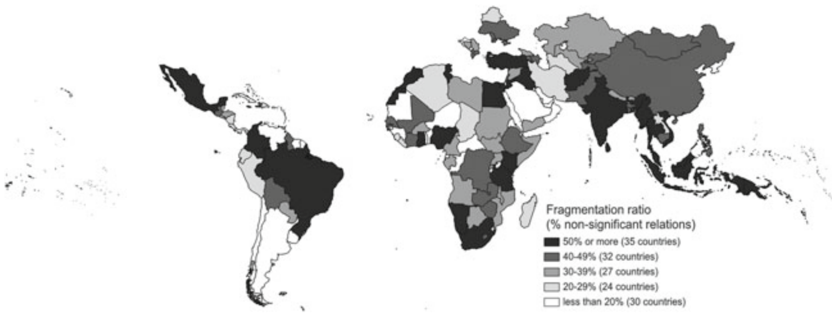


Fig. 2.4 Fragmentation ratio per country 2013
(Source: Authors' own calculations based on OECD-DAC Statistics)

On average, multilateral agencies are slightly more concentrated than DAC countries. Many multilateral agencies have a regional mandate, which limits their aid allocations to a specific region and results in a relatively high concentration of funds in a limited set of partner countries. Regional development banks fall into this category, and often are among the largest providers in a country. Multilateral agencies with global mandates or specific thematic mandates, including many UN agencies and global partnerships and programmes, have the lowest concentration ratios among the multilaterals. However, the emergence of vertical funds as large aid providers has led to a decrease in the overall concentration ratio for multilateral providers from 67% in 2004 to 62% in 2013.

The Need for a New Statistical Measure for Tracking Resource Inflows

Increasing the availability and transparency of information on the broad range of external resource flows now available to developing countries—from emerging providers of development co-operation, from regional and international capital markets, and through new financial instruments and financial consortiums—is necessary to help developing countries make the most of the financing options available to them for financing their development priorities. The benefits of developing a new international statistical measure for tracking resource inflows for development are potentially quite considerable for both developing countries and the development community overall. Greater availability of information can lead to a more effective choice of funding instruments, better allocation of resources and reduced transaction costs for both aid providers and developing countries.

A new statistical measure capturing resource inflows at the developing-country level would require significant efforts to enhance data collection and quality control, as it would go beyond aid to also cover non-concessional and market-like financing options, currently not sufficiently covered in any international statistical system.

These data gaps call for stronger efforts by private and public institutions collecting data regarding different types of international financial flows to ensure the information needed to enhance the transparency of development finance is publically accessible to the international community at large. For DAC members, relevant data can easily be derived from existing ODA figures and the broader measure of Total Official Support for Sustainable Development (TOSSD) that is currently being shaped by the international community as a way of tracking financial support for the Sustainable Development Goals.[1]

In a future development finance statistical framework it will be paramount to provide the right level of granularity of information (for example by project level, sectoral breakdown, terms and conditions) so that an analysis of the comparative advantages of the different instruments and sources for different purposes or sectors could inform governments' financing strategies.

In December 2014, DAC members pledged to strengthen their dialogue with developing countries to ensure that their statistical systems contribute to meeting countries' information and planning needs. Increasing the availability and transparency of information regarding external resources is essential for ensuring informed decision-making about resource inflows by all actors involved—and central to ensuring that finance is directed where it is most needed and can have the greatest impact.

Note

1. For more information on TOSSD, please see www.oecd.org/dac/financing-development.htm.

CHAPTER 3

Measuring Cross-Country Proliferation: Towards a New Non-proliferation Treaty?

Lau Schulpen and Rik Habraken

Introduction

In 2005, Birdsall noted that the number of donors and projects has increased substantially, and the fact that donors "are neither competing nor collaborating" creates high transaction costs for aid recipients. She effectively set the contours of a discussion that is still ongoing about the effects of 'donor proliferation' (little aid distributed across many countries) and 'sector fragmentation' (little aid to many projects, programmes or sectors). These effects are generally seen as negative. The combination of proliferation and fragmentation is regarded as impeding effective aid because of high transaction costs (particularly for recipients) such as 'reduced transparency, increased corruption [undermining the quality of governance], diffused policy dialogues, misallocated resources, […] underfunding of less attractive countries and sectors (and thus strengthening of aid orphans), [and] increased orientation of recipients towards donor processes instead of their own' (Schulpen et al. 2011, p. 322).

Some observers warn against simplistic reasoning. Kragelund (2008), for instance, asserts that 'it is not possible to establish a direct causal link between the proliferation of donors and increased transaction costs', while Acharya et al. (2006) point out that many of these adverse consequences have not been proved. Besides, the growing number of 'aid donors' might have positive effects as Greenhill, Prizzon and Rogerson argue in Chap. 10 (see also Greenhill et al. 2013a). These are welcome nuances—which were

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_3

hardly audible in the official international negotiations around the Paris Declaration on Aid Effectiveness of 2005 and since then.

The Paris Declaration (as well as the 2008 Accra Agenda for Action on Aid Effectiveness, AAA, and the Busan Declaration on Aid in 2011) was largely based on finding solutions to the problems that arise from an increasing number of actors providing piecemeal assistance to a large number of recipients. In addition to country ownership, harmonisation, complementarity and concentration are also important issues. For aid to be effective, 'donors should focus assistance on fewer countries, sectors and, in particular, activities' (OECD 2009a). These declarations and their underlying principles call for a division of labour (DoL) among development actors.

Aside from the fact that the DoL principles are only geared at part of the increasingly complex world of 'aid providers' (Schulpen et al. 2011; Severino and Ray 2010), their focus on in-country harmonisation is very problematic. Clear indicators have been agreed regarding in-country DoL (for example, the number of sectors per donor per country and the number of donors per sector). However, much less attention has been paid to the AAA's commitment to 'reduce the fragmentation of aid by improving the complementarity of donor's efforts and the division of labour among donors […] *across countries*' (OECD 2008a, emphasis added). International donors essentially close their eyes to matters that Hartmann (2011, p. 5) has termed the 'most precarious from a political standpoint': cross-country harmonisation and the division of labour.

We begin with the notion that it is backwards to focus on in-country (cross-sector) harmonisation rather than cross-country harmonisation. Although in-country and cross-country harmonisation do influence each other, the most logical 'starting point should be at the macro level of cross-country DoL, as this is where decisions about the underlying collective choices all add up and shape donor-recipient relations" (ibid.). If 'proliferation and fragmentation […are accepted as] bad', there should be a discussion about which donors are working in each country before coordinating with a country's other donors about sectors, lead donorship and so on.

How bad is proliferation these days? How do we measure or illustrate cross-country proliferation? Any measurement should first identify what is involved in fighting proliferation. If 'donor proliferation' means 'too little aid to many countries', our central question is how proliferated donors are, as shown by their dispersion of aid over countries.[1] To eliminate donor proliferation, first the number of recipients per donor must be reduced then the amount provided to each recipient must be increased. We concur with Mürle (2007, p. 26), who stated that, 'although there is no necessary link between the number of actors and the amount of aid provided [...] the two aspects of donor presence and amounts allocated are closely related and should be analysed together'. Measuring the proliferation of EU donors should include both the number of countries assisted by a donor and the amount of aid granted to each country.

Over the years, several methods to measure or illustrate cross-country proliferation have been proposed. We critically review five of these methods using the starting points for measuring proliferation given above. Although all these methods have their own merits, they fall short of providing a clear (and uniform) picture of cross-country proliferation. Country Programmable Aid (CPA) data for 15 bilateral EU donors for 2000–2010[2] indicates that EU donors have not become less proliferated since 2000. We end with a brief discussion about why this is so, and conclude that although a cross-country DoL may be the most logical conception, given the political nature of contextual changes, it is unrealistic.

Different Methods for Getting a Grip on Proliferation

Here we critically assess five different methods for capturing cross-country proliferation. We assume that getting a grip on proliferation requires comparing donors, and that fighting proliferation requires knowing how many countries get aid and the average amount received by each country.

Number of Countries

European Centre for Development Policy Management (ECDPM)–Action Aid (2007) discussed proliferation in terms of the 'total number of countries in which a donor is active'. They only stated that these numbers give 'some idea of the EU donors' performance in terms of cross-country division of labour', and delved no further. Assuming that the fight against proliferation is primarily about reducing the number of recipients, an analysis using CPA data for the years 2000, 2005 and 2010 shows that some donors reduced their number of recipients slightly (France, Sweden, Netherlands) whilst others were active in more countries in 2010 than they had been earlier (Luxembourg, Finland, United Kingdom). Portugal should be seen as the least proliferating donor and Germany and France the worst proliferators.

Belgium outdid all the other countries by reducing the number of its recipients by 48% between 2005 and 2010 to 47.

This analysis of the number of countries provides a mixed and—from the perspective that proliferation is bad—disturbing picture. On average, each EU donor worked in 91 countries in 2000. Five years later, the average was 93 countries and 10 years later, 94. Aiming to reduce the total number of recipients per donor is not helpful. In 2010, the 15 EU donors worked in 13 countries more than they did in 2005: as a group, they actually became more—not less—proliferated. This analysis, however, does not take into account the average contribution, nor does it correct for the total budget of donors. Assuming that donors with higher budgets are more likely to give aid to more countries, an analysis of donors' budgets should show that it makes sense that Portugal works in substantially fewer countries than France since the latter's CPA budget in 2010 was 13 times larger than Portugal's. Similarly, Italy and Belgium could be expected to be working in the same number of countries since their 2010 CPA budgets were of comparable size.

Top-10 Recipients

A second way of looking at concentration or proliferation is provided by *Fundación para las Relaciones Internacionales y el Diálogo Exterior* (FRIDE) (Schulz 2007), comparing the geographical concentration of EU donors based on the percentage of their aid that goes to the 10 primary beneficiaries. The higher the percentage of assistance that goes to these recipients, the more concentrated a donor would be expected to be. Studying the 'concentration levels' of 15 bilateral EU donors for 2000/2010 reveals that six EU donors are less concentrated than the average, five are about average, and three substantially above it. This measurement indicates that Portugal is substantially less proliferated than Germany and the UK, and Italy and Finland are on equal footing. Interestingly, Belgium (frontrunner in the 'number of countries' case above) shows a below-average concentration level.

This method, like the previous one, does not include average disbursements, nor does it acknowledge possible significant changes in a donor's total CPA spending. The Netherlands, for instance, became more 'concentrated' between 2005 and 2010 but also reduced its total CPA spending from USD 1.5 to USD 1.3 billion. Ireland combines a fluctuating budget with a constant increase in concentration, while the UK mixes an increasing budget (from USD 2 in 2000 to USD 3.6 billion in 2010) with a worsening of its concentration.

It is premature to make conclusions about concentration or proliferation based on this method for other reasons as well, starting with the fact that restricting ourselves to the top-10 obscures the fact that all donors are working in a far larger number of countries. Second, the method does not show that over the years the top-10 donors change substantially: Six of the top-10 countries that received Austrian aid in 2000 were no longer on that list in 2010, as was the case with seven of the Belgian favourites in 2000 and six of the French 'darlings'.[3] Finally, the donors' top-10s overlap: A few countries are clear favourites for many donors. In 2010, the West Bank & Gaza Strip, Tanzania, Afghanistan and Mozambique were amongst the top-10s of 8 out of 15 donors. In 2005, the favourites were Vietnam, Serbia and Mozambique, and in 2000 Tanzania and Mozambique.

Partner Countries

There is something special about Mozambique—but not only about Mozambique. This becomes clear when examining the lists of EU donors' priority countries. The EU DoL exercise calls upon all members to establish priority countries and to do this 'through a dialogue within the EU, taking into account the broader donor engagement" (EU 2007, p. 10). DAC peer reviews reflected this need to concentrate on a smaller number of countries by applauding Italy for identifying 35 priority countries (OECD 2009c, p. 12), lecturing Finland (OECD and DAC 2012, p. 16) for granting their 'small contributions to a larger number of countries', and calling upon Greece to 'maximise the value of its existing resources by focusing on fewer priority countries (OECD 2011a, p. 13).

Despite such criticisms, over the last decade all EU donors have drafted new lists of 'priority', 'partner', and 'focus' countries for their bilateral aid. The partner countries are the major recipients of all 15 EU donors that we are scrutinising here (with the exception of France, which in 2010 spent only 12 % of its total CPA in 14 partner countries). This is not to say that partner countries are necessarily identical to the 10 main recipients discussed above. For instance, in 2010 only three of the top-10 recipients of Austrian aid were partner countries. Here, too, France is the real exception with none of its partner countries placing in the top-10 of 2010. This may be not so surprising since several of France's partner countries have relatively small populations and GDPs; if the larger part of French aid went to these partner countries, there probably would be major absorption problems. More surprising is the fact that not all of Germany and Italy's top-10 countries were partners: Both donors have quite long lists of partner countries (Germany has 49 and Italy 35). Obviously, countries like China and Chile in Germany's case and Brazil and India in Italy's are important enough to receive large sums of money but not important enough to be counted as partners.

Donors clearly have different ways of drafting lists of partner countries, which raises the question about the usefulness of a list like Germany's that covers 31 % of all developing countries. This question becomes even more pertinent given that donors are active in many more countries than are shown on their lists of partner countries—which are not necessarily the biggest recipients—and that there is a substantial overlap of the lists of EU donors. Of the 158 developing countries included here, 62 are not on any list (which does not mean that they receive no aid), 23 are on only one list and the remaining 73 are on more than one list, with Mozambique being the absolute favourite: it receives aid from 12 of the 15 EU donors.

Although it might be tempting to applaud the fact that all EU donors have followed the fifth guiding principle of the EU DoL agreement (to 'establish priority countries'), the fact that they did does not provide clear insight into their cross-country proliferation—if only because their partner countries do not necessarily receive the bulk of their aid, nor are they the only recipient countries. The partner-countries method also does not show how much aid the countries receive, nor what remains for the dozens of non-partner countries.

Concentration Measures: The OECD Way

The Organization for Economic Cooperation and Development (OECD) method (see Chap. 2 by Ericsson and Steensen in this volume) is the only one that has been endorsed by OECD members. It begins by determining the number of 'aid relations' (a donor working in 50 countries is regarded as having 50 aid relations), then deducting all the relations that involve less than USD 250,000 (the 'micro-aid relationships'). The remaining relationships are then evaluated to see if they are significant aid relationships—where the donor's share to a specific country is higher than its overall share of global aid and/or where the donor is -among the largest donors that cumulatively account for at least 90 % of the partner country's aid' (OECD 2011a, p. 5). The same data can then be used to calculate a fragmentation ratio per recipient (or group of recipients).

The OECD method (see OECD 2009c for the outcomes) certainly has its merits. It enables a comparison between donors at the level of individual recipients on the basis of a uniform measure that can be calculated each year. That way, changes in the concentration ratio can be examined to see whether or not donors have indeed become more concentrated. The method also takes into account the size of the donor and relates donor contribution to individual recipients with respect to the donor's total contributions. This method further compares donors and uses a uniform fragmentation ratio to illustrate the recipient's point of view.

Despite these advantages, there are two reasons the OECD method does not help us to understand proliferation in terms of how much donors spread their aid among recipients. First, the method removes many recipients from consideration on the assumption that micro-aid relationships 'usually [do] not bring about any significant transaction costs' (OECD 2011a, pp. 4–5). The word 'significant' is important here. Although these small amounts often include scholarships and micro-grants to NGOs and multilateral organizations (OECD 2009c, p. 20) there is little proof that they do not incur transaction costs. It could be argued that, relatively speaking, small amounts of aid lead to higher transaction costs. In effect, when the threshold of relationships of less than USD 250,000 is applied to the 2010 data for the 15 EU donors, 59 of the 80 recipients (74 %) of Greek CPA are excluded because they received less than USD 250,000. The same goes for 64 % of the Austrian and Portuguese and 54 % of the Irish aid recipients. Using this threshold creates such twisted pictures of 'true' proliferation or concentration as to render them meaningless.

More importantly, in the OECD method the number of countries is basically irrelevant, whereas we hold that fighting proliferation (and thus understanding it) requires insight into the number of recipients. The fact that Austria and Germany can reach almost equally high concentration ratios leaves out the fact that Austria's ratio is based on 30 'aid relations' whereas Germany works in 111 countries—almost three times as many. Apart from the fact that the OECD method measures concentration and not proliferation, its calculations also leave out one of the most important elements. It provides a distorted picture where donors such as the European Commission (EC), United States, Germany and Japan appear to be highly concentrated, whereas each donor actually spreads its aid over more than 100 countries.

Index of Donor Proliferation

The Index of Donor Proliferation (IDP) measure developed by Acharya et al. (2006); see also Schulpen et al. 2011; Kihara 2012) assumes that proliferation refers to how individual donors allocate aid among recipient countries. It not only provides a uniform measurement of proliferation but also one that can be easily compared over years. To compare proliferation, each donor's IDP covers two dimensions: (1) the proportion of the total number of potential recipients who receive any share of a particular donor's aid budget (expressed here in terms of CPA), and (2) the extent to which that budget is shared equally among all recipients (see also Acharya et al. 2006, p. 9; Kihara 2012; Schulpen et al. 2011). We use an inverted Theil Index multiplied by 100 leading to a figure for each donor between 0 (full concentration) and 100 (full proliferation).[4]

Using the IDP, the short answer to the question of whether the donors became less proliferated is: not really. Apart from the fact that, except for Ireland, Greece and Portugal, all bilateral EU donors scored IDPs over 60, it is interesting to see that over the years, many donors showed little if any change in their IDPs. Denmark and Sweden are a case in point: both are extremely consistent, remaining at the same, relatively high level of proliferation throughout the period. Even if donors changed, the changes were minimal. The UK, for instance, swung between 65 and 70, and Luxembourg ended at the same level in 2010 that it started at in 2000.

From a proliferation-is-bad-perspective, other donors such as Greece are more interesting: It is the only country to show an almost constant increase in its IDP. Greece started with an IDP of 32 in 2000 (making it the least proliferated EU donor), and 11 years later ended at 58, making Greece one of the least proliferated donors. Only three donors had lower IDPs in 2010—the three with the largest decrease in their proliferation index. Despite having fluctuated over the years, Ireland managed to drop from 61 in 2000 to 50 in 2010, and although it looked as if Portugal was on the wrong path, it rehabilitated itself in the final year, ending lower in 2010 than in 2000. Belgium is the only donor whose score dropped each year, starting in 2005.

All in all, the IDP method reflects our view that to measure proliferation, both the number of countries where a donor is active as well as the amount of aid provided to each of the recipient countries should be included. The IDP is the best of the methods discussed here. However, it too has its flaws: Although the IDP shows that Portugal is substantially less proliferated than neighbouring Spain, and that Belgium became substantially less proliferated than Greece in 2000/2010, it is not possible to simply state that Sweden was twice as proliferated as Portugal in 2010. More importantly, the IDP method does not include the situation at the recipient level; it does not consider how many different donors are working in each country. Finally, like several other methods discussed here, the IDP does not provide insight into the fact that many donors work in the same countries—which is necessary for understanding proliferation.

Conclusion and Discussion

When trying to determine how proliferated donors are by examining their dispersion of aid over countries, the IDP measure is the only method we have reviewed that covers the two essential elements: the number of countries assisted by a donor and the amount of aid each country receives. It also offers a straightforward index for comparing individual donors over years. Finally, it allows for including changes in the total budget of donors, which is a significant predictor of proliferation levels: Donors with higher budgets are likely to give aid to more countries, thus influencing their proliferation levels. That is, Germany could be expected to score higher on proliferation than Denmark, as confirmed by the IDP method. However, the IDP method is imperfect if the narrow definition of proliferation used here ('too little aid to many countries') is broadened to 'too little aid *from many donors* to many countries'. A combination of the IDP and OECD methods is needed to truly capture not only 'many countries' and 'little aid' but also 'from many donors'.

Is such an exercise worth the trouble? Our analysis confirms OECD findings, for instance, that there are substantial differences in the extent to which donors are proliferated as well as in the changes in their proliferation (or concentration) levels.[5] Some donors are moving in the direction called for in international agreements such as those of Paris, Accra and Busan (though not very obviously). These donors have reduced the number of countries where they are active while maintaining or even increasing their total budgets—which results in more aid funds per country and lower proliferation levels. Other donors, however, are moving in the opposite direction, and yet others show different combinations of changes in budgets, numbers of countries and average aid levels. None of the methods we have examined shows an overall improvement in donors' behaviour; the IDP method even demonstrates that as a group, EU donors have become more, not less, proliferated over the years (see also Aldasoro et al. 2010). This shows that the idea of donors reducing their numbers of countries while also increasing their average CPA as a way of beginning to concentrate—as donors agreed—may have been written into donors' policies but has not yet been implemented.

All this may be logical. Given that development cooperation is part of a donor's foreign policy, it is less threatening to accept changes in its activities and procedures than change the actual countries. In-country harmonisation (for example, increased cooperation and coordination between donors in one country in such areas as lead donor agreements and sectoral concentration) means that donors remain active in the same countries, provide the same amount of aid and even work in their preferred sectors. Cross-country harmonisation would require each donor to decide whether or not to be active in Ghana or Indonesia, for example, making choices that reduce its sovereignty and foreign-policy autonomy (Klingebiel et al. 2013a). This is why discussions, strategies and guiding principles pay much more attention to in-country harmonisation than to cross-country harmonisation.

The scant attention given to cross-country harmonisation—which is shown by the way EU donors select their partner countries on their own, with little or no consultation or coordination with other donors—is unlikely to change in the near future. Instead, a greater focus on what aid actually delivers to donors (in light of the economic crisis and growing public scepticism about aid effectiveness) and increasing competition (for resources and geostrategic influence) with 'emerging' countries such as China and India is likely to further discourage donors from trying to tackle proliferation. Add to that Klingebiel et al. (2013a, pp. I–10) conclusion that 'a substantial number of partner country governments fear losing funding if allocation patterns change and are hence not supportive of cross-country DoL'. Why would EU donors voluntarily restrict the number of countries where they are active?

If our interpretation is correct, the fight to increase cross-country harmonisation was lost before it started. While decreasing donor proliferation might seem to be the most logical first step, it is unrealistic and literally 'academic'. It may be time to consider political reality and concentrate on what is feasible (tackling in-country fragmentation) instead of trying to revitalise a non-proliferation treaty for aid donors. We should accept the voluntary nature of aid-coordination principles and accept that proliferation as such will not be an issue for EU donors any time soon.

Notes

1. This also means that we relate donor proliferation to a donor perspective and cross-country harmonisation or the division of labour as they are spread over countries. It is important to note that there is no agreed definition of 'proliferation'—or, for that matter, of 'fragmentation', or 'in-country' and 'cross-country' dimensions. Roeske (2007), for instance, distinguished between 'three dimensions of the division of labour', which he then defines as 'how many donors are active in one country and in which sectors' (in-country), 'darling versus orphan countries' (cross-country) and 'where are the strength and comparative advantages of the donors' (cross-sectoral). Copying the EC (European Commission) (2007a), Roeske distinguished between five different types of complementarity (in-country, cross-country, cross-sector, vertical, and cross-modalities and instruments). Frot and Santiso (2008) addressed the 'growing concern that donors give aid to too many recipients', which they called 'fragmentation', while Knack and Rahman (2008b) described 'donor fragmentation' and 'project proliferation'. In 2010, the EU Task Team Division of Labour and Complementarity referred to Frot and Santiso's paper but used 'proliferation' to describe the -average number of recipients in a donor portfolio'. In their report on measuring progress toward an in-country division of labour, Dreher and Michaelowa (2010) added to the conceptual confusion by differentiating between 'in-country aid fragmentation' and 'in-country aid proliferation' where the former relates to 'the dispersion of aid between numerous donors and/or projects within any given developing country' and the latter to the spread of 'aid over sectors (or projects) within a given country'. Bürcky (2011) followed the OECD method, relating aid fragmentation to the partner-country perspective and donor proliferation to the donors' perspective—with the dispersion of aid money over sectors within a given country central in both cases.
2. CPA 'is defined through exclusion, by subtracting from total gross ODA aid activities that: (i) are unpredictable by nature (humanitarian aid and debt relief); (ii) entail no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in donor countries); (iii) do not form part of co-operation agreements between governments (food aid and aid from local governments); or (iv) are not country programmable by the donor (core funding of NGOs)' (OECD 2011a, p. 21).

3. It is logical that in 2010, some countries were no longer in the top-10s. Malta, for instance, still featured high on Italy's top-10 in 2000, but was no longer considered a country that should receive ODA in 2010. This does not mean, however, that those countries that are no longer among the top-10 get no more aid: on the contrary.
4. The index is independent of the relative size of donors' aid budgets and measures how widely each donor disperses a budget of X over countries, where X can take any value. To explain the components of the IDP and how it is calculated, we refer to Acharya et al. (2006).
5. This not only includes major differences between countries but also between outcomes of methods for measuring proliferation. Using the OECD and IDP methods to compare such outcomes for 2008, for instance, shows that the OECD ranks Germany as one of the most concentrated (least proliferated) EU donors, whereas the IDP method concludes that Germany is the most proliferated donor. Although the differences are not this extreme in all cases, the rankings produced by the two methods cannot be compared. While this is logical in light of the different ways to measure proliferation, it can confuse the donor community as well as individual donors.

CHAPTER 4

A Composite Index of Aid Fragmentation

Daniela Buscaglia and Anjula Garg

Introduction

Official aid flows represent an important vehicle for financing development for many low-income countries, where the domestic saving is insufficient and the access to private capital flows is limited. It is now well recognised that not only the quantity of aid matters, but also the quality (OECD 2009c). In particular, the economic literature, as well as related international organisations, identify the importance of improving the coherence of aid efforts in order to make development aid more effective in achieving economic or human development (OECD 2011a). Aid effectiveness is indeed considered a key objective by donors and recipient countries as well as by the international community. The recent global economic crisis created a set of unique circumstances that have negatively affected resources distributed by donors as aid; consequently the matter of effectiveness is becoming even more pressing. Among the reasons that make aid less effective, one of the primary issues is aid fragmentation, namely the situation in which there is a proliferation of projects and of donors giving too little

This work represents an extension of D. Buscaglia, A. Garg, C. Goodwich and L. Orfei (2014) JRC technical report *Aid Fragmentation Index*. The authors thank Michaela Saisana for useful comments and suggestions.

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_4

aid to too many countries. This tendency in development aid is well documented in the economic literature (Morss 1984; van de Walle and Johnston 1996; Acharya et al. 2006; Knack and Rahman 2007; Easterly 2007; Kilby 2011; World Bank 2001; OECD 2009c, 2011a). Furthermore, the available data suggest that aid fragmentation has increased over time despite several international attempts to combat the problem. Among the prevalent measures for quantifying fragmentation that are currently used in the relevant literature are the following: the number of donors; the average disbursement per donor; the proportion of significant donors; the entropy index; the proportion of dominant donors; and the Herfindahl-Hirschman Index (HHI). While none of these traditional measures of aid fragmentation is strikingly illogical and none seems wrong or fails to capture at least some aspects of fragmentation, the problem is precisely that each measure only captures one or a few aspects of fragmentation; hence, considering the traditional indexes separately is insufficient for getting a complete picture of the problem.

Here we present a new way to measure aid fragmentation, by attempting to consider the significance of donor-partner country aid relations in financial terms as suggested by the OECD approach (OECD 2009c) as well as multiple aspects of this phenomenon relating to coordination among donors, the commitment between donors and recipients, and the resilience of the recipient countries. At the core of our work is the concept that we would like to measure fragmentation in such a way that the extent of the resulting problems and barriers to aid effectiveness are captured. In other words: we want to create an Aid Fragmentation Index (AFI) that focuses on when the fragmentation of aid to a given country is most detrimental. We are thus proposing a new *composite indicator* that measures aid fragmentation in what we consider are the principal problems that underlie the fragmentation phenomenon; these aspects represent the three main pillars of our index, namely *lack of donor commitment*, *lack of donor coordination*, and *lack of recipient resilience*.

Use of Composite Indicators for Aid Fragmentation

A composite indicator measures complex phenomena that cannot be fully understood by a single indicator. In economics, one kind of application close to ours is used to study an increasing number of phenomena such as competiveness, school efficiency, environmental and public sector performance, business climate, and governance. There are, in fact, many examples of composite indicators well recognised in both academic and institutional frameworks.[1] This kind of composite indicator is formed when individual indicators are compiled into a single index on the basis of an underlying model.

To construct the AFI, we defined a structure of three pillars that impose categories on the problem of fragmentation and which we think sum up the issue. The idea is that when recipient countries have a high score in these pillars, fragmentation poses a problem. The three pillars we have identified are the following: *lack of donor commitment*, *lack of donor coordination*, and *lack of recipient resilience*. The pillar *lack of donor commitment* looks at the individual donors in a recipient country and their commitment to the country. The suggestion is that if the individual donors are highly committed to the recipient, the problems associated with fragmentation will be reduced. The pillar *lack of donor coordination* considers the coordination and cooperation among the donors in a recipient country. The pillar *lack of recipient resilience* focuses on the nature of the recipient country: without robust capacity, developing countries cannot fully own and manage their own development processes. Furthermore, donors' support for the development in each capacity has to be demand driven and designed to support country ownership, as recognised by the Accra Agenda for Action (OECD 2008c).

For each of the above mentioned pillars, after assessing a large amount and variety of data, we selected a number of individual indicators that we consider best represented the values we were trying to measure. The final data set consists of eight indicators that have been constructed from the OECD raw data. The recipient country group is composed of 81 countries for which we have a full set of data that represent the group of Low-Income Countries (LIC) and Lower Middle-Income Countries (LMIC) as defined by the World Bank. Donor country aggregates cover not only Development Assistance Committee (DAC) countries but also non-DAC countries as well as multilateral donors.

Lack of Donor Commitment

With reference to donor commitment, in the Paris Declaration on Aid Effectiveness (OECD 2008a) donors recognise that commitments need to be interpreted in the light of the specific situation of each partner country. Generally, donor country commitment with the recipient country may be low because, on the one hand, recipient governments are happy to approve donor projects instead of establishing consistent national objectives and policies and, on the other hand, frequently recipient governments passively accept the tying of aid and employment poaching practices. Both practices have a negative effect on the development of a country; the first one because it forces the recipient to accept business conditions to obtain the aid, as stated by Easterly (2007); and the second because it distorts the incentive for civil servants, because donors pay high salary supplements to the local staff, as mentioned by Knack and Rahman (2007). It should be noted that donor country commitment also depends on internal political considerations within the government of the donor country itself.

If they are to be committed to the recipients, donors have to align their aid with the priorities, strategies, systems and procedures of the partner countries and help to strengthen their capacities. Progressive alignment needs to be pursued by reforming and simplifying donor policies and procedures to encourage collaborative behaviour. With the pillar *lack of donor commitment,* we focus mainly on the incapacity of donors to commit to recipients as sometimes they are not able to avoid overlapping projects or donate too little money. We refer to the following three indicators described below: ‘number of projects per donor’, ‘proportion of aid coming from each donor’ (HHI), and the ‘global proportion’.

The indicator for ‘number of projects’ focuses on the number of different projects a single donor has in the given recipient country and can be considered the simplest way to capture aid fragmentation. The suggestion is that more committed donors have few projects in the recipient country as they are taking the priorities of the recipient countries into consideration and projects do not overlap with each other. The definition of ‘project’ is the one that the OECD uses to compile its complete database of aid projects. The reason for this indicator is to give an additional perspective on donor commitment besides the financial size of projects which is considered under the next indicators. The choice of this indicator comes from one of the activities to enhance harmonisation, a commitment of the donors at the Rome High Level Forum in 2003. Basically, the aim is to intensify donor efforts to work through delegated cooperation at the country level and to increase the flexibility of country-based staff to manage country programmes and projects more effectively and efficiently. More specifically, in the Paris Declaration, donors committed to avoid this, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes. We have looked at the average number of projects per donor for each recipient country utilising data from the OECD Creditor Reporting System. An increase in this indicator would mean lower commitment between the donor and the recipient country and therefore an increase in the fragmentation problem.

The 'proportion of aid coming from each donor (HHI)' is another indicator that we have utilised. In order to calculate the proportion of the recipient's total aid that comes from each donor, we used the Country Programmable Aid (CPA) data from the OECD. We decided that the method, which would provide a good spread of results reflecting recipients who benefit from a small number of 'large' donors, was to sum the squares of the proportions of each recipient's total aid that comes from each donor. This means that this indicator is constructed as a Herfindahl-Hirschman Index. If the proportion of aid coming from the donor increases, then the commitment to the recipient will increase and the fragmentation score will decrease. We therefore revert the sign of this indicator in order to guarantee coherence between the indicator and the fragmentation index.

The indicator 'global proportion' (proportion of the recipient's total aid that comes from a donor, relative to the proportion of global aid from the same donor), is used to assess which donor countries show a particular commitment to certain recipient countries. It would not make sense to make this judgment by simply looking at the amounts disbursed, because this would result in a dramatic bias against the smaller donors. Instead, we have considered what proportion of world aid each donor provides and compared this to the proportion of individual recipients' aid that each donor contributes. Again, we used CPA data from the OECD. We also calculated the proportion of each recipient's total aid that each donor disbursed. After that, we divided the recipient proportions by the global proportions. A value greater than one for a donor-recipient partnership indicates that the donor is investing more in that particular recipient country than it is in the world in general. We found the total of these proportion ratios for each recipient, and divided it by the number of donors to that recipient. This gave us an indicator score for each recipient. As in the previous case, we had to revert the sign of this indicator in order to guarantee coherence with the fragmentation measurement adopted.

Lack of Donor Coordination

In the Paris Declaration on Aid Effectiveness, donors made a commitment to harmonise, that is, to implement common arrangements at the recipient level for planning, funding, disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Donors also committed to simplifying procedures and in particular to working together to reduce the number of duplicate missions to the field and diagnostic reviews. They committed to adopting a pragmatic approach to the division of labour and burden-sharing by increasing complementarity and reducing transaction costs. In general, it was recognised that donor actions must be more harmonised, transparent and collectively effective. In the pillar *lack of donor coordination*, the implication is that if donors coordinate well with one another, the cited problems associated with fragmentation will be reduced. We refer to the following three indicators described below: 'regional expertise', 'sectors per donor', and the 'number of donors'.

The indicator for the concentration of each donor to a small geographical area in a recipient country ('regional expertise') was constructed according to the available data. However we were unable to get data showing the precise locations of aid disbursements within recipient countries, and indeed, for many disbursements, the question is not really relevant as the aid is for country-wide projects, or projects that are not clearly defined geographically. Nonetheless, we did deem it important to have an indicator showing the regional preference of donors, or a regional specialisation, taking into account our data constraint. We hence considered the nine world regions defined by the OECD: Europe, Africa North of Sahara, Africa South of Sahara, North & Central America, South America, Far East Asia, South & Central Asia, Middle East, and Oceania. We calculated the proportion of each donor's total aid going to each of the nine regions. Clearly, some regions attract much more aid than others. To correct for this, we divided the individual donors' proportions to each region by the global proportion to each region. This meant that we had a ratio for each of the donors indicating their specialisation in each region. We then took the matrix of CPA disbursements, and for each entry multiplied the amount by the specialisation ratio of the donor to the recipient's region. Then, for each recipient, we added together all of this new CPA scaled by specialisation amounts, and divided the total by the total amount of CPA that the recipient received. This gave us an indicator value for each recipient country, whose sign had to be reverted in order to be coherent with other indicators to measure fragmentation.

The purpose of the indicator of the concentration of each donor to a small number of sectors in a recipient country ('sectors per donor') is to show which recipients have their donors spreading themselves across many sectors within the recipient country thus showing lack of coordination.

In this way, we are not considering country-wide projects. We adopted the sector definition by the OECD Creditor Reporting System, for a total of eight sectors. We showed the amount that donors disbursed to each sector in each recipient country. We tabulated in how many sectors each donor was active in each recipient country. Then we took the mean number of sectors where donors are active, in each recipient country. These averages gave us an indicator value for each recipient country.

Finally a simple donor count was used as a proxy for lack of donor coordination in recipient countries. This is the simplest traditional measure of fragmentation. For this indicator we used the Official Development Aid data (ODA) from the OECD and counted the 'number of donors' from which each recipient country received aid. The implication is that a higher number of donors will make donor coordination more difficult, and potentially less effective, and so increase aid fragmentation.

Lack of Recipient Resilience

The pillar *lack of recipient resilience* refers to the Accra Agenda for Action, which recognises that without robust capacity—that is, strong institutions, systems and local expertise—developing countries cannot fully own and manage their development processes and that donor support for capacity development has to be demand driven and designed to support country ownership. In general, if a recipient country has a high level of resilience, this represents the prime engine of development and global progress. The two indicators that compose this pillar—'Gross National Income (GNI) per capita' and 'total amount of funds that a donor disburses per capita to the recipient country'—are described below.

First, we recognised that it is very important to consider the economic situation of the recipient countries. Many of the problems associated with fragmentation consist of financial burdens on the recipients, and so poorer recipients are likely to be less resilient to these burdens. For this reason, we adopted the 'Gross National Income (GNI) per capita' as an indicator, supposing countries with higher GNI are more resilient to problems caused by fragmentation.[2] The data have been taken from the World Bank. The reverted total GNI per capita in US dollars provided the indicator value for each recipient country, which is coherent with the other indicators in terms of sign.

Another index adopted refers to the 'total amount of funds a donor disburses per capita to the recipient country' and is based on the strong assumption that the higher the aid received per capita, the higher the recipient resilience. CPA is often used when considering the 'amount' donors give and recipients receive in the context of fragmentation as it is generally thought to be a better way of capturing programmable development aid projects, rather than those motivated by emergencies. However, for this pillar, we decided to use ODA data. The reason is that, in the context of recipient resilience, it is important to consider all development assistance, including that motivated by disasters. We took the total amount of ODA (net disbursements) that went to each of the recipients in each year considered. As for the other indicator of the pillar, we had to revert the sign because the value is negatively correlated with the fragmentation index. To calculate per capita values, we divided ODA by World Bank's population data.

Multivariate Analysis

In the construction and the analysis of composite indicators, the adoption of multivariate data analysis techniques is widely used in both academic and institutional approaches. We conducted multivariate analysis on the selected indicators to highlight the relationships between them and in deciding upon appropriate weightings of pillars and indicators. The analysis was done according to the best practices of the Composite Indicators Research Group at the Joint Research Centre of the European Commission (JRC 2015).

We considered the sample of data covering the period 2009–2013. The final data set consists of eight variables (indicators) listed in the previous section: the number of projects that a single donor has in the recipient country ('projects per donor'); 'the proportion of the recipient's total aid that comes from each donor (HHI)'; the proportion of the recipient's total aid that comes from a donor relative to the proportion of global aid from the same donor ('global proportion'); the concentration of each donor to a small geographical area ('regional expertise'); the concentration of each donor to a small number of sectors ('sectors per donor'); the recipient number of donors ('number of donors'); the recipient GNI per capita ('GNI per capita') and finally the total amount of money a donor disburses to the recipient country ('aid per capita'). The recipients group is composed of LIC and LMIC. In this way, we consider the income as the characteristic that allows some degree of homogeneity among recipient countries which are very different in terms of other structural parameters.

These countries represent the economies of the world's most in need. Donor aggregates cover DAC countries, non-DAC countries and multilateral donors.

At a first step, we performed a certain amount of data treatment, as the quality of a composite indicator depends primarily on the quality of data used. Raw data were first checked and treated for outliers that could heavily bias the results of the model. The raw measures have been trimmed through the so-called winsorisation, a reduction of outliers (assignment of the second highest value) following the approach of the World Economic Forum (WEF 2015). This procedure has to be followed in order to guarantee acceptable values of skewness and kurtosis that measure asymmetry and fatness of distributions respectively. Indicators that could bias our results were considered as those with skewness over 2 and kurtosis greater than 3.5 in absolute terms. As already mentioned, we reversed the direction of some indicators so that a high indicator value implies 'high fragmentation' for all of the indicators. The indicators that we reversed by multiplying by (−1) are: 'HHI', 'global proportion', 'regional expertise', 'aid per capita' and 'GNI per capita'. Data have been normalised in order to vary all within the same interval between zero and one by the min-max procedure. In this case, in order to guarantee comparability between years, the 'min' and the 'max' selected are the minimum of all the minimums of the five years considered (2009–2013) and the maximum of all the maximums, for every indicator considered. We finally imputed some missing data through single imputation.

After data treatment, we calculated the correlation matrix for the indicators, which shows how the different indicators are correlated with each other. Our large sample size avoided computational difficulties and allowed correlations to stabilise (see Comrey and Lee 1992). As expected, the indicators populating each pillar were found to be positively correlated. This supports the crucial assumption that they are all measuring the same concept. Namely, the majority of the correlations were found to be moderately positive (between 0.3 and 0.6). Three correlations were found to be strong (higher than 0.6): between 'global proportion' and 'number of donors' (0.608); between 'project per donor' and 'sectors per donor' (0.637); and between 'number of donors' and 'aid per capita' (0.653).

The next stage of the process was the analysis of the underlying structure of the raw data. The Principal Component Analysis (PCA) is a linear method of data reduction. It transforms p correlated quantitative variables into $k < p$ uncorrelated linear combinations, ordered according to the variability explained. By this analysis, we verified the internal consistency within each subpillar. It allowed us to explain the total variance of data as well. As this procedure converts the set of correlated indicators into uncorrelated variables called 'principal components', a possible lack of correlation indicates that the principal components are measuring different 'statistical dimensions' in the data. For this reason our correlated database is particularly suitable to apply this procedure and we obtained good results. The first principal component has been chosen so that it explains the maximum amount of the total variance of the variables. The second has been chosen to explain the maximum amount of the remaining variance, with the constraint that it must be orthogonal to the first principal component. The subsequent principal components have been chosen in the same way as the first two; and the principal components together account for all of the variance. In particular, in each pillar, we found that the first principal component explains between 50 and 67 % of the variance in the underlying indicators.

Weighting Procedures

In order to construct the composite indicator, we have to weigh the individual indicators and the pillars. As the weights adopted imply a subjective judgment and usually have an important impact on composite scores, it is particularly important to make them explicit and transparent. It is possible to assign equal weights, to consider weights assigned in a purely statistical manner or to consider participatory methods, meaning adopting weights based on opinions. The weighting procedure of the indicators we adopted is a combination of the two latter methods. It is composed of two different steps:

(i) Weighting derived from multivariate analysis, which reflects statistical quality of data and corrects for overlapping information between the highly correlated indicators. This does not take into account the theoretical importance of each indicator.
(ii) Weighting from the results of experts' survey responses, which are based on the perceived importance of each indicator.

Weights Derived from Multivariate Analysis

We used Factor Analysis procedure among the eight indicators to weight for each of the indicators, following the approach of Nicoletti et al. (2000).

Factor Analysis (FA) is similar to PCA, but the two methodologies diverge because PCA is based on linear data combination, while FA is linear but with an error term added. FA identifies latent underlying factors, on which data are based, and models the actual variables as linear combinations of these. When using FA to derive weights, if two indicators are highly correlated they will count more because they drive the factor.

The most common way to deal with the FA model is the use of PCA to extract the first x principal components and to consider them as factors. As in our analysis there are eight variables (indicators); there are a total of eight principal components identified by PCA. However, only a small number of them are significant and need to be considered. The choice of how many principal components to consider without losing too much information is largely heuristic. We adopted the Kaiser criterion, also called the Mineigen criterion, which is to drop all factors with eigenvalues below one. The reason for this is that is makes little sense to add a factor that explains less variance than that which is contained in one indicator. Where there is a high factor loading, the variable in question is highly correlated with that factor. For example, we obtained for 'sectors per donor' a factor loading of 0.83 for factor one, so factor one is highly influenced by the 'sectors per donors' indicator, while factor two is highly influenced by 'HHI', with a factor loading of 0.81. As a result of the procedure, we carried out the analysis with two principal components.

We noticed that, even running an orthogonal rotation of the initial factor solution, the loading of factor two for the indicator 'projects per donor' is zero. This means that this indicator has no impact on the two factors. The possible explanation of this finding is that, from the donor commitment perspective, we consider an increasing number of projects per donor in a recipient countries as increasing the fragmentation problem, but on the other hand more projects of a single donor to a single recipient can mean a donor highly focused on a specific recipient, so the effect found on factor two of this indicator can be considered somehow reasonable.

After conducting the FA, we calculated the squared factor loadings, which represent the proportion of the indicators' total variance that is explained by each factor, and multiplied them by the proportion of the variance that each factor explains. Finally, we summed up for each indicator to give a weighting. Weights were then normalised in order to sum up to one. In this way, each component has been weighted according to its contribution to the overall variance in the data.

Weights Derived from the Expert Survey

In the literature on composite indicators, a common procedure adopted is to gather the opinions of experts on the topic, and use these to adapt and modify the pillars or the indicators, and finally to weight them appropriately.

In order to do this we invited several experts on development among some major institutes and universities to take part in an online survey and to offer their feedback to ensure that we had not left out any important indicators, asking them to assess the influence of different indicators on the extent of fragmentation. We distributed the survey online to a list of experts and also during a workshop held at the Joint Research Centre in Ispra in September 2012 with the Member States Development Agencies. We received a total of 23 (anonymous) replies.

In particular, we presented the experts with different indicators sorted into the three concepts: *donor commitment*, *donor coordination*, and *recipient resilience*. We asked them to rank the indicators according to importance in the context of each pillar. We then asked them to assess the overall structure of the pillars, and to rank each of the three pillars. From the responses we received, we weighted the pillars according to their theoretical importance in the problem of aid fragmentation. For the weightings of the pillars we gave each one a score from each expert by reversing the rankings—so a ranking of one gave a score of five, a ranking of two gave a score of four, and so on. We took the mean score for each pillar across all experts. Then we normalised the pillars' scores, so that they sum to one. The weights derived from the experts are very similar between the second and the third pillar, while the weight for the first pillar is lower.

We scored each of the three pillars by taking the mean of the pillar ratings, and standardising them so that they sum up to one. The final weighs we adopted for each pillar are the following: *the lack of donor commitment* has a weight of 0.288; the *lack of donor coordination* has a weight of 0.367; and finally the weight of *lack of recipient resilience* is equal to 0.346.

Aggregation Procedure

The aggregation method we adopted in order to construct the composite indicator is the weighted geometric mean. This method has been recently utilised by various different organisations in order to construct several indexes such as the Human Development Index (UN 2014a), the

Multidimensional Poverty Assessment Tool (UNIFAD 2014), and the Drug Consequences Index—USA (ONDCP). The geometric aggregation, also called the deprivational index, has desirable statistical properties, mainly because it does not imply full compensability, such that a poor performance in some indicator cannot be compensated for by sufficiently high values in other indicators. In this way our multicriteria analysis entails full noncompensability. Furthermore, the geometric mean rewards balance by penalising uneven performance between dimensions.

We applied the weights to the indicator by multiplying each indicator value with its final weight calculated via factor analysis. Then, within the pillars, we aggregated by summing the individual normalised and weighted indicators to obtain a score for each pillar. We weighted each pillar, by taking the pillar score to the power of the pillar weight obtained via the expert survey, before taking the product of the three weighted pillars.

So, for a recipient *r*, the overall fragmentation score obtained is

$$\boldsymbol{AFI_r} = \left(\sum_{j=1}^{3} I_{j,r} W_j\right)^{P_1} \left(\sum_{j=4}^{6} I_{j,r} W_j\right)^{P_2} \left(\sum_{j=7}^{8} I_{j,r} W_j\right)^{P_3}$$

Where: Wj is the weighting for the jth indicator

Ij, r is the normalised value of the jth indicator for recipient r

P_i is the weighting for pillar i

The first three indicators (I_1 to I_3) are components of the first pillar (*lack of donor commitment*); the next three indicators (I_4 to I_6) are part of the second pillar (*lack of donor coordination*); and the final two indicators (I_7 to I_8) are connected with to the third pillar (*lack of recipient resilience*).

Results and Conclusions

We scored all the countries considered according to our Aid Fragmentation Index obtained for the years 2009, 2010, 2011, 2012, 2013. The methodology applied shows robust results for the time span considered and different weights assigned to indicators and pillars. In particular, from a statistical coherence check conducted it is clear that no reallocation of the indicators into different categories is needed and no trade-off is present in this framework. As a robustness check, we assessed the impact on the ranks of changes in some of the assumptions adopted, considering the changing of the weights to each pillar and each indicator. Results in terms of ranking position remain quite coherent among the various different specifications. Furthermore, results obtained show that traditional measures of fragmentation usually do not capture the problem properly.

The most problematic areas among the countries considered are detected as South Asia, Central Eastern Africa, and a small region in West Africa. In particular, results in the 2009–2013 time span show a particularly poor performance over the years for Kenya, Ethiopia, Mozambique, Nepal, Tanzania, Uganda, Vietnam, Pakistan, India, Bangladesh, the Democratic Republic of the Congo and Burkina Faso. Results are shown in Table 4.1, which indicates the name of the countries that are ranked between the first and the tenth position in the AFI scores in each of the five years considered. In our opinion, these countries deserve careful attention among donors in order to try to reduce aid fragmentation and allow the aid to be more effective.

As measurability renders countries accountable and a good system of accountability can change behaviour in the development community, this analysis and maintaining it over time can have a crucial role in order to promote aid transparency and to give an orientation to further efforts of donors in development aid together with other instruments adopted by policymakers. The Aid Fragmentation Index presented in this paper is particularly useful as an instrument at the European level, as the

Table 4.1 Top 10 countries ranked by AFI in selected years

Rank	*2009*	*2010*	*2011*	*2012*	*2013*
1	Kenya	Ethiopia	Ethiopia	Ethiopia	Ethiopia
2	Tanzania	Pakistan	Kenya	Kenya	Tanzania
3	Mozambique	Kenya	Tanzania	Tanzania	Mozambique
4	India	Mozambique	Uganda	Mozambique	Bangladesh
5	Uganda	Uganda	Mozambique	Congo, Democratic Republic	Kenya
6	Bangladesh	Tanzania	Bangladesh	Uganda	Nepal
7	Ethiopia	Vietnam	Pakistan	Nepal	Uganda
8	Vietnam	Congo, Democratic Republic	Nepal	Bangladesh	Congo, Democratic Republic
9	Nepal	India	Vietnam	Pakistan	Burkina Faso
10	Burkina Faso	Nepal	India	Vietnam	Mali

Source: Authors' own estimations

European Commission promotes a coordinated European approach to aid effectiveness.[3]

In conclusion, we consider the Aid Fragmentation Index a useful tool in the efforts to maintain the relevance of the aid effectiveness agenda within the context of the evolving development landscape. The work presented here can be further extended to take into consideration the additional fragmentation due to the increasing numbers of private providers of development assistance and innovative sources of developing finance to complement traditional ODA, as well as external forces for development, such as international trade, foreign investment migration, and remittances.

Notes

1. Among others: the Rule of Law Index of the World Justice Project; the Global Competitive Index of the World Economic Forum; the Multidimensional Poverty Assessment Tool of UNIFAD; the Environmental Performance Index of the Yale and Columbia Universities; the Index of African Governance of the Harvard Kennedy School; the Product Market Regulation Index of the OECD; the European Lifelong Learning Index of the Bertelsmann Foundation CCL; the Alcohol Policy Index of the NNY Medical College; the Composite Learning Index of the Canadian Council of Learning, and the Environmental Sustainability Index of the Yale and Columbia Universities.
2. We acknowledge that we are disregarding the fact that there are also examples of countries with low GNI but with very effective donor coordination systems, such as Rwanda.
3. The commitment of the European Commission for the maximisation of effectiveness of aid is indeed reiterated in numerous official documents: the EU Code of Conduct on Division of Labour (EU 2007), the EU Operational Framework on Aid Effectiveness (EU 2009a), the EU Agenda for Change (EU 2011a) and the EU Joint Programming (EU 2011b), among others.

PART II

Drivers and Actors of Fragmentation

CHAPTER 5

Bilateral Donor Bureaucracies and Development Cooperation Pluralism

Erik Lundsgaarde

This chapter is a revised version of (Lundsgaarde 2013a). The author thanks Stephan Klingebiel, Adolf Kloke-Lesch, James Mackie, Sebastian Paulo and Imme Scholz as well as participants of the DIE conference "Fragmentation or Pluralism? The Organisation of Development Cooperation Revisited" in October 2013 for helpful comments on earlier versions of the chapter.

Introduction

As other contributions to this volume confirm, the diversification of actors providing development funding is a core feature of the evolving international cooperation landscape. This chapter explores the issue of bureaucratic pluralism within established donor countries as a manifestation of the evolution of the policy field. While the distribution of authority for development policy across diverse governmental entities has a long tradition in many donor countries, the broadening of the global development agenda is creating an opening for ministries with expertise in specific sectors to assume greater importance in relation to development agencies that have been the guardians of an agenda dominated by the Millennium Development Goals and Paris Declaration aid effectiveness principles. The involvement of diverse bureaucracies within OECD-DAC countries may

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_5

present an advantage in terms of mobilising knowledge and building new partnerships or networks to support development goals or a disadvantage in adding competing goals and implementation channels for development funding.

To contextualise bureaucratic diversity as an element of the transforming development cooperation landscape, this chapter first presents an overview of the division of bureaucratic responsibilities for development cooperation across the OECD-DAC donor community. In a second step, the chapter discusses the implications of bureaucratic diversity for the aid and development effectiveness agenda. A third section discusses how bureaucratic pluralism relates to the transformation of development cooperation as a policy field.

Line Ministries in Development Cooperation: Patterns Across the OECD-DAC Community

Reflecting the diversity of political systems and priorities even within the OECD-DAC community, there are variations among donors in how development policy competencies are divided among governmental actors. In some cases, the division of bureaucratic responsibilities reflects historical legacies. For example, the Ministry of Finance's central role in France's development policy system stemmed from its importance in managing economic relations and monetary cooperation with former colonies (Lundsgaarde 2013b). In Portugal, sixteen ministries were involved in administering development cooperation in 2010, highlighting the historical importance of sectoral specialisation in relations with lusophone countries (OECD 2010e). In other cases, the division of policy competencies across diverse line ministries follows the logic of functional separation. As an example, the Swiss State Secretariat of Economic Affairs (SECO), part of the Federal Department of Economic Affairs, Education and Research, holds responsibility for Swiss development cooperation instruments related to macroeconomic policy and trade and investment promotion due to its core economic policy competencies (Lundsgaarde 2013b).

For many DAC donors, aid management still takes place within a concentrated bureaucratic landscape. In concentrated aid management systems, the organisation of development cooperation generally centres on the donor's ministry of foreign affairs and a bureaucracy responsible for aid implementation. The OECD-DAC has identified four generalised aid management models that highlight variations in the role of the foreign affairs ministry in development cooperation (OECD 2009f):

1. Development cooperation is fully integrated into the foreign affairs ministry (examples are Denmark and Norway).
2. Development cooperation is designed and implemented by a specialised directorate or agency directly under the aegis of the foreign affairs ministry (Finland, Ireland, Italy, the Netherlands, and Switzerland are among the examples).
3. Responsibility for development cooperation is divided between a (foreign affairs) ministry responsible for policy guidance and an agency responsible for implementation (France and Sweden are considered examples).
4. An independent ministry separate from the ministry of foreign affairs designs and implements cooperation programmes (United Kingdom).

Alongside these organisational variations, the extent of financing overseen by foreign affairs or development ministries also varies. Donors that consolidate the design and implementation of Official Development Assistance (ODA) programmes are considered advantageous for pursuing coherent and higher-profile action. For this reason, the OECD-DAC has encouraged donors to rationalise aid administrations by placing all development-oriented work across government departments under a common strategic umbrella (OECD 2009c). Consolidation or dispersion in development funding is not necessarily directly linked to the overall size of aid budgets. Birdsall and Kharas (2010) identify Greece as the most fragmented DAC donor, even though it is among the smallest donors (Table 5.1).

The German system appears to resemble the United Kingdom's, as a rare case of a donor with an independent, cabinet-level ministry. Yet the Federal Ministry for Economic Cooperation and Development (BMZ) oversees a more limited ODA share, suggesting that differences in the character of ministerial control in managing aid across countries reflect numerous factors. Development ministries' competencies stem not only from the formal independence of their policy portfolios but also from the internal structure of ministries, their role in policy implementation, and the specific instruments they are mandated to oversee. In 2008, the BMZ

Table 5.1 Key DAC development bureaucracies

France	The Agence Française de Développement (AFD) is the primary operational agency, managing 66% of French bilateral ODA in 2008. It is overseen by the Ministry of Foreign Affairs and the Ministry of Finance, which also individually manage important ODA budget shares (OECD 2008e)
Germany	The last DAC peer review reported that the Federal Ministry of Economic Cooperation and Development (BMZ), a cabinet-level ministry, oversaw 54% of ODA. The Ministry of Finance was second in importance, overseeing 20% of ODA flows due to its role in managing contributions to the EU budget and debt relief (OECD 2010c)
Japan	Following reforms in 2008, ODA implementation responsibility has been consolidated in the Japan International Cooperation Agency (JICA), with the Ministry of Foreign Affairs retaining an important policy guidance role. These bureaucracies together oversaw two-thirds of Japanese ODA at the time of the last DAC peer review (OECD 2010d)
The Netherlands	Aid management has been fully integrated into the Ministry of Foreign Affairs, which not only assumes responsibility for oversight of the large majority of ODA resources (87% on average between 2006 and 2010), but also has a coordinating role for resources beyond its direct control (OECD 2011e)
United Kingdom	The cabinet-level Department for International Development (DFID) bears responsibility for development policy guidance and implementation and manages the vast majority of ODA resources (86% in 2010) (OECD 2010f)
United States	The United States Agency for International Development (USAID) managed just over half of US foreign assistance funding in 2009. Another 17% was managed directly by the US State Department, which has been a focal point for development policy planning, particularly following organisational reforms initiated in 2006 leading to the consolidation of State Department and USAID budget planning (OECD 2011f)

Source: Author's own compilation

reportedly administered only 54% of German ODA, with the remainder overseen by other ministries and the federal states (OECD 2010a).[1]

The BMZ's limited coordination mandate with respect to the international activities of other ministries and the existence of powerful implementing agencies separate from the BMZ diminish the ministry's weight in the policy system (Brombacher 2009).

In Canada, the Canadian International Development Agency (CIDA), an independent agency subordinate to the Ministry of Foreign Affairs, historically managed the bulk of the development portfolio. Its importance in ODA administration has declined, with the share of ODA funding managed by the agency declining from 75 to 68% between 2007 and 2009 as other government departments assumed a larger international role (OECD 2012b). In March 2013, the Canadian government announced that it would fold CIDA into the Department of Foreign Affairs and International Trade, a move considered to imply a closer alignment of development policy with foreign policy and trade objectives.[2]

Even in cases where foreign affairs ministries or development agencies manage a declining ODA share, they still serve as the main focal point within their respective systems.

Information on the distribution of financing across donor bureaucracies remains limited. This is attributable to donor reporting deficits and to inconsistent data collection. As an example, Austria lacks a consolidated ODA budget. The dispersion of funding across eight different ministries complicates the assessment of its full aid portfolio (OECD 2009d). Although DAC peer reviews provide an overview of the organisation and management of aid systems, they only do so periodically with individual donor studies covering different time periods. There has to date been no systematic assessment of the importance of line ministries as aid providers.

Across the DAC community, numerous line ministries beyond foreign affairs bureaucracies and aid agencies have been involved in aid administration for many years. Finance ministries have often been important due to their oversight of contributions to multilateral development banks, lending and debt relief. Other ministries disbursing aid funding include bureaucracies related to agriculture, defence, education, environmental protection, health, and migration. With the exception of defence ministries, the core mandates of these ministries are primarily domestic in character.

The internationalisation of the work of domestically oriented ministries is not entirely new. Following the end of the Cold War, for example, the appearance of postcommunist transition countries as important aid recipients and the rising prominence of issues such as environmental protection and migration opened debates about the rationale and organisation of development cooperation that parallel current discussions concerning partner country differentiation and issue linkage management (Kloke-Lesch 1998).

The dispersion of bureaucratic responsibilities is also not unique to DAC donors. For major emerging aid providers, the multidimensional quality of cooperation is reflected in a complex landscape of governmental engagement. In China, the ministries of Commerce, Foreign Affairs, and Finance play key policymaking roles, with some 28 additional agencies taking part in governmental coordination processes (Hong 2012). Smaller emerging aid providers such as Mexico or South Africa are currently working to define the role of development agencies as pivotal actors in managing international development funding (Romero 2012; Vickers 2012).

Line Ministries and the Aid and Development Effectiveness Agenda

The distribution of development policy responsibilities raises questions about the extent of governmental commitments to aid effectiveness principles and the promotion of policy coherence for development. Increasing national ownership, a key aid effectiveness principle, implies a need to reconcile donor and partner-country interests. Aid agencies can be understood as mediators between donor and partner country interests (Martens 2008), defending partner country interests against national interests such as diplomatic or commercial objectives. In contrast, in bureaucracies where development is not the primary mandate, designing policy to respond to needs defined in partner countries is not necessarily self-evident.

Specialised development bureaucracies can be assumed to be more focused on aid effectiveness tenets than other bureaucracies. Some evidence supporting this assumption is found in the Quality of ODA (QUODA) assessment, which notes that aid agencies are better at fostering institutional development and reducing administrative burdens in recipient countries compared to other bureaucracies such as foreign affairs and finance ministries. However, the analysis also reveals that aid agencies in the aggregate do not have an absolute advantage across all dimensions of aid quality. The QUODA assessment found that specialised aid agencies did not outperform other ministries on measures of efficiency, which include indicators related to the poverty and policy selectivity of aid, donor specialisation and sectoral concentration, and the level of untied aid provided (Birdsall and Kharas 2010).

Although these scores may reflect the influence of other ministries over aid agency performance, (for example, by shaping aid allocation), the result suggests that non-aid bureaucracies may also operate consistently with internationally accepted principles of best practice in aid delivery. Available evidence suggests wide variation among donor agencies with respect to the integration of aid effectiveness principles in business practice both across different donor countries and between bureaucracies within a single country (Birdsall and Kharas 2010; Easterly and Pfutze 2008). These variations should introduce caution in accepting aid agencies to be naturally more capable of promoting international cooperation than other ministries. Ministries can bring different strengths to international engagement that may not be captured in performance criteria derived from development policy discourse alone.

The analysis of bureaucratic diversity within donor countries can complement existing approaches to conceptualising donor coordination deficits, another key element of the aid effectiveness agenda. Limited coordination among donors is considered to be a source of inefficiency in aid delivery, contributing to the unnecessary duplication of donor analytical work, increased administrative burdens on partner governments due to differences in funding priorities and reporting requirements, and difficulties in fostering capacity development due to competition for qualified staff (Knack and Rahman 2007).

The coordination challenges emphasised in discussions on reducing donor fragmentation and improving the division of labour generally consider inter-donor differences stemming from competing national interests and incentive structures to be key barriers to ensuring that the funding provided by diverse actors is more collectively effective (Williamson 2010). The challenge of inter-donor coordination may be compounded by fragmentation in aid management within individual donor systems, however. Bilateral donors are not always homogeneous actors. At headquarters level, different governmental actors may not use consistent criteria for aid allocation. At the country level, investments overseen through alternative allocation channels from a single donor may not be closely coordinated. These deficits can in turn limit harmonisation with other donors.

Donor contributions to global development goals extend beyond their development cooperation programmes. The recognition of the importance of non-aid policies for development has encouraged the more widespread use of the term ‘development effectiveness’. Although development effectiveness has different meanings (Kindornay 2011), one common connotation reflects the policy coherence for development agenda, emphasising that governmental efforts to promote consistency in externally-oriented policy objectives and to improve the extent of cross-governmental policy coordination in areas such as trade, investment, migration, or environmental protection can generate significant development benefits (OECD 2008g).

The policy coherence for development agenda outlines multiple steps for donors to take in order to ensure that their foreign relations broadly support development goals, such as promoting greater consistency in the objectives that donors pursue and establishing cross-governmental mechanisms to foster policy coordination among governmental actors with different foreign policy mandates (OECD 2009e). As a spectrum of bureaucratic actors expands their international engagement, the coherence of their action can be analysed from two perspectives. The first perspective concerns the consistency of international funding for development—the extent to which processes of strategy development, financing, and implementation are guided by common principles and do not undermine development goals. A second dimension relates to the extent to which policies and investments in different fields actively reinforce development goals (Keijzer and Oppewal 2012). This second dimension underlines that the expanding international mandate of sector-specific ministries is relevant beyond the issue of how to improve the management of development cooperation because it reflects the need for donors to adopt a comprehensive foreign policy strategy elevating the pursuit of development objectives by more effectively bringing together the contributions of a range of policy fields and governmental actors.

Line Ministries and the Transformation of Bilateral Cooperation

The examination of the distribution of bureaucratic responsibilities for aid management draws attention to fundamental questions about the scope, independence, and future of the development policy field. This section explores the linkages between bureaucratic pluralism and the transformation of development cooperation, defined with reference to ODA administration.

ODA broadly covers concessional financial transfers to developing countries from public sources aiming to promote economic and social development (OECD 2008f). In practice, this definition can encompass a range of spending that does not necessarily involve a financial transfer to developing countries and excludes some forms of external financing making a development contribution (Vanheukelom et al. 2012). A further limitation in the existing ODA definition is that its concessional character may exclude innovative financing that seeks to leverage public resources by mobilising private funds for development.

These limitations of the ODA definition have led to proposals to reconceive how national contributions to development goals are reported and assessed. Severino and Ray (2009) have promoted replacing ODA with a broader concept of global policy finance, comprising funding from public and private actors designed to support economic convergence, investments in basic human welfare, and financing for global public goods. The promotion of global public goods provision implies shifts in the rationale of cooperation that could lead to changes in the allocation of resources to specific countries, sectors, and beneficiaries.

Calls for donors to increasingly prioritise global public goods financing highlight the changing issue complexes motivating development-oriented funding. One key illustration is the linkage between ODA and global climate policy. International climate negotiations have called for substantially increasing financing to developing countries to facilitate low-carbon development and enable climate adaptation. The severity of the climate challenge suggests that resource mobilisation through existing aid channels alone will be inadequate and climate negotiations have therefore emphasised the principle of climate finance additionality. Commitments to increase climate-related development financing have emerged from international conferences where environmental ministries have played a leading role, even though development agencies play a key role in implementing adaptation finance (Pickering et al. 2015). On one level, rising interest in climate finance reflects an adjustment in priorities that can either supplement or compete with existing cooperation programmes. On another level, the growing importance of the climate change issue complex creates new challenges with respect to mobilising expertise to manage interlinked policy fields. While development agency expertise encompasses a variety of sectors, this expertise may be insufficient in addressing questions such as technology transfer, efficient energy production and use, or sustainable land use management.

Expertise gaps and overlaps are also apparent in the response to state fragility, which requires drawing expertise from the security and law enforcement sectors, and the field of global health, where the threat of global pandemics underlines the interdependence of domestic and international policy fields. The demands on governments to combine expertise to address interlinked challenges questions how well foreign affairs and development bureaucracies are able to fulfil the role of knowledge managers bridging sectoral divides while reconciling donor and partner country interests.

Changing country contexts are also challenging the traditional boundaries of the development policy field. The distinction between developed and developing countries is blurring with the rising economic fortunes of many non-OECD countries, while the heterogeneity of development pathways among non-OECD countries is also perceptible. This diversity of development pathways also implies a variety in the interests driving the foreign policy choices of OECD countries.

For some low-income countries, ODA continues to represent an important source of development funding. According to World Bank data, ODA receipts accounted for more than 10% of Gross National Income in 36 states in 2010, with fragile states and small island developing states well-represented on this list (World Bank 2013b). For many others, the economic importance of ODA is limited. While ODA can continue to play a role in stimulating economic growth and improving the conditions for mobilising other resources, its relative weight in the development funding landscape is diminishing.

Fragile states represent one end of the spectrum in considering how the contexts where ODA is disbursed are changing. The need for coordination among donors and within individual donor countries is especially important in these contexts given limited partner-country capacities to manage diverse actors (OPM and IDL 2008). Donor responses to addressing challenges in fragile states must have a multidimensional quality implying a role for a variety of governmental actors in designing and executing policy. To re-establish order in post-conflict societies, resources from diplomatic, military, and development actors need to be brought together to pursue short-term stabilisation goals while enabling long-term reconstruction efforts.

The need for effective coordination within donor governments has been summarised under the label of ‘whole of government’ approaches, defined as the pursuit of a coherent programme of action across the full spectrum of government departments. Achieving coherent cross-governmental action in practice is often difficult. Defence, foreign affairs, development, and other bureaucracies can differ in terms of how they interpret the nature of the problem and thus promote alternative priorities for engagement. In addition to these basic goal conflicts, achieving more consolidated action can be hindered by a lack of overarching political guidance for engagement and by bureaucratic incentives to limit staff investments in time-consuming consultations with other bureaucracies (OECD 2006). Possible remedies for such shortcomings therefore include developing country strategies to place the action of individual donors under a common framework and linking personnel investments in cross-governmental coordination to career advancement opportunities (Patrick and Brown 2007).[3]

At the other end of the spectrum in country contexts where governments are increasingly capable of mobilising domestic resources for development and the importance of ODA as a share of GDP is diminishing, donors face a challenge of transforming bilateral relationships, phasing out aid while potentially introducing other cooperation instruments that reflect a rationale for engagement that is more transparently interest-based.

The factors that make countries candidates for aid graduation also make these countries attractive as continuing bilateral partners, underlining that phasing out ODA does not necessarily mean reducing the level of engagement with a given country. In regional powers in particular, phasing out aid may actually coincide with a higher prioritisation of the bilateral relationship. According to Slob and Jerve (2008), while donors have expressed the goal of transforming bilateral cooperation in aid graduation contexts, it is often unclear what the nature of the transformation is. New forms of cooperation may actually be very similar in nature to the ODA that they displace. Yet the transition can also entail new donor government funding sources or an adjustment of the weight of certain aid instruments, creating pressures for organisational reform within country-level missions to manage the shifting actor landscape on the donor side.

These examples from country contexts at opposite ends of the spectrum—fragile states dependent on external support for stabilisation at one end and well-performing states in which the significance of ODA as a source of financing and knowledge transfer is declining at the other—underscore that the analysis of the role of various governmental actors in bilateral cooperation must consider the variety of problem complexes that donors currently need to adapt aid management systems to. Because actor constellations differ across problem complexes the future role of development agencies and foreign affairs ministries in these areas may also vary. In identifying the contribution of diverse line ministries to bilateral cooperation, it is therefore useful to consider what specific competencies ministries bring in crafting responses to different types of development challenges.

Mobilising Sector-Specific Knowledge and New Partnerships for Development

The multiplication of actors in the development policy field can be viewed positively, given their potential to provide additional financial resources or other forms of support and contribute policy ideas that offer partner countries a wider range of alternatives in considering how to foster their own development (Davies 2011). Although the higher visibility of a variety of actors can be considered beneficial in terms of mobilising resources and expanding choice among partners, actor proliferation is also perceived to be taking place in a context where the institutions for managing cooperation among actors are either proliferating themselves (Davies 2011) or failing to adapt to new realities (Severino and Ray 2010).

The 4th High-Level Forum on Aid Effectiveness emphasised the welcome contribution that a variety of actors could make to advancing development goals. The underlying logic of the Global Partnership for Effective Development Cooperation is that while participating actors may share general development objectives, they vary not only in their capacities to contribute to a common agenda but also in the nature of their respective strengths, emphasising the need to exploit comparative advantages (HLF High Level Forum on Aid Effectiveness 2011).

This basic objective of the Global Partnership—managing diversity by recognising actors' complementary strengths—is a general objective underlying many types of partnerships. The Global Development Alliance conceived by the United States Agency for International Development (USAID) in 2001 as an innovative vehicle to increase private resource mobilisation provides an illustration of the partnership logic. The Global Development Alliance lists numerous resources that different actors can contribute to development initiatives, including funding, specialised expertise, technological or intellectual property assets, business practices, an ability to influence policy, or access to new networks (USAID 2006).

This list of resources can be extended to assess the potential for complementary engagement from varied actors, including governmental actors within the DAC. Three potential strengths of line ministries beyond development agencies can be highlighted in this context. The first relates to their expertise. Expertise has commonly been considered a primary source of bureaucratic policy influence (Wilson 1989; Nicholson-Crotty and Miller 2012). Because of the focused character of their work within specific policy fields, bureaucracies generally have an informational advantage over legislators, whose broad role in budgeting and policymaking limits specialisation. Sector-specific bureaucracies may also have knowledge advantages over development agencies in particular thematic areas.

The diverse thematic portfolios that development agencies manage may also be considered a source of specialised expertise, and an asset in defining appropriate responses to partner country development challenges. Expertise can also relate to knowledge of specific countries or regions, which should be in greater supply in ministries with a larger presence in developing countries or larger personnel investments in geographical bureaus. The locus of engagement is an important defining feature of development cooperation and the understanding of dynamics of change within varied country contexts should be an advantage that development bureaucracies possess in relation to other governmental actors.

A second potential strength concerns the differences in business practices that organisations adopt that can be a source of innovation. Business practices can influence how partner countries judge the value of cooperation programmes. As an example, the practice of tying aid to procurement contracts with donor firms has limited the flexibility of partner countries to manage aid resources and reduced the overall value of aid transferred (Clay et al. 2008). Reporting standards can similarly restrict partner country flexibility in using support. Finally, monitoring and evaluation practice reflects organisational efforts to assess how well they are achieving goals and learning from prior experiences.

A final possible contribution of diverse bureaucracies concerns the mobilisation of sector-specific policy networks. The engagement of bureaucracies with varied constituencies can be both a source of the interests that agencies defend and a source of power, as external support for an agency's work can strengthen its position in budgetary or policy processes (Wilson 1989). At the same time, policy networks can be a source for generating ideas about solutions to policy challenges or present opportunities for expanding development partnerships. The linkage of ministries to particular domestic constituencies can potentially mobilise untapped expertise from private sector entities or research communities. Within partner countries, sector-specific ministries may also have the capacity to open access to actors such as counterparts in line ministries or multinational corporations operating in a specific sector.

This discussion of the potential strengths that different bureaucracies can bring to development policy processes does not imply a pre-existing judgment on the value or effectiveness of particular organisations. Each of the potential strengths listed above carries a possible downside. Deep expertise within a specific field may limit bureaucratic players from acknowledging interdependencies across policy fields. Management structures and business practices within sector-specific ministries may not be more effective or efficient than the operating procedures of development ministries. The enlargement of networks of actors engaging on development issues may also expand the diversity of interests that are represented within international cooperation programmes, leading to a confusion of goals and questions about who the beneficiaries of these programmes are.

In sum, as the problem complexes and country contexts that development policy provides a response to shift, the palette of actors able to make a useful contribution to addressing development challenges may also change. Analysing the assets that different organisations possess therefore represents a valuable step in considering how diverse resources and capabilities can be effectively brought together in the future.

Conclusion

This paper has considered bureaucratic pluralism in development cooperation—the internationalisation of the work of a diverse spectrum of ministries—to represent one manifestation of the transformation of ODA as a policy field. Although diverse bureaucratic engagement presents obvious challenges in promoting aid and development effectiveness, this analysis also suggests that the diversification of the actor landscape in development cooperation can add value to efforts to respond to development challenges. Making use of the strengths of diverse actors and limiting the known disadvantages associated with donor fragmentation requires attention to how the cooperation systems in which diverse contributions are embedded are organised and what practices enable the complementary deployment of these resources.

Notes

1. In 2011, the BMZ administered 62.3% of German ODA (See http://www.bmz.de/de/ministerium/zahlen_fakten/Mittelherkunft_der_bi-_und_multilateralen_ODA_2010-2011.pdf). The exclusion of German contributions to the EU budget likely leads to an underestimation of the ministry's role within the German system, as the funding is ascribed to the Ministry of Finance though the Foreign Office and BMZ assume a more important role in funding oversight.
2. See: http://www.ottawacitizen.com/news/2013-budget/Foreign+Affairs+department+take+over+ agency/8133658/story.html.
3. These considerations reflect general dilemmas related to cooperation among bureaucracies. In his classical treatment of US bureaucracies, James Q. Wilson (1989) notes that the desire of bureaucracies to maintain autonomy ('to protect turf') leads to competition with other governmental actors to avoid intrusion on a bureaucracy's core tasks. Coordination with other bureaucracies may not be considered necessary to fulfil an agency's core objectives, and the participation of individual civil servants in coordination processes may not be considered *career-enhancing*. The desire to preserve bureaucratic autonomy focused around the fulfilment of a core mission is not only relevant in understanding bureaucratic competition, but also in considering processes of bureaucratic consolidation, as the absorption of additional competencies that lie outside traditional spheres of activity may be resisted by agencies that perceive an expanded agenda as a way of diluting their core mandate (Halperin et al. 2006).

CHAPTER 6

Fragmentation's Losers: Who Are the Aid Orphans?

Elena Pietschmann

Introduction

The fragmentation of development assistance has long been recognised as a challenge for aid effectiveness. The literature presents us with a large variety of channels through which fragmentation can undermine aid effectiveness: from high transaction costs on both sides of the aid relationship (Anderson 2012) to the overburdening of administrative capacities in recipient countries (Roodman 2006a), weakened country ownership as well as blurred lines of accountability (Bigsten and Tengstam 2012).

At the global level, one harmful consequence of a complex aid architecture with many development actors is that overall aid might end up being allocated inefficiently across countries, resulting in both overcrowded "aid darlings" on the one hand and neglected "aid orphans" on the other (Davies and Klasen 2013, pp. 2–3). This is a serious concern because aid effectiveness depends not only on how well resources are used, but also on how efficiently they are allocated across recipients (Bourguignon and Platteau 2012, p. 4). The emergence of "under-aided" countries in particular implies inefficiencies in the allocation of overall aid for several reasons. First, it is argued that potential efficiency gains could be reaped by reallocating aid from relatively over-aided to relatively under-aided countries (Bigsten and Tengstam 2012; Utz 2010). Second, neglecting some recipients can generate negative cross-border spillovers that threaten the effectiveness of aid programmes in other countries and undermine the

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_6

achievement of global public goods (World Bank 2011, p. 277). Third, there is the perception that the poorest and most vulnerable countries are being abandoned by donors (Mold et al. 2008, p. 2).

The discussion on under-aided recipients takes place in the broader context of donors' commitments in various international high-level fora on aid effectiveness in Paris (2005), Accra (2008) and Busan (2011) to address the problems of fragmentation by rationalising the cross-country distribution of donors. In particular, cross-country division of labour (DoL) aims at, among other things, reducing the number of donors in overcrowded "aid darling" countries while increasing the level of engagement in "aid orphans". In Accra, donors committed to "*address the issue of countries that receive insufficient aid*" (AAA §17d). At the 2011 Busan High Level Forum on Aid Effectiveness, donors pledged to "*address the issue of countries that receive insufficient assistance, agreeing – by end of 2012 – on principles that will guide our actions to address this challenge*" (BPd §25c).

However, no such principles have been developed yet, and there has been virtually no progress on the issue of under-aided countries. One of the main obstacles is that neither the Accra Agenda for Action (AAA) nor the Busan Partnership for Effective Development Cooperation (BPd) clarify how under-aided countries should be identified, and it is still unclear how this should be done. The problem of under-aided countries is generally mentioned in academic and policy papers only in passing and without specifying what is meant by the term "aid orphan" (Brown and Swiss 2015).

The main attempt at developing a sound methodology to identify under-aided countries was carried out by the Organisation for Economic Co-operation and Development (OECD), which started regularly publishing a "Watch list of potentially under-aided countries" (OECD 2011b). The OECD watch list represents an important step forward in bringing some clarity to the "aid orphans" debate. However, the list focuses on the identification of countries receiving "insufficient aid", whereas the underlying causes for the low volumes of aid received by the countries on the watch list have not been sufficiently explored. Also, aid allocations from non-Development Assistance Committee (DAC) official and private donors were not taken into account. Finally, although the OECD recommends a closer examination of the countries on the watch list to assess whether these could actually use additional aid efficiently, no such "reality check" has been carried out yet.

The paper aims at filling these gaps. After discussing the conceptual difficulties in identifying under-aided countries, it presents the OECD methodology. Following sections examine the factors leading to disproportionally low aid receipts[1] for the countries on the OECD watch list. Then, a comparison is conducted between two countries featured at the top of the watch list: Bangladesh and Madagascar. Some conclusions and policy recommendations close the paper. The analysis is based on an extensive literature review[2] and draws on insights collected from 34 interviews with officers from donor agencies and national governments in Madagascar and Bangladesh. Field research in Dhaka and Antananarivo was conducted in August/September 2013.

The Problematic Identification of Under-aided Countries

Contrasting Approaches to Aid Allocation

The main challenge for identifying under-aided countries is the lack of clear guidelines for efficient aid allocation, which is not necessarily an equitable or a balanced one (Guillaumont 2008, p. 26). An "under-aided" recipient should not be equalled to a country receiving little aid in absolute terms. In order for aid to have the largest possible impact on poverty reduction, it might be efficient to allocate only low shares of aid to countries where it is unlikely to have a large impact (Mürle 2007, p. 28). Countries receiving little aid should be defined as under-aided only if they are considered able to use additional aid effectively.

In principle, cross-country aid allocation can be based either on recipients' needs or on performance. There are valid theoretical arguments for both of these conceptual approaches, and the empirical evidence is insufficient to assess their relative merit. Whereas needs-based approaches would direct aid mainly to the neediest countries, performance-based approaches would target well-governed countries, where aid is more likely to reach a larger number of people in need (Guillaumont 2008, pp. 6–8). Donors face difficult choices because institutional quality tends to be lower in the neediest countries (Kaufmann et al. 2006). Also, many people in need nowadays live in middle-income countries, but these are not the countries where those most in need live (Sumner and Kanbur 2012). There is often a trade-off between assisting many people in need and those most in need (Fan et al. 2009, p. 526), making it difficult to identify an optimal allocation under both approaches simultaneously. Achieving allocative efficiency requires comparing the impact of aid across recipients and allocating resources to areas where they promise the highest returns. However, such comparisons are—theoretically and empirically—extremely difficult and made even more complex by the existence of cross-border spillovers. Thus, for the moment, no optimal cross-country aid allocation has been determined.

Because there is no universally accepted, optimal allocation against which to assess the actual distribution of aid, there is also no consensus on what constitutes an aid orphan or the criteria that should be used to assess whether a country is receiving "sufficient" amounts of aid. Proponents of needs-based approaches to aid allocation will argue that the poorest countries that receive small shares of aid are under-aided with respect to their needs. On the other hand, supporters of a performance-based approach to aid allocation will argue that more resources should be directed to strong performers that are considered able to use aid effectively (OECD 2011b, p. 70).

The OECD Watch List

In the impasse caused by the multiplicity of approaches to aid allocation, the OECD recently took important steps forward in moving towards a common understanding of under-aided countries. First presented in a paper by Utz (2010), the methodology that the OECD proposes compares actual aid allocations to low-income countries against four different aid allocation approaches drawn from both needs-based[3] and performance-based[4] approaches to aid allocation. The models used for compiling the list do not include all the possible approaches to aid allocation,[5] but they represent the main ideas underlying needs- and performance-based perspectives. For each allocation model, a country is identified as under-aided if actual aid receipts are below the benchmark allocation by at least one percentage point of its gross domestic product. By combining needs-based and performance-based approaches to aid allocation, the OECD started regularly compiling a watch list of "potentially under-aided countries" with recipients that might be considered under-aided according to both needs- and performance-based approaches. Table 6.1 below illustrates the latest watch list, compiled on the basis of country programmable aid flows, plus humanitarian assistance and food aid for 2011.

Table 6.1 Watch list of potentially under-aided countries

Country	*Equal aid per capita*	*UNDP's TRAC1 aid allocation*	*Poverty-efficient aid allocation*	*IDA's performance-based aid allocation*	*Number of benchmarks*	*Estimated average funding gap (US$ billions)*	*Actual aid volume (US$ millions)*
Madagascar	X	X	X	X	4	885	395
Malawi	X	X	X	X	4	434	772
Bangladesh	X		X	X	3	3,190	2,222
Gambia	X	X	X		3	40	138
Guinea	X	X	X		3	449	314
Niger	X	X		X	3	452	643
Togo	X	X	X		3	201	278
Nepal	X		X		2	427	1,001

Source: Own compilation, data from OECD (2013a, p. 10)

This OECD initiative represents an important step forward in the "aid orphans" debate, but awareness of the watch list seems to be still very limited among donors and recipients. Government officials interviewed in Madagascar and Bangladesh were unaware that their countries were featured on the watch list. As for donors, they often interpret "under-aided countries" as being countries that receive low absolute volumes of aid or where few donors are active, and tend to equate the problem of "under-aided" countries with that of fragile states. This interpretation is problematic because—as the analysis below shows—the problem of under-aided countries concerns only a subgroup of fragile states. The phenomenon is thus unlikely to be addressed by allocating larger shares of aid to the group of fragile states as a whole.

Who's Neglecting Whom, and Why?

A Combination of Different Factors

Despite large differences among the countries on the list, an important observation can be made concerning the group as a whole: of the eight countries, seven are fragile states. This seems to be in line with claims (World Bank 2011, p. 201) that performance-based selectivity in aid allocation is the main reason for the emergence of aid orphans. However, being fragile does not increase a country's chances of being under-aided (Utz 2010). Indeed, the share of aid going to fragile states has actually been growing in recent years (OECD 2012a, p. 49). The problem seems to concern a subset of fragile states rather than the group as a whole, as suggested also by evidence on imbalances in aid allocations across fragile states (Guillaumont 2008, p. 12). In 2010, 49% of official development assistance (ODA) to the group of 47 fragile states was directed to only seven "donor darlings" (OECD 2012a, p. 49).[6]

The existence of under-aided countries is not attributable to one major trend influencing overall aid allocations, such as performance-based selectivity in aid allocation, but rather to a combination of different factors. A plethora of different approaches, goals and interests have produced current allocation patterns. On the one hand, a general move towards greater performance-based selectivity leads donors to direct lower volumes of aid to countries with relatively bad institutions. This is due both to the idea that aid works better in well-run countries, and to donors' reluctance to engage in difficult contexts where reputational and financial risks are higher (Bermeo 2008). On the other hand, needs still play an important role in determining aid allocations, particularly for United Nations (UN) agencies and other multilateral donors, and there are also increasing amounts of attention being given to fragile states. Finally, donors' political and commercial interests, and their historical ties with specific developing countries, influence resource distribution as well (World Bank 2011). This produces a complex pattern of aid allocation that benefits not only well-run countries but also low-performing ones that have particular importance for donors from a security, political, commercial or historical standpoint. Countries that could use aid efficiently but that do not fall into either of these categories might not receive sufficient aid (Corre et al 2008, p. 24; Rogerson 2005, p. 540).

The lower attractiveness of some recipients—in terms of performance and of strategic importance to donors—combined with a general lack of coordination among donors, produce inefficient concentrations of resources in some "darling" countries, whereas other recipients that also have relatively great needs and high levels of performance remain neglected. Most donors do not integrate other donors' allocations into their own allocation criteria and procedures (OECD 2011b, p. 12). Donor coordination could mitigate the phenomenon of under-aided countries by encouraging individual donors to allocate larger shares of aid to countries that receive disproportionally low amounts of aid from other donors. Instead, the fear of missing out on commercial and political opportunities in countries assisted by other donors leads donors to herd (Steinwand 2013, p. 8). For an average donor, a 1% increase in aid from another donor to a given country produces about a 0.3% increase in own aid allocations to that country. For aid orphans there is a "negative herding" effect, leading donors to collectively shun them (Davies and Klasen 2013, p. 25).

Efforts by individual donors to concentrate their aid in a limited group of partner countries as part of their strategy to reduce fragmentation might cause a worsening of the phenomenon of under-aided countries, if concentration is not coordinated and all donors choose the same partner countries (Anderson 2012, p. 2). Out of 23 DAC members examined by the OECD for their analysis of under-aided countries, 16 had selected Mozambique as a priority country, whereas only a few considered Madagascar or Niger. Furthermore, if the selection of partner countries takes place in the context of a move towards greater selectivity in aid allocations, this could result in particularly sharp drops for low-performing countries while over-aided strong performers experience diminishing or even negative returns to aid (OECD 2013a, p. 2).

Achieving coordination in aid allocation is difficult because aid allocation is considered a sovereign affair, thus justifying unilateral decisions (Grimm and Schulz 2009, p. 9). Although most donors select partner countries on the basis of criteria, the eventual decision is of a political nature (Mürle 2007, p. 27). Differences in programming cycles add technical obstacles to the political unwillingness to coordinate allocations. Moreover, the lack of transparency in aid flows makes it difficult for donors to coordinate their allocations. Only 23 out of 40 donors surveyed by the OECD declared themselves willing to make their forward spending plans publicly available. Reasons given for this reluctance included uncertainties about future aid budgets and the belief that their own channels of communication already provide sufficient transparency (UN 2012a, p. 19).

The Role of Bilateral, Multilateral and Non-DAC Donors in the Aid Orphans Phenomenon

An analysis of aid allocations to the countries on the watch list shows that the phenomenon of under-aided countries is in large part attributable to neglect by bilateral donors. The nine countries in the OECD watch list received, on average, 55% of their aid from multilateral donors, a much higher share than the global average of 36% (OECD 2013a, p. 14). Multilateral donors appear to be less biased against partner countries with weak institutions, as well as less influenced by herding behaviour and commercial, political or historical factors in their aid allocations (Öhler 2013, p. 6). Allocations from multilateral donors compensate, to some extent, for neglect by bilateral donors, but only partially and only in some countries (Utz 2010, p. 22). Multilateral donors' compensatory role does not appear to be driven by a conscious effort to allocate larger shares of their aid to countries that receive disproportionally low amounts of aid from bilateral donors, but results from the use of allocation formulas (Davies and Klasen 2013, p. 8).

The OECD watch list is based on data from the OECD-DAC Creditor Reporting System database.[7] However, allocation patterns of emerging and private donors should be taken into account as well, as they might be compensating for relative neglect by DAC donors. The role of Arab and Latin American donors in countries on the watch list appears to be rather limited, as both groups focus predominantly on their neighbours, whereas the countries on the watch list are located in sub-Saharan Africa and in

Southeast Asia. China and India, on the other hand, sometimes focus on fragile states, such as Nepal, that appear to receive relatively low shares of DAC aid (OECD 2012a, p. 53).

As for private aid, the little evidence available on its allocation does not suggest that non-governmental organisations (NGOs) or private foundations might be targeting countries neglected by official donors. NGOs seem to have a tendency to concentrate on the same countries as official donors, thereby deepening the aid darling/aid orphan divide (Koch et al. 2011). Private foundations appear to be active predominantly in middle-income countries and tend to avoid engaging in low-income countries (Marten and Witte 2008) or in politically unstable environments (Esser and Bench 2011, p. 16).

Two Under-aided Countries: Madagascar and Bangladesh

In general, the existence of countries that can be considered under-aided with respect to both their needs and their performance exposes a lack of coordination among donors concerning allocation decisions, and a reluctance of bilateral donors to engage in low-performing countries that have limited strategic importance for donors. At the same time, the reasons for disproportionally low aid receipts can differ widely from country to country. This is well-illustrated by comparing Madagascar and Bangladesh, two countries featuring at the top of the watch list and that are thus considered to be receiving disproportionally little aid compared to countries with similar needs and institutional performance.

According to World Bank figures for 2011 (the watch list is based on aid flows for that year), Madagascar is among the bottom 10 recipients in terms of aid per capita (US$ 20 per capita, compared to a per capita average of US$ 53 for least-developed countries and of US$ 54 for African countries). In absolute terms, Madagascar received US$ 443 million in 2011. The country also shows heavy reliance on a few donors. In 2009, five donors were providing more than 70% of the country's total aid (UN 2011, p. 22). Bangladesh, on the other hand, presents 34 active donors, and the absolute net ODA volume received is quite large (US$ 1.497 billion). However, due to the country's large population, aid per capita amounts to only US$ 10. Contrary to Madagascar, which shows a persistently high aid dependency (Hailu and Tsukada 2011), in Bangladesh aid represents less than 2% of gross national income (Government of Bangladesh 2011).

The reasons for disproportionally low aid receipts also differ widely between the two countries. Low aid flows to Madagascar are generally attributed to the reaction of donors to a government coup in 2009 that pushed the country into a deep political crisis. However, according to the watch list, Madagascar has been receiving disproportionally little aid at least since 2006. The interviews conducted suggest several reasons for Madagascar's disproportionally low aid receipts even before 2009. First, the 2009 crisis was not the only one: a political crisis had already occurred in 2001–2002, after which ODA increased until 2009, when the next crisis occurred. Aid volumes might have reached higher peaks if the country had been politically stable for a longer period of time. Second, Madagascar lacks importance for donor countries in terms of trade relationships, migration flows and security concerns. Its historical ties to France resulted in the former colonial power being the lead donor for a long time. Steinwand (2013, pp. 2–3) suggests that the dominant role of France in terms of commercial and political influence kept other donors from investing much in Madagascar, since it was long seen as part of France's "sphere of influence". Third, due to its isolated position and to the distance from other French-speaking countries, Madagascar did not benefit much from regional programmes. Finally, low population density, which increases the unit costs for delivering services (Kitchen and Slack 2006, p. 1), also contributed to making the country less attractive for some donors.

On the other hand, one of the main reasons for which Bangladesh shows up on the watch list is that its large population reduces aid per capita figures (in absolute terms, Bangladesh is among the top six recipients of aid). This can in part be attributed to donors' tendency to allocate lower volumes of aid per capita to larger and more populous countries (Utz 2010, p. 5). Another reason for low per capita ODA to Bangladesh appears to be the perception that the country has other resources beyond aid to finance development. Strong economic performance and large flows of foreign direct investment (FDI) and remittances suggest that the country's very great needs could be met with other sources of development finance (Sachs et al. 2004, p. 15). Although financial assistance is still needed, most development partners would agree that the country's most urgent need is for appropriate policy reforms, such as tackling corruption and improving public financial management. In contrast, according to World Bank figures for 2011, Madagascar has very low remittance and FDI flows, and a very slow rate of economic growth.

The scarcity of resources beyond aid on which the country could draw for maintaining social expenditures and financing development means that aid plays a very important role there.

Differences in the reasons for low aid receipts and in the availability of resources beyond aid suggest that the most appropriate response to a country featuring on the watch list might not always be more aid. As the case of Bangladesh suggests, great needs do not necessarily call for greater amounts of ODA. Rather, it might be better to concentrate on improving the quality of aid and using it in a catalytic way to leverage other resources beyond aid.

Conclusions and Policy Recommendations

In the context of international efforts to rationalise aid allocation for a greater aid effectiveness, donors have committed in Accra and Busan to "*address the issue of countries that receive insufficient aid*" (AAA § 17d) and to agree by the end of 2012 "*on principles that will guide our actions to address this challenge*" (BOD §25c). However, due to the lack of willingness and the difficulty in defining what "insufficient aid" means, no such principles have been defined yet.

By combining different approaches to aid allocation, the methodology developed for the OECD watch list was an important step towards overcoming the needs-versus-performance deadlock and moving towards a common agreement on under-aided countries. However, as the cases of Bangladesh and Madagascar show, the reasons for disproportionally low volumes of aid can differ significantly among the countries on the watch list, and different causes call for very different responses. In line with recommendations expressed by the OECD itself, donors should thus avoid "automatically" allocating more aid to the countries on the list. Rather, countries flagged as under-aided should be examined one by one in order to identify the specific causes of relatively low aid volumes and highlight the risks and opportunities of directing larger aid flows to those recipients. This will also enable a better assessment of the country's performance beyond the Country Policy and Institutional Assessment index, which might not be a sufficient predictor of absorption capacities. Closer examination of potentially under-aided countries will also allow for taking into account other criteria that are not considered in the watch list, such as a country's economic vulnerability as well as the availability of other resources beyond aid for financing development.

At the moment, even if under-aided recipients were clearly identified and a list agreed on, it would still remain unclear who should be responsible for allocating increased aid to those countries, and where the money should come from. The total funding gap is estimated at US$ 11.8 billion (OECD 2013a, p. 19). Unless global aid volumes rise substantially, allocating this additional aid to under-aided countries will be difficult without reducing the amounts of aid directed to other countries. Reallocations in the framework of DoL processes are not an option because the Accra Agenda for Action clearly states (§17) that division of labour should not result in a reduction of aid receipts for any individual country. However, aid could be redirected from countries graduating to middle-income status, and the watch list could be used as a basis for identifying the countries where additional aid could be used most efficiently.[8]

Having an agreed-on watch list of under-aided countries could be helpful also in several other ways. First, it could help in avoiding further donor exits from countries already considered under-aided. This is particularly important in the context of uncoordinated efforts of individual donors to reduce fragmentation by concentrating their aid in a limited number of partner countries. Second, it would underline the importance of coordination in *ex ante* aid allocations. In particular, a list of under-aided countries could encourage donors to take each other's allocations into account when deciding on the distribution of their aid. This will require achieving full transparency of cross-country aid allocations and allocation procedures, and the public sharing of forward spending plans by all donors. Third, a list of funding gaps per country and poor person would also provide partner governments and civil society in both recipient and donor countries with the necessary information to raise questions and demand accountability when the distribution of aid seems to be driven by strategic interests rather than efficiency considerations.

Overall, the phenomenon of under-aided countries is a result of the slow pace at which donor coordination is progressing. It will thus not be sufficient to develop *ad hoc* solutions for directing larger amounts of aid to the specific countries that will, from time to time, be identified as under-aided. Rather, the international community should address the underlying weaknesses in the aid architecture, of which aid orphans are just a symptom. This will be more challenging, but it is also likely to bring benefits that go beyond the phenomenon of aid orphans to other dimensions of aid effectiveness.

Notes

1. It is important to remember that the "optimal" amount of aid will also be dependent on the type of aid and the delivery channel used. Also, different country characteristics might call for different types of aid, rather than different aid volumes. However, an analysis of "under-aided" recipients implies a focus on aid volumes, rather than on aid modalities.
2. See Pietschmann (2014).
3. These are the equal aid per capita and the United Nations Development Programme (UNDP) TRAC1 allocation formulas.
4. The Collier and Dollar poverty-efficient allocation formula and the World Bank's International Development Association's performance-based allocation formula.
5. For example, approaches that suggest allocating larger shares of aid to countries affected by structural vulnerability or that find themselves in a post-conflict phase are not included, while the evidence suggests that aid is particularly effective in countries with these characteristics (Collier and Hoeffler 2002a, pp. 8–9).
6. These countries were Afghanistan, Democratic Republic of Congo, Ethiopia, Haiti, Pakistan, Gaza and Iraq (OECD 2012a, p. 49).
7. Besides the members of the DAC and most major multilateral organisations, the following countries also report their aid to the DAC: Bulgaria, Chinese Taipei, Cyprus, Estonia, Hungary, Israel, Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Russia, Saudi Arabia, Slovak Republic, Slovenia, Thailand, Turkey, United Arab Emirates.
8. For instance, the European Union recently decided to reallocate a share of its aid from middle-income countries to low-income countries through a "differentiation process". However, this type of reallocation currently targets the low-income-country group as a whole, not specific under-aided low-income countries.

CHAPTER 7

Fragmenting Aid or a Platform for Pluralism? The Case of 'Vertical Funds'

Margret Thalwitz

Introduction

Today's multifaceted discourse on development assistance involves diverse actors and a wide-ranging agenda. To some, it may appear intimidating, confusing and complex—reinforcing negative perceptions associated with proliferation and fragmentation. To others, it reflects the search for new modalities of international cooperation to help to create more equitable and sustainable development.

One way to grasp the essence of this debate is to look at the relationship between bilateral, non-governmental and multilateral actors in development and how this relationship has changed over the past 20 years. One obvious phenomenon is the rapid increase in donor trust funds that are managed by multilateral institutions. These funds have significantly altered the balance between 'core' and 'earmarked' resources throughout the multilateral system. Each trust fund limits the recipient's discretionary use of resources to what the contracting parties have agreed, giving new meaning to the principal-agent relationships inherent in development assistance. Larger trust funds tend to channel their resources through several agencies before disbursing them, and may leverage their own resources as well as those for development banks—instead of increasing capital.

Trust funds are often seen as the culprits of fragmentation and the 'mission creep' of international organizations. Individual donors are not primarily concerned with either pluralism or fragmentation. Only at the

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_7

country, regional and global levels do the associated externalities start to matter with respect to aggregate efficiency and aid effectiveness: Rising transaction costs can generate tangible efficiency losses, make the supply chains of aid more complex and less transparent, and blur accountability (Thalwitz 2013). Not surprisingly, fragmentation has become a major subject in the aid effectiveness discourse. Nonetheless, pluralism can fill gaps in development assistance and help increase development impact.

This paper looks at the 'vertical funds' often associated with aid fragmentation and high transaction costs. Vertical funds attempt to provide essential public goods—often, global public goods that are neglected by country-focused Official Development Assistance (ODA). Could pluralism be advantageous here and override concerns about fragmentation?

Fragmentation Versus Pluralism: Just Two Sides of the Same Coin?

Fragmentation: The 'Down' Side?

'Fragmentation' refers to both the burgeoning number of actors in recipient countries, including public agencies, foundations, non-governmental organizations (NGOs) and the private sector, and the number of activities. Castro and van Trotsenburg (World Bank 2012c) estimated that the number of bilateral donors had swollen from 12 in 1960 to 60, and multilateral institutions to 260; the number may well be higher today. Meanwhile, the average number of donor-funded projects declined from nearly 3 million to fewer than 1.5 million (Adugna et al. 2011). Since 1960, there has been both a tenfold increase in the average number of donors per country (Adugna et al. 2011) whilst development assistance has shifted from capital-intensive projects in infrastructure, manufacturing and agriculture toward less capital-intensive services sectors, particularly primary health, education and public-sector reform. This explosion of actors and activities is viewed as contributing to fragmentation and placing great demands on local authorities, as well as donor cooperation and coordination.

The transaction costs of aid for funds providers and partner countries have been rising. Budgets may become increasingly driven by donor preferences, wages become distorted by externally driven pay schemes in sectoral sub-segments, policies regarding domestic procurement and safeguards may conflict with individual donor policies, and so forth. The countries most affected by fragmentation are fragile states, countries with the weakest domestic capacities; these receive close to 80% of the total ODA disbursed at country level (OECD and DAC 2013b). We are still far from achieving the ambitious targets of the Paris Declaration (PD).

Pluralism: The 'Up' Side?

'Pluralism' goes hand in hand with fragmentation: It implies that there is effective demand for a variety of concepts, principles, programmes and actions to meet economic, social and humanitarian needs. Whilst health is important, it is not a panacea for a stable development path; nor are infrastructure and education when pursued in isolation. Development is a pluralistic process: single focused interventions do not reduce poverty. For development to be effective, donors must pursue different priorities within a coherent development strategy.

Pluralism can address a dilemma that is not well captured in the classic aid dichotomy of 'developed' and 'developing' countries. Economic, financial and social stability and sustainability are global public goods and impact livelihoods often far beyond national borders. Global economic stability was seriously endangered by the 2008 financial crisis; climate change puts sustainability at great risk; communicable diseases remain trans-border threats. Challenges to provide such global public goods fall on the international community and demand collective responses and cooperative actions by governments and civil society. Global public goods have become an integral part of the development debate leading to the creation of new international institutions that fundamentally differ from their elder siblings: They are sector specific financial intermediaries, or vertical funds, quite narrow in scope, and funded by ever-larger portions of the ODA budget—to address issues of global interdependence. OECD-DAC donors entrust multilaterals, foremost UN agencies and the World Bank, with large amounts of funds to be administered on behalf of the new financial intermediaries. The latter allocate these funds, building on the trustees' financial expertise, development knowledge and, in many cases, their operational experience as well.

Academic literature has been ambivalent in its assessment of the comparative costs and benefits of pluralism and fragmentation. Do the increased transaction costs outweigh the benefits of greater choice and competition? Can the trade-offs between national and global priorities be measured in terms of aid effectiveness? Are the institutions and instruments that provide new services efficient, transparent, legitimate and accountable? These empirical questions require more study.

'Vertical funds' are one tool that could either foster pluralism or increase fragmentation. The first such specialized trust fund was created in the early 1970s. The next section provides an overview of these funds, defines them and offers a rational for their existence. The following section compares the commonalities and differences of three individual funds in greater detail. The last section compares outstanding characteristics of these funds with regard to a framework for collective action, which could be used for the future provision of transnational goods.

Vertical Funds: An Overview

Vertical funds are earmarked for specific purposes, such as one or a select number of countries and/or a special sector or programme. They address a broad agenda, including: the UN Peacebuilding Fund, which operates throughout the UN system, primarily in post-conflict situations; the World Trade Organization (WTO), which spearheaded the Aid for Trade Initiative; various funds that fall under the United Nations Framework Convention on Climate Change (UNFCCC) framework; global programmes executed under World Health Organization (WHO) leadership; environmental programmes, such as the Climate Investment Funds (CIF), the Global Environment Facility (GEF) and most recently, the Green Climate Fund (GCF); the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM); the Global Partnership for Education (GPE); GAVI, the Vaccine Alliance (GAVI); and the Consultative Group for International Agricultural Research (CGIAR). These funds show that the multilateral system has significantly broadened the provision of the most essential global public goods to: fight communicable diseases, create international financial stability, strengthen the global trading system to achieve peace and security, combat climate change and last but not least, generate knowledge (International Task Force on Global Public Goods 2006).

Many of these funds correspond to the OECD-DAC classification of 'multi-bi' aid (Reinsberg et al. 2015a). They are bilateral in nature and use the multilateral system to invest and disburse resources. According to DAC data (OECD and DAC 2013b), this type of aid, which has been increasing faster than others, amounts to about USD 20 billion, nearly 14% of total ODA. Vertical funds account for over 50% of multi-bi aid.

At the World Bank (World Bank 2012c, 2013c), vertical funds contribute about 60% of a trust fund portfolio worth roughly USD 30 billion.[1] This portfolio has changed the character of the Bank in recent years. Traditionally the Bank has generated its resources through capital market transactions for the International Bank for Reconstruction and Development (IBRD) and donor gifts made to its soft lending arm, the International Development Association (IDA), which extends concessional loans and credit to middle- and low-income countries. Now the Bank has developed an additional sizeable and rapidly growing arm: the trusteeship for new financial intermediaries whose primary purpose is to help address global challenges.

Vertical funds fill a growing gap in ODA and multilateral assistance. They expanded dramatically when the global aid community began to realize that country-focused aid alone cannot address all the problems. Vertical funds, often created at global summits or initiated by a few global leaders, commonly support actions with great trans-border impact—'global' or 'international' public goods.

Public goods, by definition, will remain underprovided unless the public sector intervenes on a scale that makes them available to those who otherwise would go without. Global public goods in particular tend to be undersupplied as there is no one 'government' to take charge of providing them. Complicated negotiations arise about incentives and actions needed to provide these goods, their costs of provision and how these are to be shared globally amongst producers and consumers. A high degree of collective action is necessary to align diverging interests (Kaul 2013) and reduce the risk of 'free riding'—enjoying the benefits without contributing to the provision of a global public good. Much of the debate on climate change, for example, seems to be more about fairness and cost sharing over time, and less about the urgent need to take action.

Although many vertical funds attempt to make a worldwide impact, they focus on the development path of poor countries and support national development programs with goods and services that benefit people beyond national boundaries. Increasingly an integral part of a country's development agenda vertical funds achieve the intended global public good only if all players, external and national agree on the priorities and cooperate during the implementation phase. The former is easier to secure than the latter since the specifics are not always clear or generally agreed.

Vertical funds make the link between the supply of a global public good and an individual country's development path transparent. The high development content justifies the use of ODA. Wealthy countries can adjust regulations and funding to facilitate the transfer of knowledge and services whilst poor countries can make use of these opportunities as they see fit in light of local conditions for adopting, creating and disseminating knowledge. The global–local development nexus becomes explicit and provides ample ground for development research to analyse 'why certain policies work in some circumstances and not in others, what might be scalable and what not' (Stiglitz 1997). Policy research could further clarify the significance of public policies and actions to ensure that these vital goods are supplied in sufficient quantity and quality to make a measurable difference globally. This applies to all critical targets: food security, communicable disease control, climate-change mitigation and adaptation, human-rights standards and stabilization of the global financial system (The International Task Force on Global Public Goods 2006)

Whilst imperfect, vertical funds are the closest that ODA has come to contributing to the supply of global public goods. Nonetheless, vertical funds have received scant attention in aid research. The literature is descriptive and evaluative, but little analytical work has been done about how vertical funds achieve trans-border benefits, and contribute to aid effectiveness, long-term development finance and development cooperation. Vertical funds are too easily dismissed as contributing to aid fragmentation and proliferation.

The following sections will look at CGIAR, GAVI and CIF, which share a common rational for existing. We seek to better understand their marked differences in resource mobilization, governance and decision-making. It is to be hoped that this brief review will initiate broader debate about how to achieve levels of cooperation and guide changes in both existing practices and new programme development.

Three Vertical Funds: Three Different Stories

Consultative Group for International Agricultural Research (CGIAR)

The Consultative Group for International Agricultural Research (CGIAR) is a consortium of 15 independent international research centres in 13 countries. Founded in 1971, following India's devastating famine in the late 1960s, CGIAR was the brainchild of a few 'wise men'. Private foundations, political leadership, outstanding scientists and multilateral finance joined forces to provide the world's farmers with access to path breaking innovation in agricultural science and technology. CGIAR helped to spread the 'green revolution' from South Asia through Asia and Latin America, and continues to study how to improve agricultural livelihoods and reduce hunger and malnutrition among the millions of poor people living in the world's most deprived areas. CGIAR breakthroughs in wheat, rice, legumes, potato research and bio-fortification, to name just a few, have reached far beyond the borders of the countries where research is conducted. CGIAR gene banks are among the most valuable in the world—conserving, documenting and making use of a vast set of genetic resources, including scarce wild varieties.

CGIAR's primary concern is to produce knowledge as a public good, unbiased and competitive. Its research output and products (new seed varieties and agronomic technologies, collections of germplasm, and so forth) target a market that is of little interest to the private sector: the search for and adoption of varieties and technologies to improve the livelihoods of poor farmers and insure food security in poor rural and urban areas. However, populations in richer countries and areas also benefit from CGIAR knowledge, which fosters agricultural productivity, natural resource conservation and better nutrition. It reaches farmers by cooperating with national agricultural research institutions in a two-way learning process: getting to know local conditions by conducting trials and supporting adoption, whilst offering global knowledge that otherwise might not be so accessible to local partners. CGIAR produces a global public good and bridges a gap between research and development.

GAVI, the Vaccine Alliance

GAVI received seed money from the Gates Foundation to develop essential vaccines for diseases that have already killed millions of young children and continue to ravage developing countries, and make them available at affordable prices, thereby measurably saving lives and controlling the spread of communicable diseases. Started as a foundation in Switzerland in 1999, GAVI is also an independent international organization, acclaimed as a leader of global programmes and partnerships 15 years later. Run like a tight ship, GAVI is governed by a large board that oversees and engages with all strategic and management aspects of GAVI initiatives—from standard auditing to innovative financing, such as the International Finance Facility for Immunisation (IFFIm) and the Advanced Market Committment (AMC). The Board also skillfully leverages private and public resources. GAVI harnesses resources from sovereign donors, the private sector and philanthropic institutions, and effectively advocates in the media and civil society for young children's concerns. During a recent pledging conference it raised USD 7.5 billion, bringing its spending authorization to USD 9.5 billion for the period 2016–2020.

The benefits from the effective control and prevention of tuberculosis, Ebola, measles, avian flu and other serious infectious diseases spread far beyond the borders of the infected countries. A vaccine is often the most desirable instrument of control, implying large immunization coverage, receptive health systems and public awareness. GAVI manages to provide these through close ties to public and private research capacities, as well as procurement at affordable prices, and the delivery of necessary services with the help of implementing agencies. A public-private partnership, GAVI acts as an intermediary between primary research at public and private universities and the commercial interests of private companies. It offers affordability and systems development for countries that lack such capacities. Acting as an institution that combines these functions allows GAVI to target the single goal of expanding childhood immunization—unlike traditional multilateral agencies, which are constrained by their mandates and may be constrained from working closely with the private sector.

Climate Investment Funds (CIFs)

The third, quite recent example is the Climate Investment Funds (CIFs), initiated by the UK and US Governments in 2008. These are partnerships amongst many donors, development banks and independent observers with a small administrative unit at the World Bank. The CIFs address two outstanding challenges of the vast climate-change agenda: (i) to identify, analyse, appraise and finance projects in developing countries that contribute to reducing CO_2 emissions—the global mitigation objective, and (ii) to be better prepared to cope with the negative implications of climate change—the adaptation objective. The CIFs provide resources to multilateral development banks to fund such investments and incentivizes eligible countries to propose projects. These countries team up with one of the banks, which serves as financial intermediary and project co-sponsor. Now in its 7th year of operation, CIF has received pledges on the order of USD 7.6 billion (mid-2014) to provide grants, soft loans and risk mitigation funds. The CIF charter includes a sunset clause; the Green Climate Fund (GCF), created within the UNFCCC framework in 2010, may eventually absorb the CIF.

The activities of CGIAR, GAVI and the CIF may complement each other—not by design but by impact. GAVI and CGIAR seek to reduce the incidence of disability and disease in the early years of life through better nutrition and better immunization coverage, whilst CGIAR and the CIF promote mitigation of, and adaptation to, climate change for agricultural livelihoods. The CIF and GAVI might learn more about the impact of climate change on health in tropical and subtropical regions.

CGIAR, GAVI and the CIF are also relevant to development policy in other ways: They help to overcome market failures which the private sector does not want to accommodate or exploits to control market access. As Dosi and Stiglitz (2013) explain, patents and other forms of intellectual property rights (IPR) that allow biochemistry companies to accrue monopoly rents and monopoly power create little incentive for them to provide the same services at much lower or negative returns in poor countries. Conversely, research in poor countries can be constrained by rich countries' IPR that prohibit access to essential knowledge inputs. Large global agricultural companies that, under long-term patent rights, are able to produce and market farm inputs to captive markets in richer countries will limit their research to products that sell well in those markets instead of investing in the research needs of small poor farmers. The stronger IPRs are in rich countries, like the United States and Europe, the less likely it is that companies will find it attractive to invest in what poor countries need, particularly health and agriculture.

GAVI bridges the gap by engaging with the pharmaceutical industry to lower prices and facilitate special research needs through joint public-private undertakings, such as the AMC. CGIAR seeks to overcome supply constraints in agricultural research by concentrating on knowledge that is particularly relevant to smallholders in developing countries. The CIFs fill a financing gap that enables poor countries to contribute to lowering CO2 emissions and adapt to climate change—a global objective they might otherwise not be able to afford.

Governing Vertical Funds: From Authoritarian Structures to Cooperative Action

The Report by the High-Level Panel on the Post-2015 Development Agenda that was released in 2013 concludes, 'perhaps the most important transformative shift is towards a new spirit of solidarity, cooperation and mutual accountability … A new partnership should be based on a common understanding of our shared humanity underpinning mutual respect and mutual benefit in a shrinking world' (UN 2013b). How does our sample of vertical funds measure up to this high standard? Are they instruments that can bring the interests of funders closer to those of beneficiaries? Do they foster collective action, and can they turn the risks of isolated interventions that contribute to fragmentation into benefits of collaborative pluralistic choices?

The Donahue and Zeckhauser (2011) cycle of cooperation may help in assessing the extent to which these vertical funds provide a platform for collective action amongst the many players and contributors—assuming that improving collective action actually increases the chance of lasting results. The cycle includes four iterative stages: analysis, assignment, design and assessment.

'Analysis' is what all participants or collaborators do in order to understand a particular situation and to set objectives and targets. The more concrete the latter, the more accountable the action. A detailed scorecard could reveal common and/or diverging interests. Few participants would disagree that extreme poverty is unacceptable, but many of them may disagree how best to eradicate it.

The 'assignment' and 'design' stages move from concept to action. Once responsibility has been assigned, what each participant is allowed and expected to do must be defined. In the 'soft collaborative'—as opposed to the 'hard contractual' mode—assigning roles and tasks and reaching consensus can be difficult. The closer objectives and interests are aligned with collaborators, the easier it is to design.

The last stage 'assesses' how the collaboration is progressing and which results can be expected. During implementation, close monitoring is needed to establish whether the collaboration is proceeding as expected, at the anticipated costs and within the agreed norms of accountability.

This cycle is repeated throughout the collaborative process. It can be applied to negotiations, partnerships, global programmes and networks—all the various forms of interaction between various groups of participants.

Sustaining inclusion throughout the cycle could help to reduce the innate tensions of the hierarchical principal-agent model and facilitate a cooperative approach. Re-inventing old or establishing new partnerships provides the chance to build on each participant's strength and align around common interests, exploiting the comparative advantages of all the participants: donors, international agencies, partner-country institutions, NGOs, and so forth. How this can be achieved is an empirical question. This paper can only attempt to identify the factors at play in the governance of the three model partnerships, and speculate the extent to which the principles of the collaborative cycle are being followed.

The Hierarchical Model

CGIAR has always had a hierarchical governance structure driven by top-down resource allocation decisions and an organizational structure with a prominent role for the World Bank as Chair of the (former) CGIAR (now the 'Fund Council')—as a donor, host of the Secretariat (today the 'Fund Office') and trustee. When CGIAR was created, NGOs played smaller roles in development and local institutions might have had less say in how donor resources were allocated to local investments. Despite several restructurings, the most recent begun in 2010, little effort has been made to broaden the representation and multiply the voices in CGIAR's governance.

One outstanding characteristic of CGIAR is that it comprises a multitude of independent international organizations, each with their own governance and boards (15 'Research Centers'), which rely on a superstructure of the Fund Council (the donors) and the CGIAR Consortium (the 'implementer') to fund and elaborate CGIAR's strategy. The strategy is for 15 years; funding depends on annual donor contributions. This imbalance coupled with a complex governance structure may expose the entire CGIAR to unpredictability and potentially disruptive discontinuities, as it is not commensurate with the long-term nature of scientific research or to applying the results in farmers' fields.

The CGIAR's external and most familiar face is its 15 'Centers', which represent the diversity of knowledge and capacities that make CGIAR a global force in agricultural research. Each Center collaborates with international, national and regional institutions to serve poor farmers, seeking linkages with the private sector, NGOs and local institutions, both individually and collectively, through common research projects. Time will tell whether the CGIAR system is progressing along the Donahue/Zeckhauser cycle, or whether this could more easily be achieved through individual or sub-groups of Centers.

The Corporate Model

Of the three programmes described here, *GAVI* has the most linear 'production function' as a financial intermediary with one primary purpose: facilitating child vaccination in developing countries. Not surprisingly, GAVI's governance is highly streamlined and vested in a board of up to 30 members, two-thirds of whom are principal stakeholders and one-third, independent individuals. The GAVI Board benefits from its diverse supporters and beneficiaries and 'provides a forum for balanced decision making, innovation and partner collaboration' (GAVI website 2015). Board members elect the Board chair based on a dual majority system. Work is divided amongst six committees meeting about four times a year. GAVI's governance and management style resembles that of a large, results-oriented corporation, which vests accountability in its board and principal management team. The CEO heads the GAVI Secretariat and plays a critical role in building strong relations with the Board, whilst remaining well informed about all strategic and operational issues. The influence of donors and other partners in shaping GAVI's strategic and operational decisions is properly balanced. GAVI's governance model is inclusive and cooperative at the executive level, and more authoritative at the operational level. This allows for innovative thinking, such as mobilizing resources, and offers clear operational instructions. Coherence in GAVI's internal governance has contributed to its success in advocating and generating support for its global mission.

The Inclusive Model

The *CIF's* most distinguishing feature is a uniquely broad-based and inclusive form of governance, which enhances its legitimacy—at least through its design (ICF 2014). Country representatives on the Trust Fund Committees and Sub-Committees jointly make decisions, working alongside self-selected representatives of civil society, the private sector and indigenous peoples' groups. All decisions are made by consensus; there is no voting. The Trust Fund Committees of the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF) have eight members each from contributor countries (chosen in consultation with contributors) and eight from eligible recipient countries (selected on a regional basis in consultation with the countries). Each SCF Sub-Committee has six representatives from contributor and developing countries. At least one member of each Sub-Committee also has a seat on the SCF Trust Fund Committee. Countries selected for pilot programmes have priority for Sub-Committee seats (World Bank 2012c).

A Multilateral Development Bank (MDB) Committee enables cooperation and coordination amongst the five implementing agencies: the Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB) and the World Bank Group. This novel level of cooperation around a single systemic issue could serve as a precedent for future cooperation in providing global public goods through the multilateral system.

Multi-stakeholder engagement is offered through an observer programme, which invites representatives from civil society organizations, the private sector, indigenous peoples' groups and also other multilateral organizations to actively participate in Trust Fund Committee meetings.

The CIF's annual partnership forum facilitates dialogue on their strategic directions, results and impacts, and showcases promising practices, technologies and lessons learned. The CIFs try to strike a balance between competition for resources (by both donor and user) and the trade-offs inherent in simultaneously pursuing national and global objectives. Such inclusiveness is intended to reduce incentives for free riding and moral hazard, and has resulted in one of the most collaborative governance practices amongst the vertical funds. This precondition is necessary in order to capture the essence of the Donahue/Zeckhauser cycle. The first independent evaluation of the CIFs was completed in 2014. 'Programmatic national plans are an innovation of the CIF. The investment plan process has largely secured strong government ownership and alignment of CIF plans with existing national strategies and programs.' (ICF International 2014)

Summary and Conclusions

Vertical funds fill a crucial gap in development finance that is predominantly country-focused. They address global challenges in a country context and produce knowledge about global reach. Rather than relying on traditional bilateral or multilateral aid, vertical funds depend on cooperation amongst donors as well as between donors and other partners, and seek to address problems that demand collective global action. When well designed, they comply with the elements and proper sequencing of the Donahue/Zeckhauser cycle. Vertical funds are essential complements to traditional aid in the OECD-DAC system. Their greatest potential drawback is that donors may dominate as principals and constrain agents' use of funds, thus inhibiting the agent giving a frank analysis. The Independent Evaluation Office (IEO) similarly criticized the IMF for neglecting its role as surveyor of global financial stability because of 'analytical weaknesses, organizational impediments, internal governance problems, and political constraints' (IEO 2011).

The requirements of the Donahue/Zeckhauser cooperative cycle of analysis, assignment, design and assessment provide an alternative framework for structuring governance: instead of competition, it is comparative advantage that defines roles and responsibilities. New funding instruments, such as Green Bonds, the AMC and IFFiM bonds, are currently being introduced, expanding the traditional donor trust fund and offering new incentives to invest in providing global public goods. Pluralism in funding mechanisms stimulates innovation in resource mobilization, which should provide reliable long-term funding to cope with increasing global challenges, whilst pluralism in resource mobilization may well serve as a valuable incentive to increase cooperative action.

Note

1. It is not possible to make a strict comparison between OECD-DAC multi-bi data and World Bank trust fund data. The DAC does not count some large vertical funds for which the World Bank serves as trustee, such as GFATM, as multi-bi aid.

CHAPTER 8

EU Engagement in Fragile and Conflict-Affected Countries: Comprehensive Policy, Fragmented Operations

Mark Furness

Introduction

The European Union (EU) external relations literature has touched upon the development cooperation fragmentation debate in its debates on Europe's management of the security-development nexus. The security-development nexus has been regarded as an arena for competition between European institutions over resources and autonomy, and several scholars have argued that turf battles between the Commission, the European Council Secretariat, the European Parliament and more recently the European External Action Service (EEAS) have driven incoherence (Bagayoko and Gibert 2009; Smith 2013; Keukelaire and Rauabe 2013). Experts have noted how fragile states policy has been affected not only by bureaucratic rivalries but also by the differing conceptual approaches of military, humanitarian, development and diplomatic agencies (Faria 2014). Observers have argued that the EU's country-level engagements have either been unduly dominated by member states' national interests, such as in the case of Mali in 2013 (Lacher and Tull 2013), or they have been inadequately resourced due to lack of interest, such as in the case of Chad and the Central African Republic in 2008–2009 (Olsen 2009). As a result, the EU has struggled to define its approach to fragile states and its engagements have suffered from conceptual shortcomings (Grimm 2014b).

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_8

This attention reflects the fact that the EU is one of the world's most important actors in support of peacebuilding and statebuilding in fragile and conflict-affected (FCA) countries.[1] In 2014, the EU had country-level engagements of various types in 47 of the 51 countries classified by the OECD as 'fragile' (OECD 2014a). The 2009 Lisbon Treaty named peace, conflict prevention and international security as core objectives of the EU's external policy. Subsequent policy statements, such as the 2011 Agenda for Change, re-iterated the high priority of FCA countries in EU development policy (EC 2011c). Not surprisingly, FCA engagements have become central to the EEAS' work since its launch in 2010 (EEAS 2013).

Despite an emerging consensus on the nature of state fragility and the principles international interventions should observe, a gap between the theory and practice of engagement with FCA countries has been widely noted (Faust et al. 2013; Carment et al. 2013; Richmond 2013). The EU is no exception. Its policy frameworks have evolved in tune with international best practices, even though there has been no official statement on fragile states since 2007. Since the Lisbon Treaty, the EU has endeavoured to develop its 'comprehensive approach' to crisis response, with the ultimate aim of responding to short- and long-term crises with the right combination of EU-level and member state assets at the right time and in the right sequence (EC/HR 2013). For the EU, the most serious fragmentation challenges have arisen where it most matters: at the implementation level in FCA countries (Vines 2010; Hout 2010).

Using the example of the EU, this chapter explores three sets of factors that intervene between the policy and the operations level: *cognitive factors* related to turning knowledge of the politics of conflict processes into appropriate actions, *interest-related* conflicts of interest and trade-offs that are difficult to resolve, and *system-related* factors concerning actor capacity and the coordination of complex operations. The rest of the chapter is arranged as follows. The next section sketches the emerging consensus on international engagement with FCA countries and outlines the EU's policy-level responses to this. The following three sections discuss the fragmentation effects of the three sets of factors with reference to EU engagements in support of the implementation of comprehensive peace agreements in three FCA countries: Nepal, Liberia and South Sudan.[2] The conclusion addresses analytical and practical implications for the fragmentation debate.

International Standards and EU Policy Towards FCA Countries

Since about 2000, an international consensus on the broad principles of engagement with FCA countries has been emerging, which seeks to address the problem of fragmentation directly. Studies and reports have asked how to judge whether a state is fragile, how to design interventions, whether lessons can be learned that have wider applicability, and how best to monitor programmes, increase aid effectiveness and reduce the threat that poorly-governed countries may pose (ERD 2009; World Bank 2011; UNDP 2012b; AA et al. 2012).[3] The OECD has been particularly active in advancing policy-oriented knowledge, and its 'principles for good engagement in fragile states ' have become reference points for its members (OECD 2007). The OECD-inspired 'New Deal' for international engagement in fragile states was signed off at the November 2011 Busan High-Level Forum on Aid Effectiveness by the G7+ group of fragile states and key development partners. The New Deal set out a country-owned strategy based on three pillars: the peacebuilding and statebuilding goals, country-led solutions, and mutual trust.

Taken together, the advances in conceptual thinking, bilateral and multilateral policy statements, declarations of principle and official reports represent a comprehensive and growing body of expertise to guide international engagement in FCA countries. Engagement needs to be conceptually holistic in terms of policy objectives, comprehensive in terms of instruments deployed, and more specifically tailored to individual cases than policy towards stable developing countries. International actors need to deploy a range of instruments and resources, including diplomacy, humanitarian aid, military and police, technical and capacity support, development aid, civil society and the private sector, and they need to prepare for long-term engagements and accept setbacks along the way (USAID 2005; DFID 2011b; OECD 2011a).

At the policy level, the EU has not been able to issue a definitive statement on its own fragile state policy. In 2010, a draft EU Action Plan on Fragility was prepared. It was intended to clarify the roles of the Brussels institutions and EU delegations in relation to EU member states, particularly those with large presences in FCA countries. It was also intended to define the EU's role in relation to other actors, especially the UN, the World Bank and the United States. However, discussion among member states, the Commission and the EEAS on the Action Plan stalled in late 2010 and the document was shelved when political will to push it through dried up.

In spite of the continued absence of an operational framework, EU FCA country policy level has evolved in tune with international best practices (OECD 2012c). The EU has recognised the OECD's fragile states principles and the Busan New Deal (European Council 2012, p. 3). This has not been mere rhetoric: The Lisbon Treaty created the EEAS, which incorporated agencies responsible for the Common Foreign and Security Policy (CFSP), the Common Security and Defence Policy (CSDP), and the EU's development instruments under one roof (European Council 2010). Reforms to the Commission's DG DevCo included the creation of the fragility and crisis management unit, which has worked closely with the EEAS' development cooperation and conflict prevention units, and with experts in DevCo's EuropeAid units responsible for financing programmes in FCA countries (Interviews January 2013). The fact that the Fragility Action Plan draft was not publicly released did not prevent the EEAS, DG DevCo and the EU delegations from incorporating its most relevant provisions into policy (interviews January 2013). In early 2012, EEAS, DG DevCo, DG ECHO and some delegation officials started work on conceptual tools (such as 'conflict assessment tools' and early warning systems) which can be mainstreamed into programming guidelines for financial and operational instruments (EC/EEAS 2013).

EU-level efforts to define a set of guidelines for crisis response incorporating security, humanitarian affairs and development have de-facto become the reference for FCA policy. The EU's comprehensive approach has been a major effort to overcome fragmentation among EU-level actors. However, the legal and bureaucratic intricacies of the EU system are such that decision-making and implementation processes that govern the way actors use instruments vary, and responsibilities lie in different parts of the policymaking system. The term 'comprehensive approach' was not coined in EU development policymaking circles but emerged from discussions on the integration of civilian and military components in the CSDP (Johannsen 2011). In December 2013, the Commission and the High Representative released their Joint Communication on 'the EU's comprehensive approach to external conflict and crises.' The document provided eight measures to enhance the effectiveness of EU policy in response to conflict and crises, but stopped short of defining a blueprint for EU support to the entire peacekeeping/peacebuilding/statebuilding process in FCA countries. The Communication pledged to improve the EU's capacity for conflict prevention in the first instance. In cases where conflicts turn violent, the EU committed to mobilise its various strengths and capacities, prepare for long-term engagements, and to iron out potential policy incoherencies. The potential of the EU delegations for coordinating EU and member state activities at the country level was stressed and the comprehensive approach linked to the EU's emerging joint programming exercises (EC/HR 2013).

Three Factors That Fragment Policy and Operations in FCA Countries

FCA countries are difficult places to work and best intentions can be set aside when circumstances change due to political or economic shocks, the resumption of violence or even the effects of a natural disaster (World Bank 2011). Things can also go wrong because changes do not happen quickly enough, conflicting groups cannot work together, or because powerful people take advantage of weak institutions to further narrow interests at the expense of everyone else (Faust et al. 2013). Accordingly, a gap between what external actors promise in their strategy papers and the practice of complex interventions often emerges (Carment et al. 2013). The OECD, in an assessment of the implementation of its own principles, concluded that 'performance… is seriously off-track' (OECD 2011i, p. 11). In spite of such acknowledgements, there have been few attempts to look systematically at why FCA programmes struggle at the implementation level.

The peacebuilding and statebuilding literature debates several explanations for fragmentation between the policy and operations levels. These explanations can be grouped into three general categories: *cognitive explanations* around the availability, processing and use of information; *interest-related explanations* that highlight conflicts of interest and difficult trade-offs; and *system-oriented explanations* that focus on actor capability and the complex challenges of working together. Although these categories overlap and are mutually reinforcing, they are different kinds of fragmentation challenge that are conceptually distinct and can be discussed in turn (Page 2008). These challenges arise in varying degrees with most development engagements and are not specific to fragile states. They are, however, sharper and arguably more difficult to resolve in FCA countries.

Cognitive Factors

The OECD's Principles and the New Deal Peacebuilding and Statebuilding goals clearly state that external actors need deep understanding of an FCA country's politics if their engagements are to be effective. Nevertheless, it is often argued that international actors lack specific, detailed knowledge of the political situation or context in the countries where they intervene (Allouche and Lind 2013). Every fragile country faces a unique set of challenges and vulnerabilities, and every engagement involves hundreds of decisions about objectives, design, implementation and monitoring, most of which are affected by context. Contexts are often alien to external actors, especially outside capital cities where the state tends to be less important than other types of institutional organisation (De Weijer 2013). Poor understanding of conflict is perhaps symptomatic of a wider issue in development, where many mainstream debates are still framed in apolitical terms and aid agencies deliberately ignore the political dimension in a vain search for 'neutral' forms of engagement (Unsworth 2009; Carothers and De Gramont 2013). This can lead to efforts to impose inappropriate, technocratic approaches to political problems, activities that exacerbate conflicts and programmes that cannot adapt to changing circumstances (Andrews 2013).

Interest-Related Factors

International actors have often experienced conflicts of interest that can undermine FCA engagements (Brinkerhoff 2009). These have manifested themselves in many ways, from direct conflicts between donor and partner-country economic or security interests to more subtle trade-offs between macro-level donor objectives such as peace and democracy (Grimm and Leininger 2012). Some trade-offs, such as that between helping those most in need and improving aid effectiveness, have been multidimensional and extremely difficult to resolve (Bold et al. 2009). Perhaps the most significant trade-off has been rooted in the central importance of partner-country ownership of their own peacebuilding and statebuilding processes. A partner government's preference for entrenching its often fragile hold on power can clash with internationalist values, such as human rights or democracy. An FCA country's interests in infrastructure or prioritising a given economic sector may not square with the economic interests of donors. In fragile states, conflicts of interest on the partner-country side have also been significant, such as those between elites and populations, or different social groups which had been on opposing sides during the civil war (Jung 2012). The authority, capacity and legitimacy challenges experienced in FCA countries necessitate that external actors work with non-governmental partners as well as, and sometimes instead of, the government. Local civil society organisations (CSOs) have many forms, and supporting them can raise conflicts of interest with the government or dominant elite, especially in less democratic settings.

Systemic Factors

The fact that many FCA countries are highly aid-dependent has raised questions about the effectiveness of aid and donor coordination in conflict-affected countries (OECD 2011h). Poor coordination has been widely considered a problem at all stages of the process, from allocation and planning through to implementation at the country level. As Collier (2009) pointed out, donors have 'attempted to address the difficulties of failing states piecemeal.' Poor coordination has also resulted from issues on the partner-country side, including poor capacity or lack of will, but also sometimes from the deliberate political decision to allow programmes to proceed in an uncoordinated manner (De Coning and Friis 2011). Often, national development strategies have been poorly articulated and hard for external actors to align with. The resulting aid fragmentation poses a particular challenge to weak partner-country institutions and governments who are faced with a plethora of international actors, some of whom may be pursuing agendas at odds with peacebuilding and statebuilding priorities.

The EU and Fragmentation in FCA Countries

Cognitive Factors

Observers have suggested that the EU has been slow to take up lessons learned by other organisations, such as the OECD or the World Bank, on the need for better analysis of the causes of conflict (Collier 2009). However, the EU's country-level experiences suggest that knowledge per se has not been lacking.

With regard to South Sudan, the upgrade to a full delegation following independence in 2011 increased the EU's capacity for political engagement at the ambassador level and through the delegation's political section. Officials engaged actively in information gathering and exchange, both in Juba and in the regions. They were very well informed about many aspects of the country's politics, such as internal conflicts in the ruling Sudan Peoples' Liberation Movement (SPLM) and the dynamics of inter-tribal tensions. They also understood the geopolitical context of South Sudan's relations with Sudan and the interests of other big players—especially China and the US—in the country and its development. In hindsight, some experts saw the ethnic violence that gripped the country in the wake of the SPLM split in December 2013 coming. Others ignored warning signs amid the euphoria that followed independence and their own determination to make it work (ICG 2014). Nevertheless, outsiders could not have prevented the violence, which resulted from the preoccupation of some of South Sudan's elite with their own political battles rather than the development of the country and the wellbeing of its people.

Similarly in Liberia, the EU delegation was widely considered to have excellent knowledge of the country, its people and its politics. The delegation team was regarded as engaged, sensitive and accessible, to the extent that EU member state officials relied on the political section for information and analysis. The delegation's knowledge of the complex conflict recovery process was singled out for praise. Member state officials mentioned meeting organised by the EU delegation on the root causes of conflict where local people were invited to discuss their concerns with the donors directly. Liberian civil society and government interviewees also compared the standard of exchange at meetings organised by the EU delegation favourably to those organised by the UN and other donors (interviews April 2013).

In Nepal, EU delegation staff credited the doubling of the delegation's resources since 2010 for increasing its ability to gather and process information. The delegation has funded large number of smaller projects, mostly related to governance in the peacebuilding sector. One benefit of these smaller projects has been the information received from implementing NGOs and local partners (Interviews March 2013). Nevertheless in Nepal, donors have been surprised by events on several occasions. The failure to reach agreement on the constitution in May 2012 was a watershed moment for many diplomats in Kathmandu, who realised only then the importance of the regions outside the capital. Nepali political parties have proved adept at giving different messages to the international community, especially on federalism where donors were led to expect a deal even though elite political party members considered it unpalatable (interviews March 2013).

Interest-Related Factors

The EU has faced trade-offs between sometimes incompatible interests in its FCA engagements. These have included the EU's principled rhetoric and the priorities of FCA governments, the interests of EU member states and the EU institutions, and the interests of different parts of the EU bureaucracy. Managing trade-offs has been extremely difficult and the EU has not always had success, not least because some conflicts have been avoided rather than faced up to openly.

In South Sudan, the most important conflict of interest was that between some SPLM leaders and the peaceful development of their own country. Even before South Sudan's conflict turned violent in 2013, several difficult issues arose to challenge the EU. South Sudan has two linked, and yet distinct, political systems: the government in Juba and the state capitals, and the tribal system which is more important to most of the population. In order to keep the peace, clientelism was the preferred means of organising public procurement and distributing government jobs. Many senior government officials were former soldiers uninterested in discussing sensitive issues like human rights and rule of law with donors. Many state functions, from the provision of basic services and security to the drafting of the country's national development strategy, were taken over by the international community (Morton 2013). Many experts questioned whether the government had any interest in overcoming these challenges, and attributed this to the lack of unity within the SPLM (interviews, February 2013).

The EU delegation in Monrovia considered itself first and foremost a development actor rather than a political player. Accordingly, it has engaged in *policy*, rather than *political*, dialogue with the Liberian government. Experts from the international community (including EU member state embassies) and the Liberian government were critical of this cautious approach because they felt the EU could have more political leverage on issues like resources, corruption and governance (interviews April 2013). More specific conflicts of interest have arisen around EU support for local CSOs. Despite their weaknesses, Liberian CSOs have acted as important watch-dogs: in 2012 a scandal over forestry sector Private Use Permits blew open after a CSO investigation (Global Witness 2012). The EU delegation has faced frustrating obstacles to increasing funding for local CSOs. Some EU funding criteria, such as the requirement for experience in managing large projects, have proved too onerous, while the online registration process was beyond the physical capability of the Liberian internet. Delegation staff cited European interests in maintaining the call and proposal model for funding CSOs as the main source of frustration (interviews April 2013).

In Nepal, the main conflict of interest for Western donors has arisen from their support for inclusiveness. Some elite sectors of Nepali society considered that the EU involved itself unnecessarily in issues that created animosity in the country's ancient caste system. In May 2011, aid to the Nepal Federation of Indigenous Nationalities (NEFIN) was stopped after the umbrella organisation for 56 ethnic minority groups started using violence to enforce strikes. The UK's Department for International Development (DFID) was the donor most caught up in the scandal, but the EU delegation, which had been funding NEFIN indirectly, was also tainted. Many Nepalis argued that the donor community, including the EU, should have focussed less on inclusiveness as such, and more on improving the living standards of marginalised people. One official remarked 'instead of giving lots of rupees for constitution-building, we should invest in 100 MW of hydropower' (interviews March 2013). This view was shared by several experts in the donor community, who argued that the government needs support in delivering peace dividends to citizens, in the form of schools, clinics, water treatment plants, roads and bridges, at least until there is more will to 'do the soft stuff' (interviews March 2013). The outcome has been risk-averse behaviour, favouring smaller projects in sensitive governance sectors which are easier to focus and monitor and less embarrassing if they have to be closed down.

Systemic Factors

Coordination is arguably more of a challenge for the EU than for other donors, with the possible exception of the UN system. Although the UN is mandated to coordinate all country-level donors, the EU must coordinate its own activities, including its constituent member states. It must also engage in country-level coordination with partner systems and the other bi-and multilateral donors present.

In South Sudan, the EU made a major effort to coordinate community and member state programmes through its joint programming exercise in 2011 and 2012. The EU delegation saw joint programming as an opportunity to demonstrate the added value of EU leadership. Joint programming proved useful for information sharing among EU member states and the delegation, but the lack of member state buy-in limited the exercise's impact on country-level coordination. Most EU member states regarded it as an add-on to their bilateral engagement rather than as an overarching coordination mechanism. Some reportedly saw the exercise as a chance to get EU money to support bilateral programmes and agencies (Furness and Vollmer 2013). Officials at the UK Embassy in Juba were open to the EU delegation leading on the preparation of joint programming documents, but the UK's national interests in South Sudan were stronger than its interests in implementing common EU policies (interviews February 2013).

Donor coordination in Liberia has been mostly been ad hoc. Some key peacebuilding processes, such as decentralisation, the withdrawal of the UN Mission and the building of Justice and Security Hubs are intrinsically linked but poorly coordinated, risking parallel processes. Liberia's system of technical, sector-level working groups has facilitated fruitful cooperation on specific issues, but has not had an overall political impact on fragmentation. Some put this down to the weakness of the Liberian government but added that the onus to improve was on the donor community, because 'this is what they do for a living and the Liberian government doesn't know what it looks like' (interviews April 2013). Liberia is an unusual case for the EU in that no member state is a former colonial power and member state presences are very small. Nevertheless, few coordination meetings have taken place below the Heads of Missions (HOMs) level, partly because delegation officials were aware of the lack of member state capacity (interviews April 2013).

Compared with other FCA countries, donor coordination in Nepal has functioned in a manner acceptable to most observers. One expert described the main incentive as a 'need for safety in numbers' (interviews March 2013). Perhaps more important is the government's strong expectation that donors will honour their coordination commitments under the Busan New Deal. EU HOMs meetings are chaired by the EU ambassador, and the Delegation takes the lead on certain issues, such as working groups on human rights and elections. Switzerland and Norway also attend the EU HOMs meetings. The two non-EU European countries are considered 'like-minded' and their participation is welcomed by the EU delegation (interviews March 2013). Sectoral coordination among EU donors has been close but ad hoc: the EU delegation worked with DFID on a number of files, including education, elections, climate change and the NPTF. Cooperation with Germany has focussed on Nepal's peacebuilding programme and technical support for the NPTF. Nepali government officials regarded intra-EU coordination as coherent and sector-wide, especially concerning European contributions to the NPTF and the EU's role in the education sector. Nepali experts have noted that, while European donors are not harmonised, they communicate what they are doing among each other and with local partners, and they try not to compromise what other donors are doing (interviews March 2013).

Conclusions

The EU has aspired to make the most of its perceived comparative advantages with regard to other international actors and its own member states. These include ‘hard’ advantages such as global reach, technical expertise and military, diplomatic, financial, and human resources; and ‘softer’ factors such the EU’s history as a peacebuilding project, its reputation as an honest broker without hidden agendas, and its cultural and historical ties with many FCA countries. EU policy processes, such as the design of objectives, legal frameworks and planning for the EU’s various financial instruments and civilian and military assets, have reflected international best practices. But EU engagements with FCA countries have been plagued by the policy-operations gap. Its implementation has fallen short of the standards set at the policy level, despite recognition of fragmentation and efforts to overcome it. The preceding discussion on the factors that have intervened between the policy and operations levels raise several conclusions for the EU and for the fragmentation debate more generally, especially with regard to international engagement in FCA countries.

Not surprisingly, EU officials have rejected the notion that they do not have sufficient knowledge of FCA countries, although they have acknowledged that retaining institutional memory of complex conflict processes can sometimes be a problem. The evidence from discussions with EU officials in Brussels and in South Sudan, Nepal and Liberia is that the EU is indeed very well informed about the countries in which it works. This observation is supported by the views of experts from other development agencies, partner governments, and CSOs in the countries themselves. From a fragmentation perspective, the main concern is not so much lack of information as the difficulty of processing and translating knowledge into good policy choices and effective programmes. Officials often remark that they know what to do but not how to do it, given the difficult trade-offs facing them and the complexity of the systems in which they work.

Conflicts between the internationalist European rhetoric of universal values and the reality of country-level operations have been apparent. EU officials have often expressed the view that the EU does not have ‘other agendas,’ such as the commercial interests that China openly pursues or the postcolonial ties of some member states. The EU is, however, far from being a neutral actor, and its self-images of being both ‘above the fray’ and a ‘model for the rest of the world’ have not always convinced partners, who are fully aware that the EU and its members are far from perfect.

Some chastening experiences have led to risk-averse behaviour on the part of EU donors who have tended to avoid areas where problems may arise, and rather pick easy to explain stories. This can explain the EU's tendency to prefer smaller projects in sensitive governance sectors, which affect fewer people if they have to be closed down. Risk-aversion was especially evident in Nepal, and was often cited as a factor in Liberia as well.

It has proved very difficult to make satisfactory progress to address fragmentation through improving coordination. In all three FCA engagements studied in this chapter, several factors undermined coordination, from a failure to appreciate the practicalities of implementing a programme that looked plausible on paper, to misunderstandings between headquarters and actors in the field, to time-lags caused by decisions that must be taken by several organisations, to genuine differences of opinion about aspects of a policy or programme. Moreover, local actors have been unable to play a bigger role in part due to the EU's highly bureaucratic CSO funding system. Capacity is by definition an issue for FCA countries. Somewhat tautologically, it has often been cited as a reason why implementation has struggled. Nevertheless, reliance on large international NGOs and trust funds has not helped state-capacity-building, particularly in South Sudan.

Analytically, there are some overlaps between the three categories, especially between interest-related and systemic challenges. In all three cases coordination challenges stemmed at least partly from an inability to resolve certain interest conflicts and/or make adequate trade-offs. Clearly, considerations of country-level fragmentation need to account of interests that lie behind systemic challenges. For instance, EU member states have mostly continued to treat decisions about aid allocation and sectors as sovereign, in spite of measures to overcome fragmentation such as joint programming. The donor coordination system is an institutional setting which exists partly to facilitate actors in resolving interest conflicts, but it cannot work when there is limited willingness to make it work.

Notes

1. The term 'fragile state' is contested. Some countries that are high on fragility indexes do not consider their institutions to be 'fragile.' Examples include Ethiopia and Rwanda. Others, especially those that signed the New Deal, have accepted the term. While 'post conflict' is also widely used in the policy and scholarly literature to describe countries recovering from violent conflict, it masks the fact that underlying socio-political conflicts do not usually

end just because a peace deal has been signed. 'Fragile and conflict-affected countries' is the preferred term for this chapter.

2. Observations in this chapter are based partly on interviews in Brussels, Juba, Kathmandu and Monrovia in the spring of 2013.
3. There is an emerging consensus that state fragility has three interlinked dimensions: authority, legitimacy and capacity. FCA countries can perform better on one or two dimensions but remain seriously deficient elsewhere. 'Fragility' does not only concern 'the state'. Societal fragility goes much deeper. Nevertheless, external actors' support for the authority, capacity and legitimacy dimensions of the state and public institutions can help FCA countries in their generational task of resolving—or at least learning to live with—deep societal conflicts.

CHAPTER 9

South-South Cooperation and Fragmentation: A Non-issue?

Gerardo Bracho and Sven Grimm

South-South cooperation (SSC) is not new. What is new, however, is the steeply increasing scale of cooperation in absolute terms by a number of actors and the ever rising number of actors who are getting involved in South-South cooperation. This increasing number relates both to countries that engage at a more global scale as well as to the number of actors from the larger South-South cooperation countries. The 'elephant in the room' is usually China. Yet, other actors are also increasing and diversifying their engagement.

The increased South-South cooperation activities of the emerging powers led by China are affecting development architecture and its paradigm in a number of ways. To start with, they are bringing more fresh resources to the table at a time when the volume of traditional aid has been eroded by acute financial and budgetary distress in the North. Increasing South-South cooperation, and thus increased supply, has come together with new practices, mechanisms and ideas. In so far that they are new, these in turn have enriched the menu of options (in terms of partners, modalities and volumes) available to recipient countries. More choice is *prima facie* welcomed in a world where more than ever there are no 'one-size-fits-all' developmental solutions.

At the same time, this amplified aid activism of the emerging powers might not be all for the good. Not long ago, a famous pundit squarely despised their contributions as 'rogue aid' (Naím 2007). Though public opinion now takes a more positive view of their role in the development

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_9

cooperation agenda, reasonable doubts remain. A common complaint is that the emerging powers are adding to the problem of fragmentation of the aid system. Indeed, together with a varied group of non-state actors, the emerging powers are contributing to fragmenting a hitherto quite tight and coherent aid architecture dominated by a limited group of traditional DAC donors. But accepting that there is indeed more fragmentation, the point is to identify its causes and assess it: Is it beneficial, neutral or harmful and, if it is harmful, what can we do about it?

The concept of fragmentation already carries a negative connotation as bringing incoherence and a lack of focus. But in fact, as we suggested, it usually also implies increased choice. For some authors this would very well be the end of the story. They portray the emerging southern cooperation providers as crucial drivers in a new era of choice and the renewal of the traditional aid system in natural decline (Kharas and Rogerson 2012); consequently, 'South-South cooperation and fragmentation' would rather seem to be a non-issue. We are not so sanguine. A more detailed assessment of the impact of Southern providers, including the way they have been received by the established system, gives us a more nuanced view: the impression is of a missed opportunity of not being able to extract all those *prima facie* benefits. More choice has come together with deleterious fragmentation that generates transaction costs and that is eroding some of the good traits of the aid system. Consequently, the picture we draw is mixed.

We will look at fragmentation from three different points of view:

- First, internal bureaucratic fragmentation: coordination of an increasing number of actors globally engaged in South-South cooperation is a challenge for provider countries, if SSC is meant to operate for common objectives and to send clear political messages.
- Second the increasing number of actors may increase transaction costs for recipient countries. Welcomed choice also comes with an ever-increasing need for engagement with and coordination of partners of different backgrounds, so as to decide who should best be approached for which project.
- And, third, the increasing number of actors in global development is a global governance issue which opens debates on global standards, their applicability and the possible need for new norms in international cooperation. South-South cooperation is (deliberately or unwantedly) eroding the traditional aid system.

This chapter will be structured as follows:

We will first turn to a historical contextualisation of SSC to flesh out the perceived and real differences of SSC to North-South cooperation and what the implications are for the discussion of whether SSC is fragmented or not. Where is SSC different from North-South aid, both in its 'DNA', so to speak, and possibly in practice? This historical overview is followed by a discussion of the changed landscape and thus the changed setting for and role of SSC in the twenty-first century.

The second section takes three dimensions of fragmentation under closer scrutiny: the internal, bureaucratic fragmentation; international multiplication of actors and how recipient states handle this situation; and the effects of increasing SSC on the global discussion. Our perspective thus includes the question of agency and partnership in SSC from the perspective of the weaker or poorer partner in the relationship, not least so African countries as an important group of beneficiaries of SSC. As discussed in chapter 15 (Pietschmann), partner countries can and somehow have to manage diversity amongst their partners. What does this specifically entail when it comes to managing SSC providers? And lastly, we open our perspective to the global debate on fragmentation and explore how increasing SSC is affecting the aid system, both at a multilateral level and in the way the traditional donors conduct aid.

A brief third and last section concludes this chapter, discussing whether 'fragmentation' is the right term over 'diversity' or 'choice'.

The South-South Cooperation Tradition and the Challenge Posed by the Emergence of the Southern Providers

The present Development Cooperation paradigm that emerged after the Second World War is based on a dichotomy: developed countries (North) with the *responsibility* to offer aid; and developing countries (South), with the *right* to receive it (Bracho 2015). This North-South paradigm took form in the late 1950s and early 1960s, above all in two multilateral organisations: the World Bank; and the Club of Donors of the Western North, the Development Assistance Committee of the OECD (DAC). At around the same time—and under the same clear-cut divide between North and South—the South-South cooperation tradition based not on a rights/responsibilities framework but on a contrasting one of solidarity and voluntary actions came into being. This tradition took off in 1955 at the first Afro-Asian summit in Bandung, which generated a *spirit* that would animate the Non-Aligned Movement, the struggle for a New International Economic Order (NIEO), and of course, the South-South cooperation agenda (Tan and Acharya 2008; Conte 1965).

This Bandung spirit built on a critical narrative of (structurally) oppressive North-South relations, coupled with a contrasting positive mirror-image narrative of *exemplary* relations between the countries of the South. In this tradition, principles of concessionary South-South cooperation were: horizontality among equals (as opposed to North-South vertical relationships between *un-equals*); sovereignty and non-interference in internal affairs (in contrast to domestic interference by colonial and neo-colonial powers); non-conditionality (as opposed to conditions imposed by donors); mutual benefit (in contrast with the paternalism of the North); voluntary cooperation (as opposed to aid grounded on the historical responsibilities of the North). In the 1960s, differences in the socio-economic development within the South were relatively mild (at least in relation to later developments), and there was indeed scope to speak about horizontal relations and mutual benefit among cooperation *partners*. By the same token, Southern countries had little room and no appetite to impose *conditions* on the cooperation they engaged in, or to interfere in their respective domestic affairs. With colonialism very fresh in mind or busy fighting it, they still held sovereignty to be a precious principle to defend and apply. So the idea that *cooperation* between countries of the South was rooted in different principles than the *aid* handed from the North to the South was quite accurate.

Differences in delivery mechanisms and cooperation modalities between the North-South and the South-South traditions also existed. Cooperation between countries of the South was for decades a piecemeal affair and almost entirely delivered as technical, scientific or cultural exchanges, with China as an exception. Northern donors paid little attention to what to them appeared almost as symbolic gestures of Southern countries to complement their inter-diplomatic relations with some practical linkages between them. There was no talk of the need for coordination with these actors, let alone any worries about their adding to a fragmentation problem that did not exist.

Matters changed with the turn of the twenty-first century when a group of Southern countries with China in the lead, now labelled *emerging economies*, began to reap benefits from globalisation. Their gaining wealth and power (at least qualitatively more than hitherto) consequently put all types of international agendas under pressure (OECD 2010g). Development cooperation was no exception. As a signal of their new status, these emerging powers transformed themselves in *de facto sui generis donors* vis-à-vis poorer or less capable Southern countries. These actors are neither typical (Northern) donors nor do they *cooperate* horizontally with other *similar* Southern partners. They are a third set of new actors, *southern cooperation providers* that challenge both traditions and require a new narrative (Bracho 2015).

This changed setting has a bearing on the problem of *fragmentation*. When these players gained weight in the early 2000s, they were often labelled *emerging donors*. The North-South tradition considered them as donors in the making, but this missed the point. If it were a matter of another group of ascending donors (say, as Ireland or Spain had been in the past, or Poland or Korea more recently), their impact on the development cooperation system would have been much less consequential: they would have added to administrative fragmentation, but they would still have represented, generally speaking, more of the same. Given their different self-perception (or political agenda), these Southern emerging donors, however, are additionally fragmenting the system at quite a different level. The southern affiliation of these emerging actors comes out in their political rhetoric *and* in what they do and how they do it. Despite diversification of delivery instruments, technical cooperation (or 'knowledge sharing', as it is often now rephrased) continues to occupy an important place in their cooperation portfolios. This modality is an important ingredient in *bureaucratic fragmentation*, since such knowledge is naturally grounded in a wide range of line ministries and other institutions.

Southern providers also distinguish themselves by the relative *lightness of their cooperation activities*. SSC is regarded as light on bureaucratic intermediation, evaluation and costs. Cooperation is mostly based on projects with limited scope. This can be seen at least partly, as emerging from the Southern providers' incipient position as donors, but also seems to be linked to their southern affiliation. Projects usually respond to very specific requests from recipient countries. Being mostly demand-driven and with no outcome other than to solve a specific problem, they thus blend in well with a culture of non-interference and no conditionalities. In spite of their relatively recent adherence to principles such as *ownership* and *alignment*, traditional donors in many ways use their assistance as a vehicle to promote values and policies. Coming from a recent past of suffering from Western domination and thus with a political culture deeply ingrained in the concept of sovereignty, Southern providers, opening themselves to criticisms of underpinning rogue states, are much less prone to use their cooperation to *preach*—though they might still condition their cooperation to obtaining economic advantages as in the case of the tied aid they provide. In short, even if they have in practice left behind the somewhat mythical Southern brotherhood of equals, their continuous southern affiliation does make the southern providers in many ways *different* from the traditional donors, not only in terms of their socio-economic and institutional realities, but also in the way they carry out co-operation. Precisely these differences bear on the issue of fragmentation, to which we now turn.

SSC and Fragmentation: Internal, International and Systemic Challenges

The three dimensions of fragmentation mentioned (internal, recipient country and global system) will serve as the structuring element in the following discussion. Arguments are predominantly illustrated with examples from the largest provider of SSC, China.

Internal Administrative Fragmentation in SSC Provider States

The 'changing politics of foreign policy' (Hill 2003) or multiplication of actors beyond the loosening grip of the state is a challenge to all states' external relations, including those of developing countries. In the traditional UN-led approach to SSC, development cooperation is intrinsically linked to developing countries' international relations and openly serves as one tool in their foreign policy. The overall predominance of the state in the low-key engagement of the past never made the broad spectrum of SSC activities problematic. Rather, the broad operational base deliberately aimed at increasing the scope of activities. However, at the latest since the mid-2000s, the drastically changed setting creates public diplomacy challenges for large SSC providers—and not least so: China—across the African continent.

Very specifically from a perspective of fragmentation, the increasing provision of SSC (as well as the provision of ODA) raises questions about the bureaucratic structure of their management and delivery. The coordination challenge for SSC providers starts at home. Numerous line-ministries are engaged in SSC, be it via in-kind assistance to counterpart ministries in other developing countries, be it via dedicated projects or be it via hosting a number of foreign students at their institutions of education. Agricultural ministries are as active across the globe as are education ministries, foreign offices or local government ministries. Interactions literally include all ministerial portfolios, and often it is difficult to trace what can be regarded as SSC. As Xu and Wang formulate it for Chinese administrative coordination:

> Fragmentation of Chinese foreign assistance has become more apparent. Take the Sino-Africa forum as an example, the Chinese Follow-up Committee of the Forum on China-Africa Cooperation (FOCAC) has 27 members. If holding a meeting of 27 members is not an easy task, the coordination and cooperation among them will be much more difficult (Xu and Wang 2015, p. 2).

Establishing policies in this context can be as much a challenge as monitoring activities. Consequently, 'for many countries, the formulation of a structured policy framework is still limited' (UNDP 2009, p. 27). The first Chinese White Paper on Aid (2011) went through 40 rounds of comments and ultimately excluded the multilateral part of the contribution due to the coordination challenges of the involved bureaucracies (Grimm 2011a).

Even when coordination agencies exist, principal-agent questions increasingly matter in SSC practice, at times exacerbated by the shifting nature of SSC. It is from this motivation that we have to understand Chinese interest in placing ministerial officials in the DAC Secretariat or protracted efforts of South African officials to find the right institutional setting and mandate for their development agency as a potential coordinating body (Sidiropoulos 2012; Grimm 2011c). Mexico, for its part, has undergone two institutional reforms in the last years: the adoption of a law on international cooperation (2011); and the creation of a Development Cooperation Agency (AMEXCID) regulated by such law (2012). The idea is that AMEXCID will soon coordinate, account for, support and even partially finance the cooperation provided by line ministries and presumably (later on and to a certain extent) other regional public bodies (Bracho and Pérez Pineda 2015; Borbolla Compean 2015). Similarly, the Brazilian reforms of the existing Brazilian Cooperation Agency (*Agencia Brasileira de Cooperacao*, ABC) aim at addressing coordination challenges internally (De Mello e Souza 2014).

Beyond state bureaucracy, however, additional actors are to be included. While the focus in international politics is on states, the number of actors in SSC has substantially increased over the last decade. The reliance on companies for project implementation is by design, given that numerous providers of SSC such as China since the early 2000s, regard SSC as a vehicle for global engagement of their enterprises (in China, this is labelled a 'Go Out' strategy) and as a possibility to enable market access (Shinn and Eisenman 2012). Implementing corporations have no intrinsic motivation or mission to provide for development benefits; their interest is to increase benefits of the company. Supervision and project management have thus become more important, also requiring a better monitoring role of on-the-ground representation of states that provide SSC. The latter, if applied thoroughly, potentially sits at odds with the 'light' character of SSC and might negatively impact on the reputation of 'quick deliverance'.

Usually the role of civil society organisations in SSC is little pronounced (CSOs, or 'people-to-people' organisations, as they are known to the Chinese debate). While this would merit a longer discussion in itself, suffice it here to flag the prospective role of CSOs. China is substantially different from any other SSC provider, particularly on the African continent, given the high number of individuals from China engaging across the African continent. They are seeking to engage in bonanzas, which, at closer look might turn out to be precarious activities, such as (mostly legally) engaging in retailing activities or (illegally) in gold digging in Ghana, to name but two politically-contested interactions (Grimm 2011b). These activities by individuals are certainly not included in notions of development cooperation. However, the all-encompassing (or non-existent) definition of SSC allows for various activities to be lumped together by observers and in partner states' public opinion. Being 'unbound' by a *de facto* absence of norms and standards in SSC is in this case is an obvious disadvantage, as the broad promise creates widely varying expectations in partner countries.

The Way Recipient Government Deal with 'Choice' or 'Fragmentation'

In numerous African countries in the 1990s, aid was provided by 'some thirty official donors in addition to several dozen international NGOs […] through over a thousand distinct projects and several hundred resident foreign experts' (van de Walle 2001, p. 58). The rise of SSC in volume and its subsequent diversification in types of activities have added complexity to this picture since the 2000s.

Recipient governments are facing the challenge of retaining an overview of old and new opportunities and their respective potential pitfalls. For Chinese Aid, for instance, China's policy (White Paper of 2011), lists eight types of cooperation: complete (turn-key) projects; technical cooperation; delivery of goods and materials; medical teams; human resource development cooperation; humanitarian assistance; volunteer programmes; and debt relief (Government of China 2011). Adding to this already complex picture are sub-national entities, such as provinces (Chen and Jian 2009) and the various new formats of *multilateral SSC*, be it the IBSA (India, Brazil, South Africa) development fund, BRICS' New Development Bank or the Asian Infrastructure Investment Bank, as well as trilateral cooperation that includes SSC providers and Northern partners.

The perspective on SSC in partner countries depends to a large extent on the actor's position in the political setting and his mandate. High-level political actors might, indeed, value SSC as a political alternative to conditional North-South cooperation. The changed setting with additional funding sources potentially opens policy space for states that face pressure due to their human rights record or governance challenges. The fairly 'light' character and relatively quick delivery of projects make them attractive to a broad range of political decision makers, well beyond 'maverick' states. Overall, the immediate transaction costs of SSC can be assumed to be lower, as turn-key projects require less administrative capacity by the recipient state: when a donor plans and builds hard infrastructure as a 'gift', delivery can be expected to be speedier than in cases were procurement, environmental and other procedures have to be applied and monitored. Arguably the most appreciated contribution of SSC is a changed *perspective* on developing countries. Cooperation is contextualised in a world of opportunities, beyond the traditional development assistance debate around 'needs'. China's perspective on Africa is that of a continent of opportunities or, in investors' language: the 'last frontier' in the global economy (Lippert 2013). The courting of often marginalised countries offers reassurance for their elites. Beyond the merely symbolic, however, this wooing is also hoped to trigger economic interest towards currently marginalised countries. From this perspective, many governments in recipient countries do not want SSC providers to converge completely towards Western policy and practice. Some discussions on the presentation of, for instance, the Chinese rationale for cooperation—perceived to be moving towards the aid mainstream—are thus causing concern (O'Brien 2015).

An alternative view can be located, however, among actors within recipient countries who are institutionally mandated to coordinate the various development partners. Often located in Ministries of Finance, these actors view SSC as—in essence—another source of funding for state activities, irrespective of the particular mode in which it is presented. From this perspective, SSC providers are a source of assistance in kind or financially like other partners and should thus align to the national system in their cooperation policy (Grimm et al. 2011; Grimm 2014a).

From the perspective of aid management, SSC projects—usually smaller in scale than North-South aid—add to the number of activities that beneficiary countries need to monitor and engage with. Contrary to the rhetoric of 'equals', this touches on capacity and power differences between SSC providers and recipient states (Grimm 2011b, 2013). Administrations in developing countries usually have limited capacity, be it in terms of staff numbers and/or with regard to the level of knowledge of partner countries' respective context and policy agenda.[1] While SSC is advertised as being supplied only 'on demand', there seems to be a gap in the understanding of whether SSC is mainly demand- or supply-driven between SSC supplier and recipient countries (UNDP 2009). By mid-2013, only three African countries had committed China to a list of projects to choose from within a 5-year period, in an arrangement not unlike a 'bridal registry' (Grimm 2014a). The very success of committing China to certain priority projects is evidence for African agency in the relationship (Mohan and Lampert 2012; Grimm 2013). However, the fact that this is highlighted as an achievement implies that tough discussions were required, which somewhat contradicts the presentation of SSC as being purely 'demand-driven'.

Despite the claim of being distinct from North-South cooperation, the political pitfall persists that development in another country needs to be advocated at times against domestic players. SSC providers are developing countries themselves, and they need to cater for their domestic industries and need to be seen to work for the needs and interests of their own population. While the coherence challenge exists for all actors in the provision of external cooperation, it is arguably a particular challenge in the SSC context, where a very broad definition and political rhetoric create expectations that might even go beyond those created by North-South cooperation (Alden and Large 2011; Grimm 2014a). In any case the emergence of SSC providers certainly adds complexity to negotiations. It thus comes with new opportunities, but also adds strain on very limited administrative resources in recipient countries.

'Distinctness' of SSC Undermining the Traditional Aid System

Overall, southern providers are unintentionally contributing to eroding and fragmenting the traditional aid system with no clear alternative to replace it. In the North-South tradition, as countries graduate, they take on donor responsibilities and practices and eventually join the DAC (Bracho and García-López 2009). In contrast, the southern providers, still grounded in the South and in the South-South cooperation tradition, have resisted joining the system with a set of rules and responsibilities that do not conform to their history, conditions and specificities. More problematic is that the set of rules and responsibilities that would conform to their conditions does not exist. As they lack a legitimate and consensual narrative as providers of development cooperation, most of the relevant players have tended to relapse into the South-South cooperation discourse where they are portrayed as partners of a homogeneous (though inexistent) South (Weinlich 2014a). As a Chinese researcher recently put it: 'Obviously, China still wants to make a clear boundary between the North-South cooperation and South-South cooperation to avoid assuming too many international responsibilities [...] China does not want to be bound by specific targets' (Mao 2014, p. 2). As the emerging powers fail to assume rules and responsibilities as providers of development cooperation, traditional donors are taking the opportunity to soften and even renounce their own.

At the multilateral level there are some worrying signs that point to a weakening of the framework of Northern collective responsibilities. At the outset of the post-2015 discussions, the UN Secretariat made an effort to promote the concept of common but differentiated responsibilities (CBDR) as the crucial building block to bring the emerging powers as providers of development assistance into the agenda (UN 2013a). But the initiative has not really taken off: DAC donors refuse the concept since in climate change negotiations it has taken the perverse meaning of 'no responsibilities', while emerging powers have not dispelled such an impression by assuming some responsibilities, however differentiated, in the development agenda. As negotiations become stuck on the responsibilities of the emerging South, a narrative with weakened responsibilities for the North seems to be building into the post-2015 SDG's (Sustainable Development Goals) framework. In this context, the rush to universality—by which all countries, poor and rich, have to fulfil some SDGs in their own territory—is a commendable initiative in principle, but might not be such good idea in practice (UN 2014b). What gets weakened is the fundamental idea of *responsibilities* of those who are better-off in the international system; the founding idea of the aid system that is still very much relevant to large numbers of countries and people that have been left behind by a very unequal globalisation process (Collier 2007). A concomitant development is a quiet transition from a framework of collective donor commitments, to one of voluntary country initiatives.

Apart from these signals from the multilateral agenda, we have even more clear ones pointing in the same direction at a bilateral level, on the way donors 'do' aid. One of the bulwarks of the actual system, which took years of hard negotiations, was to arrive to a definition of ODA rooted on a differentiation between aid and profit-oriented activities. It is well known that the emerging donors, especially China openly blend their cooperation with commercial activities; thus blurring the differences between them, just as traditional donors used to do at the outset of the aid industry. A number of *traditional* donors are now openly blending their aid institutions with those that deal with trade and the promotion of their national economic interests. As in other areas of the international agenda, the lack of agreements between traditional and emerging powers seems to be weakening (and fragmenting) the aid system. Even if it is true that in many respects this system is outdated and in need of reform, we should be wary of throwing out the baby with the bath water.

Conclusions

South-South cooperation has been traditionally portrayed, as a complement to North-South cooperation. The meaning of such an expression has always been somehow ambiguous. Still, a decade ago, one could argue that since it mobilised few resources, SSC was, so to say, beyond the debates on aid and the aid architecture. Not any more: its impact on overall cooperation flows and even more so, on the aid system, is paramount. So 'complement' cannot mean 'marginal', not related to traditional aid. At the same time, as we have argued, the Southern providers are different from traditional donors in a number of instances: from the socio-economic realities and the conceptual historical tradition they come from, to the ways in which they operate and some of the values they deploy while providing assistance. But those differences, rather than making them marginal, bring them to the centre of the traditional aid agenda, as they open and challenge many debates such as effectiveness, responsibilities, delivery mechanisms, accountability, transparency…and not least, fragmentation.

In a similar vein, there is an issue about SSC and fragmentation. Indeed, we have argued that the *prima facie* benefits of more resources and more choice to development cooperation have been to a certain extent undermined by different types of fragmentation. Some of this fragmentation is inevitable—it is part and parcel of more and different types of actors joining the fray as *sui generis* bilateral donors. But part of it can be reduced. Insofar as it stems from institutional weaknesses, it will recede as the institutions of the Southern providers mature; they are likely to be continuously subject to reforms in order to address bureaucratic fragmentation.

The case of the fragmentation, or rather the weakening of the traditional aid system, is a more difficult matter, as it requires global collective action. The fragmentation and weakening of the traditional aid system has at least partially stemmed from a lack of political agreement on how, and under which rules, the southern providers will join the established aid architecture. Those accords will presumably require a conceptual middle-ground between co-opting the southern providers into the traditional aid system, and leaving them to operate under the old idea that SSC is a completely different type of animal. These accords would underpin the differentiated ways that both the Northern and Southern donors supply assistance and the differentiated responsibilities they would both assume towards poorer and/or less capable countries. They would also underpin new governance structures and working methods at the multilateral development organisations in which they both participate. Thus far, however, we have no accords and new rival multilateral institutions (that is, the New Development Bank and the Asian Infrastructure Investment Bank) rather than an effort to adapt all institutions to today's more complex aid architecture (Manning 2014).

Fragmentation need not dampen the promise and opportunity brought by the Southern providers. But more political will from all parties involved will be needed to arrive at a better outcome for all—especially for those poor countries and poor people still in need of foreign development cooperation.

Note

1. The challenge to coordinate policies becomes even more pronounced when the *broad* concept of SSC is taken as a point of reference, where *cooperation* (absurdly) ranges from private investments and trade to public flows. Consequently, with regard to global value chains, recipient countries challenge aspects of the trade policy of Southern providers, such as limited market access for processed goods as opposed to raw materials (Grimm 2014a). Northern donors discuss this very point as *policy coherence for development*. In the SSC context, demands for coherence are particularly difficult, as they *de facto* challenge the claim that SSC is brotherly cooperation amongst equals for the well-being of both sides. The discussions obviously exacerbate the challenges of coordination within SSC provider countries.

PART III

Impact and Consequences of Fragmentation

CHAPTER 10

The Age of Choice: Developing Countries in the New Aid Landscape

Romilly Greenhill, Annalisa Prizzon, and Andrew Rogerson

Introduction

Development cooperation is changing rapidly. There are both demand- and supply-side pressures, which suggest that 'traditional' donor aid from the Organisation for Economic Co-operation and Development—Development Assistance Committee (OECD-DAC) donors is becoming less important as a source of development finance. There is now a myriad of 'non-traditional' sources of development finance, including from non-DAC donors such as China and India, philanthropists such as the Bill and Melinda Gates Foundation and 'social impact investors' such as the Shell Foundation and Acumen Fund. Development cooperation is also being affected by changes in the global context. These include fiscal austerity in OECD countries, which is putting downward pressure on donor aid; the graduation of a number of lower-income countries (LICs) to middle-income country (MIC) status; greater access to international capital markets on the part of many fast-growing LICs and MICs; and a desire in many developing countries to

A longer version of this chapter was published as an ODI working paper in January 2013. This working paper was generously funded by the UK's Department for International Development and the Australian Agency for International Development. We thank Timo Mahn for helpful comments on this version. The usual disclaimers apply.

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_10

reduce dependency on aid. The growth of the less traditional actors within this changed context has led to changes in the global architecture in terms of reaching agreement on aid effectiveness issues.

This chapter explores the implications of this more complex global landscape for partner country governments and traditional donors and examines the challenges and opportunities governments experience in managing development assistance from traditional and non-traditional providers. This analysis aims to analyse whether partner countries governments welcome a larger number of financiers bringing new opportunities and diversification of financial options or whether they are overwhelmed by increased fragmentation. For instance Kharas (2007, p. 12) notes that '*the new reality of aid is one of enormous fragmentation and volatility, increasing costs and potentially decreasing effectiveness. A key challenge for the new era of development assistance will be to understand how coordination, information sharing and aid delivery will work in the new aid architecture*'.

This analysis is based on three country case studies (Cambodia, Ethiopia and Zambia) which aimed to answer the following research questions:

1. What is the economic, political and aid management context that determines the ability of the government to mobilise and utilise development assistance and shapes the outcomes of negotiations between the government and providers?
2. How has the volume and composition of total development assistance and the breakdown between traditional and non-traditional sources changed since 2002?
3. What are the government's priorities when it comes to the volume, purpose and terms and conditions of development assistance?
4. In which arenas does the government seek to engage with providers, and which strategies does it employ to negotiate with them? How do these arenas and strategies differ between different types of providers?
5. To what extent is the government achieving its objectives when it comes to negotiating with providers?

The analysis presented in this paper aims to complete the large volume of existing literature on new flows, particularly on non-DAC donors (Davies 2010; Manning 2006; OECD 2010a, b; Reality of Aid 2010; Woods 2008; Zimmermann and Smith 2011) by focusing on the country-level perspective. Much of the existing literature highlights the potential benefits of non-DAC support to countries, and some assesses the quality of aid against standard aid effectiveness indicators. However, it is in general focused on the view from the global level and the perspective of donors and funders; there is currently very little published literature that discusses countries' own views and priorities. Those studies that do exist, for example Grimm et al. (2011), focus on only a few countries or providers. We should stress this analysis concentrates particularly on partner-country governments; CSOs and citizens may have a different set of views and priorities.

The chapter proceeds as follows:

- In section "The New Aid Landscape: A Definition of Traditional and Non-traditional Development Assistance Flows", we provide a provisional taxonomy of development assistance, including both traditional and less traditional sources, informing the focus of the case study analyses.
- Section "Case Study Theoretical Framework and Methodology" presents the theoretical framework that guides the three country case studies (Cambodia, Ethiopia and Zambia) and a brief introduction to the case study methodology.
- Section "Case Study Findings: Cambodia, Ethiopia and Zambia" presents the main case study findings, including the volume and key characteristics of the various forms of development assistance at country level.
- Section "Conclusions" concludes and summarises the findings across the three case studies.

The New Aid Landscape: A Definition of Traditional and Non-traditional Development Assistance Flows

The distinction between traditional development assistance (TDA) and non-traditional development assistance (NTDA) in this chapter is at best a useful approximation, inevitably involving a degree of subjective judgment. There is constant innovation and experimentation within the traditional subset; conversely, 'non-traditional' does not imply a blank sheet in terms of history and values.

Defining development assistance involves three basic steps:

1. Consider all cross-border resource flows into developing countries;
2. Apply a public (and philanthropic) interest test, using financial subsidy as a proxy;
3. Exclude purely market-based (for-profit) external finance.

What is now left is all development assistance: that is, TDA plus NTDA. We apply a further filter to distinguish between these, although we recognise that this distinction is not perfect and the boundaries will sometimes be blurred. We define TDA as assistance provided by traditional bilateral and multilateral donors that are members of the DAC and that conform to DAC norms and rules to varying degrees, and which meets standard ODA definitions. By NTDA, we mean cross-border sources of finance that meet the three criteria above, but which have funding or delivery mechanisms that differ from those of traditional donors and which may not meet the ODA definitions.

Some NTDA flows are scored as ODA, but we included them in our 'non-traditional' category because they present new or 'complex' management issues and opportunities, mostly because their allocation/coordination processes fall outside well-established DAC approaches and, in some respects, may resemble non-DAC flows more than DAC ones. This includes global funds, climate finance and Korea, that had recently joined the DAC at the time of the case study analyses (summer 2012).

The categories included in the definition of NTDA are: financial flows from non-DAC countries; private philanthropy; flows to developing countries from non-governmental organisations (NGOs), net of ODA these NGOs receive; social impact investment; global vertical health funds; climate finance; and Korean assistance.

We exclude from development assistance altogether forms of finance that do not clearly meet the criteria set out above: domestic resource mobilisation (taxation and domestic financial markets) and private investments; private remittance flows; foreign direct investment (FDI); international commercial bank and bond market funding; and export credits on market terms.

By non-traditional providers (NTPs), in this chapter we refer to those actors providing NTDA, including non-DAC donors and Korea; philanthropists; social impact investors; global vertical funds; and climate finance providers

Case Study Theoretical Framework and Methodology

We conducted three case studies (Cambodia, Ethiopia and Zambia) over a 2-week visit during June–September 2012. The methodology comprised a mixture of desk-based research on country context and of key aid management documents, and a series of semi-structured, mostly face-to-face, interviews with 30–35 key informants in country, and, where needed, follow-up phone interviews. Key informants interviewed were drawn from governments (including aid management units and line ministries), DAC donors, non-traditional providers, civil society and parliaments. Key informants were identified according to their position, by reputational sampling or, where needed, through snowball sampling.

The theoretical framing informing the case study analyses combines elements of the framework used by Fraser and Whitfield in their 2008 study 'The Politics of Aid: African Strategies for Dealing with Donors' and the Institutional Analysis and Development (IAD) framework developed by Ostrom et al. (2001).

The key insight from Fraser and Whitfield (2008) lies in seeing the process of engagement between governments and donors or NTPs as one of negotiation. This is in contrast with much of the other literature on the political economy of aid. Some of this literature assumes donors and recipients have a shared set of objectives (for example the MDGs or human rights), and thus that there is a cooperative relationship or 'partnership' between donor and recipient, with no divergences of objectives (Fraser and Whitfield 2008). Other literature uses principal agent theory to examine the relationships between donor countries (principals), contractors and donor agencies (agents) and potentially ultimate recipients (also principals) (Bertens et al. 2001). This study follows Fraser and Whitfield in seeing aid agreements (with any provider) as the result of aid negotiation, in which both sides have a set of (potentially divergent) interests and priorities they need to negotiate in order to reconcile.

Another key insight from Fraser and Whitfield is the focus on context in shaping country and provider negotiating capital. As a simplified example, countries that are less aid dependent are likely to have a stronger position in negotiating with development assistance providers than those that are heavily so, while those with weaker governance environments may find it more difficult to negotiate. Countries with strong and sustained performance on economic growth or human development may also find themselves more attractive recipients of aid, strengthening their bargaining power. The context does not determine the outcome of negotiations in a mechanistic sense, but it presents providers and recipients with a set of constraints to consider in deciding what they think can be achieved through negotiation.

The other theoretical framework is the IAD framework developed by Ostrom et al. (2001). Like Fraser and Whitfield, Ostrom et al. stress the importance of context in shaping behavioural interactions. The IAD framework goes further to identify the units of analysis that must be examined in assessing any situation, which include context, action arena, incentives, interactions and outcomes. Each of these interacts with the others: the context shapes the arena in which negotiations take place and incentives guide the positions different actors take within that arena, leading to behavioural interactions and thus outcomes. Given the scope of the study, we do not go into the level of detail proposed by Ostrom et al. in analyzing incentives and behavioural interactions, which would be challenging given the large number of actors involved. The key insight to be gained from the IAD analysis is the importance of identifying the arenas in which negotiations take place, and of taking account of context in shaping behavioural interactions.

This study combines these two frameworks to analyses the interactions between governments and providers. We amend the models in various ways. Like Fraser and Whitfield, we focus on aid agreements as an outcome of negotiation between governments and providers. However, rather than analyzing just one negotiation process, we are interested in whether governments seek to negotiate, or at least engage, with different kinds of providers together or separately. We focus less in this study on the formal process of loan and grant negotiations, which can often be fairly legalistic/technical, and more on the broader process of project identification, development of policy strategies, discussion of conditionalities and policy dialogue.

Case Study Findings: Cambodia, Ethiopia and Zambia

All Countries Are Receiving Flows from NTPs, and the Volume Has Increased Significantly Over the Past Decade

All the three countries analysed have received significant flows from non-traditional providers over the past decade, and in Cambodia NTDA flows are now sizeable in relation to traditional development assistance.

Considering only lower-bound definitions, the share of NTDA to total development assistance in 2009 reached 23.5% in Cambodia, 9.1% in Ethiopia and 7.1% in Zambia. Non-traditional flows also expanded significantly in nominal terms between 2002 and 2009. In Cambodia, they increased from $34.1 million to $191.5 million, a 5.6-fold increase; in Ethiopia from $82.7 million to $381.6 million, a 4.6-fold increase; and in Zambia from $0.7 million to $95.3 million, a 136-fold increase (although note the exceptionally small base in 2002).

Furthermore, our figures for NTDA are most likely underestimated at country level. For example, they do not include private and voluntary contributions (through international NGOs and CSOs) and flows for which information is limited at country level; philanthropic assistance is based on US foundations only; and some data are missing, for example comparable data for non-DAC donors in the early 2000s in the case of Zambia. Furthermore, some development assistance flows cannot easily be captured at country level. For example, climate finance sometimes targets (and reports on) regions rather than single countries. We also compared data only up to 2009, the latest year for which information on development assistance flows was available for most components. For some flows (especially climate finance, for example in Ethiopia), commitments have been rising rapidly and disbursements have probably gone up since 2009.

Partner Countries Welcome More Choice and More Finance

All three case studies highlighted that the need for additional resources to finance development is a key priority for governments, and NTPs are seen as particularly valuable in helping countries meet this objective. In some cases, this is explicitly because traditional ODA flows are already falling and are expected to continue to do so, as in Zambia (AfDB et al. 2011). In other cases, they are expected to fall once the country reaches middle-income status, as in Cambodia.

Ethiopia, for example, is heavily focused on promoting investment in infrastructure, as indicated by the countries national Growth and Transformation Plan (GTP) (FDRE 2010). Traditional ODA was found to be insufficient to meet the country's substantial infrastructure needs. The country instead has a deliberate and systematic, although implicit, strategy to tap into new financing sources, including increasing the number of official donors, philanthropists, providers of climate finance, diaspora bonds and domestic resources, such as taxation.

Interviews in Cambodia also identified the need for additional resources as the country's number one priority: interviewees felt the government was very unlikely to turn funding offers down and NTPs were therefore very welcome as additional sources of finance. This finding is consistent with the earlier Paris Declaration evaluation country study of Cambodia, which noted that the country valued China and South Korea in particular as sources of additional finance beyond ODA (VBMK and RBMG 2010).

Like Ethiopia, Zambia has a strategy to diversify financing sources beyond ODA, spurred on by the country's move to middle-income status and the departure of some traditional donors. Zambia held a High-level Policy Dialogue in November 2012 involving the government, donors, MICs, CSOs and the private sector to discuss and analyse strategies for Zambia to diversify sources of development finance and move beyond aid. Key questions for discussion included how to access futures markets, public–private partnerships (PPPs), hedge funds and new climate finance mechanisms.

Ownership, Alignment and Speed Are Key Priorities; Non-DAC Donors Score Well Here: Global Funds Do Less Well in Two Countries

As well as additional resources, key priorities in relation to the terms and conditions of financing raised by governments were found to be ownership, alignment and speed. This set of priorities emerged particularly strongly in Cambodia and Ethiopia; Zambia also had a wider set of priorities around the Paris and Busan agendas, and the promotion of budget support (Republic of Zambia 2005). Governments did not appear to be setting different priorities for different groups of providers, but instead to be assessing all providers against a similar set of criteria. In all countries, non-DAC official donors were found to score well against these criteria.

All three countries placed a high emphasis on ownership, with Cambodia and Ethiopia emphasizing this issue particularly strongly. In Ethiopia, the prioritisation of ownership is such that even grants might not be accepted if they do not finance priorities as stated in the national plan, or threaten conditions or delays that are considered unacceptable. Ethiopia's national strategy, the Growth and Transformation Plan, was sent to the donor community for comments only after having been ratified by Parliament; in many other countries, donors are deeply involved in drafting national strategies (see OECD 2011d).

Measured against this priority, non-DACs were found to be popular with governments because of their overall policy of non-interference in government policy, and also their limited conditionality. In Ethiopia, interview evidence suggested that non-DACs were also valued because they did not challenge or question the fundamentals of the government's economic strategy, which is quite heterodox when compared with the usual policy prescriptions of traditional donors. The leaders of both Cambodia and Ethiopia have publicly praised China in particular for its respect for national ownership.

Governments also raised alignment as a key priority, particularly sectoral alignment. In all three countries, non-DACs were found to be better aligned with government priorities because of their focus on infrastructure, energy and growth-promoting sectors. These are often underserved by traditional donors, which focus more on the social sectors. In Cambodia, for example, in 2006 the transportation sector was one of the most under-funded when comparing aid (including from non-DAC donors) against the requirements set out in the National Strategic Development Plan (NSDP). By 2008, aid to the transportation sector was almost exactly equal to the NSDP requirement, with Chinese aid having grown to $87 million, more than 80% of the difference (RGC 2010). Cambodia is now in fact over-resourced in the transportation sector in relation to the NSDP, mainly because of China's contribution (RCG 2011).

Finally, speed emerged as a key priority in all three countries, which is interesting given that it is not emphasised in the Paris Declaration on Aid Effectiveness. In Ethiopia, speed was considered of such high priority that one interviewee gave examples of concessional loans being rejected in favour of less concessional financing from China because the process was taking too long and the safeguards were too burdensome. As with ownership and alignment, non-DAC donors were found to score well against this criterion in the three case study countries (see also Sato et al. 2011 on Cambodia and Afrodad 2011 on Ethiopia). In Cambodia, for example, one government interviewee noted that, by the time traditional donors start building, China would have already completed the project. Officials in Ethiopia also reported that Chinese loans were disbursed more speedily and efficiently than those from traditional donors.

Ethiopia and Cambodia Are Taking a Strategic Approach to the Division of Labor Between Traditional and Non-traditional Providers

Interview evidence in Ethiopia and Cambodia suggested that both countries are taking a strategic approach to managing funds from traditional and non-traditional providers. In both cases, it also appeared that governments were using the existence of NTPs to increase their negotiating capital in relation to traditional donors, and there was some evidence to suggest they were able to secure better outcomes in relation to their priorities. This factor was less in evidence in Zambia, perhaps given the slightly lower share of NTPs to total external resources there.

Ethiopia, perhaps because of its large size, its geostrategic position in the Horn of Africa, its relatively effective public administration and its strong progress on poverty reduction, was found to exercise the highest level of negotiating capital regarding both traditional and non-traditional providers and to have had the most success in securing its objectives (see Furtado and Smith 2009, on this point in relation to traditional donors). Interviews with both government and donors indicated that the government had formed an implicit division of labour between donors as a starting point. Traditional DAC donors are channelled mainly into the social sectors (with the exception of the World Bank and the ADB) and non-DAC donors into infrastructure, particularly road construction.

Interviews with both donors and the government in country, and earlier studies (for example Chea et al. 2008), suggest the government in Cambodia is becoming more assertive in dealing with traditional donors and thus better able to meet its objective of greater ownership, particularly at the political level. One example of such assertiveness relates to reports by an official that the government intends to phase out infrastructure lending from the World Bank as a result of frustration with the Bank's 2011 decision to suspend lending to Cambodia following disputes over land evictions around Boeung Kak Lake (McCartan 2011).

There was less evidence in Zambia that the government was taking a strategic approach to managing its traditional donors and NTPs. As we discuss further in the next section, Zambia is not making attempts to separate traditional donors and NTPs, and we found little evidence of the government using the emergence of NTPs to bolster negotiating power. This may have several contextual reasons. First, the volume of flows from NTPs was found to be slightly smaller in relation to that from traditional donors in Zambia than in the other two countries.[1] Second, Zambia is now less aid dependent (and more market oriented) overall than the other two countries, making negotiating with any kind of development assistance provider (as opposed to private provider) less of a priority for the government.

Ethiopia and Cambodia Show Limited Interest in Including NTPs in Aid Coordination Mechanisms: This Is Less True for Zambia

In Cambodia and Ethiopia, NTPs either participate in aid coordination mechanisms at junior levels, sporadically or only in 'listening mode', or not at all. More strikingly, in neither country did government express a strong interest in including NTPs in these mechanisms, and those NTPs interviewed could not see a strong reason for participating either. In Cambodia, while the most recent Development Effectiveness Report and the overarching Rectangular Strategy both express the need to include NTPs in aid coordination fora, no government official could see any advantage in doing so when interviewed. When probed, it appeared that the pressure to include NTPs in such mechanisms was coming largely from the traditional donor community. Government officials themselves indicated that China responded directly to government requests and therefore did not need to engage in policy dialogue and coordination. A similar story was found in Ethiopia. NTPs do not engage actively in either the donor-only Development Assistance Group (DAG) or the government–donor sectoral working groups, although some do so in more passive ways. The main pressure for including NTPs in these groups again appeared from interviews to be coming from donors, with the government showing very limited interest.

A different story was found in Zambia. Emerging donors like China, India, Brazil and South Africa were all found to be participating in donor coordination mechanisms and some sectoral advisory groups, although with different levels of frequency and activity. The interest in this engagement seems to be coming from all parties involved. Interviewees reported that the main reasons for this included efforts by traditional donors to engage with these actors and their openness to dialogue and learning from emerging donors in particular; efforts by government to encourage this participation; and openness among staff from the embassies of non-DAC donors themselves. The Chinese ambassador in particular was reported to be open and willing to learn from other partners and to share information.

Philanthropic and Social-Impact Investment Flows Are Small and Not Yet Changing the Aid Landscape Significantly

In contrast with some of the global literature on philanthropy (Kharas 2007), in all three case studies we found that the volumes of both philanthropic and 'social impact investment' flows were small and were not having a significant impact on the aid landscape. The embryonic nature of both sets of flows means governments are not in general articulating clear priorities and do not appear to be making deliberate efforts to negotiate with providers. This may also be partly because most of these flows tend to bypass governments and be channelled directly to NGOs or private sector organisations.

In Zambia, US foundations (which are by far the largest source of philanthropic flows) provided an average of less than $1 million per year in 2003–2011 (Foundation Center website). This compares with Country Programmable Aid (CPA) of close to $1 billion per year in the same period, indicating that philanthropy stood at only a tiny fraction of CPA flows. Similarly, Cambodia saw an average of only $1.7 million per year from the same group of foundations, compared with disbursements from traditional development partners of $300–600 million per year.

Some interviewees suggested that philanthropists tended to provide small amounts of funding, with a heavy burden of reporting requirements, but in this respect they were not seen to differ substantially from traditional donors. Furthermore, philanthropic organisations were not found to be formally involved in aid coordination mechanisms in country. This is often because they have no presence at country level, although this is starting to change—the Gates Foundation, for example, has set up a country office in Ethiopia.

Social impact investment was poorly understood in all three case study countries. Interviewees were often not familiar with the term and found it difficult to distinguish from corporate social responsibility (CSR). Most interviewees across government, NGOs and donors in Cambodia were unaware of any social impact investment in the country, and government officials felt that the policy recommendations for managing social impact investment flows would be more similar to those involved in managing private flows rather than ODA. CSR was much better known, however, across all three countries.

Countries' Ability to Attract and Manage Climate Finance Appears to Depend Heavily on Their Own Strategies

The three countries vary significantly in their ability to mobilise and manage climate finance, and this appears to be heavily dependent on the state of development of national strategies in this area.

At one end of the spectrum, in Zambia, climate finance is a relatively new phenomenon. Although the MoFNP has established a dedicated unit with three people, interviews suggested that the country still lacks a coherent overarching strategy and a general understanding of climate change issues, although it was reported that the government was in the process of developing an integrated development finance strategy regarding climate change.

Cambodia has a clearer set of climate finance priorities than Zambia. At the national level, priorities were stated to be similar to those in managing other development assistance flows, in particular mobilisation of additional resources and alignment, use of local organisations for implementation and avoiding the use of parallel systems. However, it was found that, as the country does not yet have a climate change strategic plan, it is not yet fully successful in achieving these objectives. Cambodia faces challenges in accessing global climate change funds owing to complex rules and procedures, co-financing requirements and other factors (UNDP 2010) However, the Ministry of Environment is planning to develop a climate change strategic plan, which should help the government be more successful in negotiating with donors to secure its objectives.

At the other end of the spectrum, Ethiopia was found to have a much clearer strategic plan and, as a result, to have been much more successful in framing its objectives with regard to climate finance. The government has both put climate change at the heart of its national plan and developed a specific climate change strategy (the Climate Resilience Green Economy Strategy). Ethiopia has developed a Climate Finance Facility, launched in September 2012. The aim is to create a channeling mechanism through the MoFED to control and integrate climate finance flows to Ethiopia in order to support implementation of the Climate Resilient Strategy. While amounts committed at the time of the case study analysis (September 2012) were small ($107 million according to the Climate Funds Update), and it is still far from clear whether the country will mobilise funds on the scale it desires, Ethiopia appears to have made the greatest progress towards this end.

Conclusions

Given the limited sample size for the case studies, and the fact that findings tended to differ between Ethiopia/Cambodia on the one hand and Zambia on the other, the conclusions presented here should be treated with some caution. Further case studies would help confirm the replicability of the findings across a wider group of countries, and explore trends across regions, fragility and income classifications and levels of natural resource endowment. We identified seven major findings.

First, all the three countries analysed have received significant flows from non-traditional providers over the past decade, and in Cambodia NTDA flows are now sizeable in relation to traditional development assistance. In volume terms, non-DACs account for the bulk of non-traditional development assistance in Cambodia and Ethiopia; while global funds are very important in Zambia.

Second, we found that countries in general appear to be welcoming the additional volume of finance and the choice that NTPs bring. Cambodia and Ethiopia were both found to be strategic about how they managed the new flows, and all countries expressed more positive than negative elements when discussing the new trends. Concerns about the impact of NTPs on fragmentation and coordination, which are often cited at global level (see Kharas 2007), did not come through strongly. The overwhelming priority was to raise additional resources to finance development.

Third, consistent with the Paris Declaration agenda, ownership and alignment emerged as key priorities in relation to the 'terms and conditions' of development assistance. Non-DAC donors in particular were found to score well against these criteria. However, harmonisation and reducing fragmentation were not expressed as particular priorities. Governments appeared to reject the common (mis)interpretation of the Paris agenda on harmonisation as requiring all donors to negotiate with the government as a block. On the contrary, governments appeared more comfortable dealing with different groups of providers in different fora, perhaps to increase their negotiating power. Contrary to expectations, countries did not appear to struggle with growing fragmentation as a result of the growth of NTDA, seeming instead to welcome the additional choice. One priority that emerged from the studies, which is not covered in the Paris agenda, was that of speed; again, non-DAC donors were praised for the speed of their operations. For traditional donors, improving the speed of disbursement procedures may help them become more attractive to recipients in a more competitive aid landscape.

Fourth, overall, the case studies suggest that the emergence of NTPs is strengthening the negotiating power of governments, and may make it more difficult for traditional donors to influence policy. Cambodia and Ethiopia already appear to be using the existence of NTPs in this way. These new developments may therefore increase country ownership, understood as government choice over policies. They may, however, make it more difficult for traditional donors to raise concerns about corruption, human rights, poverty reduction or other issues. Greater ownership emerging in this way may also not necessarily lead to better results, especially in weaker governance environments. While all countries still saw mobilizing resources as a key priority, and so were unwilling to turn down funding offers, donors may in the long run find that support considered too slow, burdensome or conditional is rejected in favour of support from NTPs.

Fifth, we found that, in two of the case study countries (Cambodia and Ethiopia) there was little government interest in involving NTPs in aid coordination mechanisms. These governments appeared more comfortable negotiating with different providers in different fora. A different finding emerged from Zambia, however.

Sixth, in contrast with some of the global literature on philanthropy (Kharas 2007), in all three case studies we found that the volumes of both philanthropic and 'social impact investment' flows were small and were not having a significant impact on the aid landscape. Philanthropic organisations were not found to be formally involved in aid coordination mechanisms in country.

Finally, the ability of countries to benefit from NTDA depends heavily on their ability to strategically manage those flows, and also on their economic and political context. Within our three case studies, Ethiopia is the best example of a country with a clear set of priorities when it comes to managing such flows, including climate finance. Ethiopia is also favoured, however, by its geostrategic importance, a large domestic market and the strong leadership of the former prime minister. Not all countries will be able to replicate such a position. Countries will need to build up their capacity to attract, monitor and effectively utilise traditional and non-traditional flows.

Note

1. And also more heavily weighted to the global funds, which may have less of an impact on perceived negotiating power than non-DAC donors.

CHAPTER 11

Aid Fragmentation and Donor Coordination in Uganda: A District-Level Analysis

Peter Nunnenkamp, Michaela Rank, and Rainer Thiele

Introduction

When it comes to rendering foreign aid more effective, improved donor coordination is routinely mentioned as one important pillar. This is because aid proliferation and donor fragmentation impose high transaction costs on the recipient countries, especially the poorest among them, with multiple donor missions, different sets of policy conditions, and inconsistent reporting requirements absorbing scarce administrative resources (Acharya et al. 2006). In repeated official declarations, donors have promised to reduce the fragmentation of aid and engage in stronger coordination. In the Paris Declaration on Aid Effectiveness of 2005, donors committed themselves to a division of labour based on their respective comparative advantages at sector or country level (OECD 2005). In the subsequent Accra Agenda for Action of 2008, they agreed to work together to reduce aid fragmentation not only across developing countries but also within countries (OECD 2008a). According to the OECD's Working Party on Aid Effectiveness, within-country division of labour among donors was to be achieved by concentrating resources on a restricted number of sectors and areas and by eliminating duplication of aid efforts (OECD 2009a).

The evidence so far points to a wide gap between donors' rhetoric and actual aid allocations. In a cross-country context, Nunnenkamp et al. (2013) find that aid fragmentation persisted after the Paris Declaration and that coordination among donors even weakened. Davis and Klasen

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_11

(2015) show that bilateral donors respond to aid flows from other donor countries by increasing their own aid funds, giving rise to the emergence of 'aid darlings' and 'aid orphans'. Evidence at the sub-national level is limited because regional aid data are only available for a few recipient countries, mainly through the comprehensive geocoding of project-level information by the AidData initiative (Findley et al. 2011). Covering Malawi's major bilateral and multilateral donors, Nunnenkamp et al. (2016) do not find compelling evidence for increased aid specialisation after the Paris Declaration, while the duplication of aid efforts may even have risen. Öhler (2013) uses project-related aid data for various donors—including non-DAC (Development Assistance Committee) donors such as China and non-governmental organisations (NGOs)—that were active in Cambodia over the period 2000–2007 and finds limited donor coordination, in particular among bilateral donors.

In this article, we address the regional and sectoral aid allocation in Uganda. Uganda is an interesting case to study due to its status as an 'aid darling' until recently, which renders a within-country division of labour among donors particularly important. Geocoded aid data for Uganda are available from 1996 to 2013, but our analysis is mainly restricted to the period 2006–2013. A comparison with the period before the Paris Declaration is impaired by the substantial change in aid relations that took place after 2005 in response to a deteriorating political situation, including President Museveni's announcement of a candidacy for an unconstitutional third term in office along with increasing human rights abuses. We consider two sub-periods, 2006–2009 and 2010–2013, in order to gain at least tentative insights into whether the behaviour of donors has changed in the last years.

The remainder of the article is structured as follows: In section 'Data and Approach', we describe the aid dataset as well as the approach employed in the empirical analysis. In sections 'Aid Fragmentation' and 'Duplication of Aid Efforts', we present our empirical findings on aid fragmentation and the duplication of aid efforts in Uganda, respectively. In the latter section, we additionally take up the point made by Powell and Findlay (2012) that clustering of donors may be justified if it takes place in poor regions. Specifically, we assess whether donors are more likely to be active in regions with lower levels of educational attainment and higher incidence of poverty. We find that over the period 2006–2013, aid from most major donors in Uganda became more fragmented, and the duplication of aid efforts increased. There is tentative evidence that donors were more active in poorer parts of the country. Section 'Summary' concludes.

Data and Approach

We obtained the data on aid activities at the regional and sectoral level in Uganda from AidData's geocoding of project-specific information.[1] The dataset covers 569 projects with 2,458 locations in Uganda and effective starting dates during the 1996-2006 period.[2] The precision of AidData's geocoding differs across projects so that we lose observations because the available geocoding corresponds to areas that are less precise than the district level.[3]

The annual number of new projects started fluctuated between 10 and 20 during the 1996–2006 period, without revealing any trend. Subsequently, the number of new projects increased considerably: the number peaked at 76 projects started in 2010, and then fell back to an annual average of 39 projects from 2011 to 2013. The effective starting date is missing for 90 projects (16% of all projects). These observations are lost for the analysis in sections 'Aid Fragmentation' and 'Duplication of Aid Efforts' , while the stylised facts reported in the remainder of this section include all 569 projects.

According to AidData, 38 donors were active in Uganda during the period of observation. In addition to projects financed by just one (bilateral or multilateral) donor, the database includes 36 projects jointly financed by two or more donors. The International Development Association (IDA) was most often involved in joint projects with other donors (13 times), followed by Denmark (9), the European Union (8) and Norway (8). The distribution of joint projects over time does not reveal any trend. Specifically, the number of joint projects has not increased in more recent years. Hence, it can be ruled out that aid efforts have increasingly been coordinated by engaging in joint projects. Apart from jointly financed projects, a small sub-set of 10 major donors accounted for 82% of all remaining projects. Japan ranged at the top with 86 projects, followed by Norway (69), the United Kingdom (60), and the European Union (59). The top 10 donors on which we focus in sections 'Aid Fragmentation' and 'Duplication of Aid Efforts' also include: Austria (35), China (32), Denmark (31), IDA (27), the United States (20), and the United Nations Development Programme (UNDP: 20).[4] The Top-10 group is thus fairly heterogeneous. In addition to large bilateral DAC donors (Japan, United Kingdom and United States), it surprisingly includes small bilateral DAC donors (notably Austria), an important and much debated non-DAC donor (China), and some multilateral donors.

We use the database from AidData to address two related questions: First, we assess whether major bilateral and multilateral donors avoid fragmented aid relations with Uganda by focusing on particular regions within this recipient country and by specialising in specific sectors. Second, we assess whether the major donors coordinate their aid activities in Uganda with each other. This two-step procedure takes into account that the need for coordination among donors depends on the degree to which each individual donor is specialised. More precisely, donor coordination would be a less urgent concern if major donors acted unilaterally to reduce aid fragmentation and specialised along the regional and sectoral dimensions.

In both steps of our analysis, we consider aid activities along two dimensions: regional and sectoral. Regional aid activities in Uganda relate to the country's 111 districts plus the capital city of Kampala.[5] It should be noted that the number of districts has doubled from 56 since the Census Year 2002, with the most recent change in 2010. Fortunately, the changing number of districts does not impose any limitations on our analysis as the project-related database of AidData uses the most recent delineation of districts whenever aid activities are broken down to the district level. As detailed in section 'Duplication of Aid Efforts' , we proxy the need for aid at the district level by school enrolment rates, since poverty data are only available at the higher level of Uganda's four administrative regions. It is interesting to note, however, that the distribution of all project locations listed by AidData suggests that the donors' location choices across these four regions are poverty-oriented. Specifically, the northern region with the highest poverty headcount hosts more project locations than the central and western regions taken together where the poverty headcount is considerably lower.

At the same time, the database provides two different sectoral classifications of aid projects: (i) the widely-known purpose codes from Aid Data and the OECD-DAC's Creditor Reporting System (CRS) and (ii) a somewhat broader classification of 17 sectors by the Aid Management Platform, maintained by Uganda's Ministry of Finance. We use the latter classification below since the principally superior purpose codes are missing for various projects. We focus on the following 10 major sectors in the empirical analysis of sections 'Aid Fragmentation' and 'Duplication of Aid Efforts' (number of projects in parentheses): health (74), education (73), social development (73), water and environment (49), accountability (31), agriculture (29), energy and mineral development (29), public sector management (29), works and transport (26), and justice, law and order (22). Taken together these 10 sectors account for 76% of all 569 projects.

Almost all remaining projects (21%) are classified as general budget support. These are typically national projects, that is, a regional disaggregation of general budget support is not available. Importantly, about 80% of all projects providing general budget support have starting dates before 2006. Among the Top-10 donors listed above, it was mainly the United Kingdom which had provided general budget support to Uganda until 2005, but subsequently stopped doing so as a response to the worsening political situation, mentioned above.

In addition to AidData's project-related information, we draw on two supplementary sources for our empirical analysis below. We obtain overall amounts of aid commitments by major donors to Uganda from the OECD's International Development Statistics (IDS).[6] We prefer this source to calculate the degree of aid fragmentation in section 'Aid Fragmentation' since project-specific aid commitments are often missing from AidData. Furthermore, we obtained school enrolment rates and population figures at the district level from Uganda's Bureau of Statistics (2013) to assess whether donors cluster in needier districts (see section 'Duplication of Aid Efforts' for details).

Aid Fragmentation

In Table 11.1, we show how the regional and sectoral specialisation of the 10 major bilateral and multilateral donors in Uganda changed over time. As noted in the Introduction, our database covers the period 1996–2013, but the time spans before and after the Paris Declaration are not easily comparable because of the changing aid relations—most notably a drastic decline in general budget support—in response to Uganda's worsening political situation around 2005. We therefore focus our analysis on the sub-period 2006–2013, but still compare this sub-period with the longer period 1996–2013 to obtain at least a rough indication of changes in donor behaviour over the whole sample period.

If donors specialised more after 2005, the number of districts and sectors in which they were active should be significantly lower between 2006 and 2013 as compared to 1996–2013.[7] This is clearly the case for Denmark, which phased out its engagement in Uganda after 2005. On average, however, there are hardly any differences between the shorter and longer period. For 8 out of 10 donors at the sector level and for 5 out of 10

Table 11.1 Regional and sectoral focus of Top-10 donors in Uganda, 1996–2013

	Districts				*Sectors*			
	1996–2013	*2006–2013*	*2006–2009*	*2010–2013*	*1996–2013*	*2006–2013*	*2006–2009*	*2010–2013*
Austria	22	22	12	17	4	4	4	3
China	6	4	3	2	7	5	5	3
Denmark	18	4	4	0	3	1	1	0
EU	65	64	30	49	7	7	6	5
IDA	78	75	28	59	5	5	2	4
Japan	66	66	31	55	8	8	5	8
Norway	18	16	5	11	3	3	1	2
UK	47	47	46	39	3	3	2	2
UNDP	32	32	7	32	3	3	1	3
US	73	73	17	69	4	4	1	4
Average Top-10 donors	42.5	40.3	18.3	33.3	4.7	4.3	2.8	3.4

Source: AidData; own calculations
Note: Number of districts and sectors in which the donor was active in the period under consideration

donors at the district level, the number of activities is exactly the same in both periods, which rather points to rising aid proliferation.

When comparing the two sub-periods 2006–2009 and 2010–2013, a clear tendency towards more fragmented aid can be observed. This applies especially to the regional dimension, with 7 out of the 10 major donors spreading their aid activities across a markedly higher number of districts in the most recent sub-period. The United States constitutes an extreme case: the number of districts and sectors in which it was active increased by a factor of four. These findings suggest that donors did not act in accordance with the recommendation of the Accra Agenda to concentrate resources within countries. Furthermore, while Uganda's political problems led to a withdrawal of budget support, this may have been compensated at least partly by stronger donor involvement in project aid. Several donors, including Japan and the United States, only started to run projects on a significant scale after 2005.

As regards the pattern of specialisation across donors, Table 11.1 shows that over the period under consideration the EU, IDA, Japan and the United States were active in more than 60 districts, whereas Norway and Denmark covered only 18 districts. Such variations may at least partly reflect the different size of the donors. We take this into account by defining aid fragmentation as the number of district-sector combinations in which the donor was active in the period under consideration per million of overall aid commitments to Uganda during the same period.[8] Applying this relative measure changes the ranking of donors considerably.[9] Now, UNDP turns out to be the least specialised donor. In terms of overall aid commitments—US$ 25 million in 2010–2013—UNDP was by far the smallest donor among the top 9.[10] Yet, UNDP was active in 33 district-sector combinations in 2010–2013, compared to 39 for the United Kingdom, which provided US$ 433 million of aid between 2010 and 2013.

Results based on the relative measure of aid fragmentation corroborate the previous findings regarding changes over time. Between the periods 2006–2009 and 2010–2013, fragmentation rose significantly for six out of Uganda's nine major donors. It fell only for Denmark, which did not start any new project in the country between 2010 and 2013. Overall, the recent changes in aid fragmentation were quantitatively important. In 2006–2009, US$ 100 million of aid by the top nine donors was spread over less than four district-sector combinations. This figure more than doubled to 8.5 district-sector combinations per US$ 100 million of aid in the period 2010–2013.

Duplication of Aid Efforts

With higher levels of aid fragmentation, it becomes all the more important to avoid costly duplication of aid efforts. To assess whether donor coordination in Uganda has improved over time, we looked separately at the sectoral and regional dimensions. Table 11.2 shows the number of donors among the Top 10 which were active in the 10 main aid-receiving sectors. Comparing 2006–2013 with the considerably longer period 1996–2013, we should observe less duplication. Yet, in the majority of sectors (6 out of 10) the number of active donors is exactly the same during the shorter period of major interest. This indicates that duplication of aid efforts at the sector level is a recent phenomenon.

Distinguishing between the two sub-periods after 2005 strengthens the impression that the duplication of aid efforts at the sector-level increased in the more recent past: the number of donors is higher in the second sub-period in six sectors, and lower in just two sectors (education and health). The exceptionally high number of donors shown to be engaged in the

Table 11.2 Duplication of aid efforts at the sector level: number of active donors, 1996–2013

	1996–2013	*2006–2013*	*2006–2009*	*2010–2013*
Accountability	6	5	2	4
Agriculture	4	4	2	4
Education	3	3	3	2
Energy, mineral development	4	3	0	3
Health	7	7	7	2
Justice, law and order	2	2	2	2
Public sector management	4	3	1	3
Social development	6	6	3	5
Water and environment	6	6	5	5
Works and transport	5	4	3	4

Source: AidData; own calculations
Note: Based on the Top-10 donors and ten major sectors listed in section 'Data and Approach'

health sector over the period 2006–2009 can be explained by severe flooding in 2007, which led to human suffering on a significant scale.[11]

At the district level, indications of a recent rise in the duplication of aid efforts are even stronger. Contrary to what one would expect from donor pledges of intensified coordination, in 90 out of 111 districts the number of active Top-10 donors was exactly the same in 2006–2013 as in the considerably longer period 1996–2013.[12] Seventy-seven districts had to deal with a larger number of donors in 2010–2013 as compared to 2006–2009. Several districts experienced a tremendous increase in donor presence between the two recent sub-periods, for example, from one to five in Amolatar and Wakiso or from two to seven in Amura, Gulu and Pader.

Do Donors Cluster in Regions Where Need Is Highest?

As argued by Powell and Findlay (2012), the clustering of various donors in specific regions may be justified if those regions are characterised by a particularly pressing need for aid. Therefore, we assess at least tentatively whether the above evidence on the number of active donors is correlated with varying need. Lacking data on broader indicators of need at the district level (such as average per-capita incomes or poverty headcounts), we use primary and secondary school enrolment rates—assuming that lower school enrolment is typically associated with lower incomes and more pressing poverty.[13] We would expect school enrolment to be correlated negatively with the number of active donors if the clustering of donors is needs based. We obtain the correlation between school enrolment and the number of active donors from a simple regression which controls for the size of the population of districts.[14] Obviously, more donors are likely to be active in more populated districts.

Indeed, our regressions reveal that the number of active donors at the district level is significantly and positively correlated with population. This holds independent of whether we consider primary or secondary school enrolment as the indicator of need. Moreover, the correlation with population is strongly positive for the 2006–2013 period as a whole as well as for the two sub-periods, 2006–2009 and 2010–2013.[15] By contrast, we find hardly any evidence for a needs-based clustering of donors at the district level. The correlation of the number of active donors with primary school enrolment is almost zero and statistically insignificant for all (sub-) periods under consideration. Secondary school enrolment is negatively correlated with the number of active donors, as one would expect for needs-based clustering, but only for the first sub-period (2006–2009). In other words, this result cannot explain why the number of active donors increased in various districts in the most recent past.

Clearly, the low explanatory power of our simple regressions calls for refined analyses to better explain the location choices of donors in Uganda. As a first preliminary step in this direction, we extended the specification of the regression equation by including three dummy variables. We set these dummy variables equal to one for districts located in Uganda's administrative regions, that is, 'Western', 'Eastern' and 'Northern', respectively (and to zero for all districts not located in the specific administrative region).[16] As noted in section 'Data and Approach', data available for the administrative regions show that the poverty headcount is highest in the north, followed by the east, and lowest in the central region. By considering 'Central' as the benchmark, positive coefficients on the dummy variables indicate that Uganda's Top-10 donors cluster in districts that belong to administrative regions with higher poverty headcounts. Indeed, the coefficients on 'Northern' are particularly high and consistently significant at the 1 % level. Likewise, donors tend to cluster in the east where the poverty headcount is second highest, though the clustering appears to be less pronounced than in the north (in terms of statistical significance and coefficient size). The picture is more ambiguous for the west whose poverty headcount differs less from the benchmark. At the same time, the inclusion of the regional dummy variables has the effect that the evidence on school enrolment as an indicator of need at the district level weakens further, or even turns counterintuitive.[17] All in all, these ambiguous findings leave important issues to future research until more and better data on the need for aid become available at the district level.

Finally, we performed a robustness test to assess whether the results obtained for all Top-10 donors are sensitive to the exclusion of a particular donor.[18] The results with the extended specification prove to be surprisingly robust. In particular, the coefficients on secondary school enrolment as our indicator of need at the district level are not affected when excluding one of the 10 donors at a time. Moreover, the results for the regional dummy variables closely resemble the pattern shown before. The only notable change is that the dummy for 'Eastern' loses its statistical significance when excluding Japan, the United Kingdom or the United States. This indicates that the clustering of donors in this region, which ranks second after the northern region in terms of poverty headcount, is mainly due to the location choices of these three bilateral donors.

Summary

This paper assesses for the case of Uganda whether bilateral and multilateral donors have increasingly specialised and coordinated their aid activities at the district and sector level over the period 1996–2013. Using geocoded aid data, we find that the aid of most major donors in Uganda became more fragmented, and the duplication of aid efforts increased. There is tentative evidence that donors were more active in poorer parts of the country, which would provide some justification for clustered aid activities.

Our evidence for Uganda broadly corroborates what previous studies found at the national and sub-national level of recipient countries, further strengthening the conclusion of a wide gap between the donors' words and deeds when it comes to more specialisation and better coordination of aid activities. The Ugandan case additionally illustrates that worsening governance in recipient countries is not necessarily associated with less aid proliferation, and may even lead to more aid proliferation if budget aid is scaled back and project aid rises instead. Whether this holds in general or is specific to Uganda would have to be verified in further country studies.

Notes

1. The data are available from: http://aiddata.org/geocoded-datasets. Note that the subsequent analysis is based on the preliminary release of the data-set in January 2014.
2. An updated version of the database was released in March 2015 after we started working on aid proliferation and donor coordination in Uganda. The updated database covers the 1978–2014 period. However, very few projects have effective starting dates in 2014 or until the mid-1990s. Moreover, while the total number of projects is now given as 1,709, the number of project-related locations (2,470) for geocoded projects is almost the same as for the preliminary release (2,458). For details, see the file README which is part of AidData's data release.
3. Several projects correspond to the entire country; this applies especially to projects providing general budget support (see also below). Some other projects correspond to one of the four administrative regions in Uganda, or to estimated coordinates of 'a large feature such as rivers, boundaries, or national parks.' However, almost 90% of all 2,458 project-related locations have precision codes that correspond to a district or to a specific part of a district.
4. Ireland also has 20 projects; this donor is excluded from the analysis in sections 'Aid Fragmentation' and 'Duplication of Aid Efforts' as the effective starting date is given for just 7 of its 20 projects.
5. However, Butambala is not listed as a separate district by AidData so we have 111 observations including Kampala. Butambala only became a separate district in July 2010.
6. The data are available from: http://stats.oecd.org/index.aspx?DataSetCode=CRS1 (date accessed 2 April 2015).
7. Note that the number of districts and sectors with donor activity cannot be higher in 2006–2013 than in 1996–2013.
8. Note that this measure does not reflect the size of individual projects. We count the number of district-sector combinations in which a donor was active throughout the period under consideration, irrespective of the number of projects.
9. Results are shown in an extended working paper version (Nunnenkamp et al. 2015).
10. Of the Top-10 donors, China is not included in this ranking due to missing data on overall aid commitments from the OECD's International Development Statistics.
11. See http://www.irinnews.org/report/74765/uganda-flooding-in-uganda-can-natural-disasters-be-prevented.
12. Results are shown in Nunnenkamp et al. (2015).

13. Note that we use gross school enrolment data for the year 2010 since earlier data are unavailable for various districts. Even though it can reasonably be assumed that enrolment rates are relatively stable over time, this clearly implies that our simple regressions cannot identify any causal relations.
14. Population data refer to the Census year 2002.
15. We also ran the regressions for the 1996–2013 period; these results are not reported as we are mainly interested in the more recent past. For detailed results, see Nunnenkamp et al. (2015).
16. All districts located in the administrative region 'Central' represent the benchmark.
17. Some significantly positive coefficients on school enrolment suggest that the number of active donors is lower in districts with more (educational) needs.
18. In the robustness test, we use secondary school enrolment as the indicator of need at the district level. Detailed results are not shown for the sake of brevity, but they are available from the authors on request.

CHAPTER 12

Aid Fragmentation and Effectiveness for Infant and Child Mortality and Primary School Completion

Mitsuaki Furukawa

Introduction

Aid fragmentation, which allegedly raises transaction costs by imposing administrative burdens on recipient countries and harming their governance, has been regarded as one of the central issues to be overcome by the international aid community. In 2005, the need to address the aid fragmentation problem was unanimously agreed upon in the *Paris Aid Effectiveness Declaration*. Six years later, at the Busan High Level Forum, aid fragmentation remained a central problem to be redressed.

However, most prior studies discuss the burden of transaction costs as if they were uniform across the whole government. Aid fragmentation at the sector level has only recently been brought to light, and the effect of aid fragmentation on sector-level outcomes has not yet been sufficiently clarified. This chapter attempts to examine such effects in two social sectors: health and education.

This chapter is organised as follows: The next section reviews the literature and presents the research question, followed by a section identifying variables and data. The following section analyses the data and shows the results and the final section concludes.

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_12

The key findings of this analysis show that the relationship between aid fragmentation and infant and child mortality rates takes the form of an inverted U curve. This means that, even if aid fragmentation is reduced, there may be no reduction in infant and child mortality rates. On the contrary, reducing such fragmentation by half could make the situation worse. On the other hand, the reduction of aid fragmentation in countries that receive relatively high external aid positively affect the primary school completion rate. These findings lead to the conclusion that the effectiveness of aid-fragmentation reduction differs from one sector to another and depends on the degree of aid dependence.

Literature Review and the Research Question

As described by the Organization for Economic Cooperation and Development (OECD) Chairman and the Development Assistance Committee (DAC) Chairman at the 2005 High-Level Forum (HLF) in Paris, there are more than 60,000 aid projects in recipient countries, and the donor-led approach in those projects reduces the effectiveness of development aid, not only by imposing different implementation processes determined by each donor, but also by obstructing efforts on the part of recipient countries to build their own implementation systems.

Much of the existing literature argues that aid fragmentation is happening rapidly, and that this poses a heavy burden and strain on the recipient governments (Cassen and Associates 1994, p. 175; Frot and Santiso 2010; Kharas 2007; and so on). This phenomenon has been termed 'recipient fragmentation' (Acharya et al. 2006, p. 8; Kihara 2012), 'project proliferation' (Morss 1984, p. 465; Cassen and Associates 1994, p. 175; Kimura et al. 2012; Knack and Rahman 2008b[1]), 'fragmentation of aid delivery' (Steinwand 2013), 'fragmentation of aid' (Kharas 2007, p. 5), and 'proliferation of aid project' (Roodman 2006a).

On the other hand, aid fragmentation is sometimes defined as the proliferation of aid by a donor in a given partner country. This phenomenon is called 'donor fragmentation' (Bürcky 2011) or 'donor proliferation' (Acharya et al. 2006; Kihara 2012). The aid fragmentation examined in this chapter is not 'donor proliferation,' but the one described by the OECD Chairman in 2005. To avoid confusion, this chapter uses the term 'project aid fragmentation' or simply 'aid fragmentation' to indicate the latter.

Numerous attempts have been made to address the issue of aid fragmentation. O'Connell and Soludo (2001) found that the transaction cost of aid in Africa was comparatively high as compared with other regions. Acharya et al. (2006) estimate the degree of donor proliferation and the degree of project aid fragmentation in each recipient country. They show that the worst proliferators are likely to be suppliers of aid to the recipients who suffer most from aid fragmentation.

Knack and Rahman (2007) regress the 2001 Bureaucratic Quality ratings of the International Country Risk Guide (ICRG) to explanatory variables such as the project aid fragmentation, the ODA/GDP ratio, population growth, per capita GDP growth, and the share of aid from international organisations and 'like-minded' groups to demonstrate that project aid fragmentation has a negative and significant influence on bureaucratic quality. However, Kihara (2012) points out that Knack and Rahman's study (2007) is just a 'point' estimate for the 2001 rating. To assess the long-term effect of aid fragmentation, Kihara (2012) uses the Government Effectiveness Index in 'Aggregate Governance Indicators' (Kaufmann et al. 2008) which offers panel data for 85 countries. His explanatory variables include the index of project aid fragmentation (the inverse of the Herfindahl-Hirschman index), the index of donor proliferation (Theil Index for total ODA), ODA/GNI ratio, GNI per capita, GDP growth rate, population size, multilateral and bilateral aid, and a dummy variable indicating civil wars. His estimates show that project aid fragmentation has a negative impact on bureaucratic quality.

There is also work that attempts to examine the socio-economic impact of aid fragmentation. Kimura et al. (2012) and Djankov et al. (2009) try to verify the impact of aid on economic growth in recipient countries that suffer from project aid fragmentation. Kimura et al. (2012) apply the Roodman model (2007a) to their data. They use the database available at the OECD/DAC International Development Statistics (IDS) Creditor Reporting System (CRS)[2] to gain information on the amount of aid committed by donors between 1970 and 2001. On the basis of this information, they calculate the Herfindahl-Hirschman Index (*HHI*) of project aid fragmentation and use it, together with interaction terms between the *HHI* and the amount of aid, to estimate the impact on the growth rate. The result suggests that the project aid fragmentation has a negative impact on economic growth in recipient countries. Djankov et al. (2009) also measure the *HHI* on the basis of the DAC CRS data for 1960–1999 and find a similar result. However, little is known about the impact on sectoral performance. Prior empirical studies discuss the burden of transaction costs as if they were uniform across the whole government sectors, when in practice they may differ from one sector to another. There has been a strong tendency for donors to focus on social sectors, especially health and education, due to the adoption of the MDGs (Frot and Santiso 2010; Bürcky 2011).

This chapter therefore looks into the impact of aid fragmentation in health and education sectors. It focuses on the infant and child mortality rate for the health sector and on the primary school completion rate for the education sector because these have been flagged as important indicators of the MDGs. This chapter asks whether the mitigation of project aid fragmentation leads to improvements in the two indicators and whether the result differs between health and education.

Variables and Data

Project Aid Fragmentation Index

To quantify the extent of the project aid fragmentation, the existing studies use the Herfindahl-Hirschman Index (*HHI*), which indicates the degree of aid concentration.

Suppose that q_i denotes the number of projects offered by donor i for a specific sector of a specific recipient country in a specific year, and that Q indicates the total number of aid projects provided by all donors in the same sector of the same recipient country. The project share of donor i is defined as $s_i = q_i/Q$. Then, the *HHI* is constructed by summing the squared project shares as follows:

$$HHI = \sum_{i=1}^{N} S_i^2$$

N above indicates the total number of the donors offering aid to the sector concerned. If μ is the average share of the number of projects and σ^2 is variance, then we have the following equations:

$$\mu \equiv \frac{\sum s_i}{N} = \frac{1}{N}$$

$$\sigma^2 \equiv \frac{\sum (s_i - \mu)^2}{N} = \frac{\sum s_i^2 - N\mu^2}{N} = \frac{HHI}{N} - \frac{1}{N^2}$$

Therefore, the *HHI* can be expressed by the following equation:

$$HHI = N\sigma^2 + \frac{1}{N}$$

If the number of donors at the sector is constant, a higher variance result in a higher *HHI* value. If all donors for the sector have identical shares, the variance is zero and *HHI* equals 1/*N*. The index increases as the difference in donors' shares (s_i–μ) widens, which indicates that aid is more concentrated (less fragmented) in the hands of a smaller number of donors (Kimura et al. 2012). For example, when five donors implement 10 projects each in a developing country, the *HHI* will be 0.2. If three of them reduce the number of projects from 10 to 5, the fourth donor increases it from 10 to 15; if the fifth donor increases the number from 10 to 20, the total numbers of projects are still 50 but the *HHI* will be 0.28. In this case the burden for the recipient government is expectedly smaller because it can use its administrative resources to coordinate with a smaller number of big donors.

Other Variables

Since there is a non-linear relationship between the project aid fragmentation and both the infant/child mortality rate and the primary school completion rate, this chapter includes not only the *HHI* but also the squared *HHI* (HHI^2) for the polynomial model.[3] In addition, the interaction terms have been set between the sum of all aid by all donors, the *HHI* and the HHI^2.

With regard to the basic model for the infant/child mortality rate, this chapter adds the amount of government expenditure for health as a percentage of GDP, GDP per capita (logarithm), and the population growth rate. In addition the control variables such as voice and accountability,[4] government effectiveness, regulatory quality,[5] and investment and financial deepening (M2/GDP) are added for a robustness check.

Since aid generally flows to the countries whose development indicators are lower, instrument variables for foreign aid will be needed to solve the reverse causality problem (Djankov et al. 2009). Following the examples of Burnside and Dollar (2000), and Djankov et al. (2009), this chapter uses a variable that captures donors' 'strategic interests.' Since the late 1990s, 'the Nordic plus' countries have been clearly and strongly committed to poverty reduction and the 'aid effectiveness' principles of the Paris declaration.[6] They have applied the 'selection and concentration' principle to the selection of their target countries, while other donors did not show a clear priority. Furthermore, collectively the volume of aid from the Nordic Plus countries is considerably higher than aid from either the United States or Japan. In 2007 they supplied approximately 30 billion US dollars, surpassing the United States as the greatest donor in the world and accounting for nearly four times the Japanese ODA. For this reason, this chapter uses a dummy variable for the Nordic Plus focus countries as the instrument variable reflecting donors' 'strategic interest.'

The same independent and instrument variables are used for the analysis of primary school completion rates. The only exclusion is the amount of government expenditure on education as a percentage of GDP. This omission is due to many missing values. However, the estimation method is designed to correct the bias.

Data

In this chapter, the *HHI* is calculated on the basis of the number of projects which have been carried out in the recipient countries. Many of the prior works use the committed amount of project aid available at the DAC CRS (Acharya et al. 2006; Knack and Rahman 2007; Djankov et al. 2009; Frot and Santiso 2010; Bürcky 2011; Kihara 2012; and so on). In this chapter, the disbursed amount of aid and the number of actual projects are used for the analysis. This means that the data is limited to information from 2002 onwards. This is because the DAC Secretariat recommends against using the CRS data for low coverage ratios.[7] It reveals that the completeness of the ODA disbursement data was below 60% before 2002, went up to above 90% in 2002, and improved to nearly 100% by 2007. Furthermore, this chapter excludes data on aid activities not directly conducted in the recipient countries which are not counted as aid in this author's calculation of the project aid fragmentation.

To calculate the *HHI*, the principal independent variable used herein, I take the number of projects classified as 400 or lower codes for 2002 in the DAC CRS database. The aid amount of these projects is used to calculate the total amount of a donor's assistance, the donor's health aid, and education aid in a recipient country. The data from the World Development Indicators (WDI) are used for GDP per capita growth rate, the infant and child mortality rate, the primary school completion rate, population, investment, a measure of financial depth (M2/GDP), and the amount of government expenditure for health. The governance indicators are collected from Aggregate Governance Indicators in Kaufmann et al. (2010). However, since it was not possible to obtain the data for every year for every country, this chapter has carried out an unbalanced panel analysis.

Analysis

Basic Model

In designing a regression analysis of aid effectiveness, many of the existing studies discuss the need to consider the problem of endogeneity. The dynamic panel GMM (Generalised Method of Moments) recommended by Hansen and Tarp (2001) includes techniques of the Difference GMM and the System GMM. First, to correct the possibility of correlation between the independent variable and the disturbance term caused by missing variables, this chapter considered introducing the Arellano and Bond (1991) test, which is based on a method first proposed by Holtz-Eakin et al. (1988). However, it is equivalent to the Difference GMM estimation. Difference GMM is used to correct for bias stemming from fixed effects by taking first differences. It also corrects for endogeneity by using the lag between predetermined variables and endogenous variables as the instrumental variable. However, as Arellano and Bover (1995) warn, when the coefficient for a lagged dependent variable is close to one, the probability of proximity to random walk is high, in which case, the lagged level is a weak instrumental variable for first differences. Arellano and Bover (1995) and Blundell and Bond (1998) developed the System GMM estimation to mitigate this problem.[8] The System GMM conducts an analysis by levels before taking the differences into account. This chapter uses the System GMM uniformly since the coefficient for the lagged dependent variable for the infant and child mortality rate and the primary school completion rate is higher than 0.8 according to the estimation. This chapter postulates the following equation for the System GMM.

$$\begin{aligned} y_{it} = {} & \beta_1 y_{i,t-1} + \beta_2 HHI_{it} + \beta_3 HHI^2{}_{it} + \left(\beta_2 HHI_{it} + \beta_3 HHI^2{}_{it}\right) \times Aid_{it} + \beta_{\mathrm{En}} En_{it} \\ & + \beta_{\mathrm{Ex}} Ex_{it} + \alpha_i + \alpha_t + \varepsilon_{it} \end{aligned}$$

The indices $_i$ and $_t$ represent the aid recipient country and the aid given period respectively. *y* is the dependent variable which is the infant and child mortality rate and the primary school completion rate. On the right-hand side, the equation uses the *HHI* and $HHI^{2'}$ (square of *HHI*) as indicators of project aid fragmentation (concentration), as well as their respective interaction terms with the amount of aid as a percentage of GDP (*Aid*) for health and education.

En_{it} indicates the matrix of predetermined variables and endogenous variables. For the infant and child mortality rate, these variables cover government health expenditure as a percentage of GDP, GDP growth rate per capita (logarithm), voice and accountability, government effectiveness, regulatory quality, investment, and M2. For the primary school completion rate, they cover the same as for the infant and child mortality rate except for government education expenditure as a percentage of GDP, which is excluded due to missing values. Ex_{it} indicates the exogenous variables such as a time dummy and the population growth rate. This chapter also uses the 'Nordic Plus focus' dummy as the instrumental variable. Finally, $\alpha_{i,}$ $\alpha_{t,}$ and ε_{it} are country-specific fixed effects, year-specific effects, and a well-behaved error term, respectively.

For each of the above mentioned System GMM estimations, this chapter uses the Hansen's J test to examine whether the instrumental variable fulfils the disturbance term and orthogonal conditions and the Arellano-Bond test to check autocorrelation in the disturbance term.[9] I also employ a one-step estimation with robust standard error.

Estimation Results

First, the chapter looks at the relationship between project aid fragmentation and the infant and child mortality rate. The infant and child mortality rate, indicating the probability of a child dying between birth and 5 years of age, is expressed in a mortality rate per 1000 live births. Therefore, we need to bear in mind that the increase of the numerical value indicates the worsening of infant and child mortality. Table 12.1 summarises the results of the System GMM estimation on the rate.

As can be seen in Table 12.1, the infant and child mortality rate is positively and significantly correlated with the health project concentration index (*HHI*). Similarly, it is negatively and significantly correlated with the HHI^2. This indicates that the effect of 'project aid fragmentation' on the infant and child mortality rate is an inverted-U relationship. When the health project concentration index (*HHI*) is very small, or conversely very high, the infant and child mortality rate will improve. The rate will be the worst at the mid-range of fragmentation.

Both the ‘amount of health aid as per cent of GDP’ and the ‘Government health expenditure as per cent of GDP’ have negative coefficients when interacted with aid fragmentation which means that the scale of health aid and government health expenditure can contribute to reducing the infant and child mortality rate. However, the correlation is not statistically significant in the case of health aid. Only when the amount of health aid as a percentage of GDP is interacted with the *HHI* and HHI^2, does the coefficient turn statistically significant except for model (1). The direction of the correlation is positive for the *HHI* and negative for the HHI^2. This result is the same in the case in which the *HHI* and HHI^2 are regressed independently. However, the coefficient is persistently greater for the interaction terms between aid amount and the HHI^2 than for the HHI^2 alone, which suggests that the positive impact of the project aid concentration goes up as the amount of health aid as a percentage of GDP increases.

As for the other control variables, only the ‘population growth’ in the model (6) shows statistically significant and negative correlations with the infant and child mortality rate. The variables for economics and governance are not statistically significant.

The results of the estimation are generally robust and do not change when different models are applied. Furthermore, for all the models used, both the Arellano-Bond test that checks auto-correlations in the disturbance term and the Hansen’s J test that checks whether the instrumental variable fulfils the disturbance term and orthogonal conditions show reasonable values, which indicates that the models are suitable. In addition, as the last column of Table 12.1 indicates, the number of instruments does not exceed the number of countries in the regression.[10]

Nevertheless, the above mentioned evaluation based only on coefficients for each of the variables has limitations in interpreting the overall effect of the *HHI*. I therefore decided to visualise the effect by applying specific values to the model (4) in which results look most significant for the major independent variables. For this purpose, I first identified the first, second and the third quartile groups with regard to the amount of health aid as a percentage of GDP. In addition, I calculated the average values of aid amounts as a percentage of GDP for Sub-Saharan Africa and East Asia. Then, these values were input into the following equation and show the yielding results in Fig. 12.1.

Table 12.1 Project fragmentation and infant and child mortality rate

Dependent variable	*Infant and child mortality*					
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Infant and child mortality rate (t–1)	0.976*** (0.00851)	0.978*** (0.00928)	0.981*** (0.00940)	0.977*** (0.00910)	0.980*** (0.0101)	0.982*** (0.0108)
Health project concentration index (HHI) (endogenous)	7.690** (3.067)	8.408** (3.368)	10.67** (4.376)	8.277** (3.598)	8.837*** (3.043)	6.236** (2.745)
HHI squared (HHI2) (endogenous)	–4.192* (2.513)	–7.479*** (2.843)	–8.423** (3.876)	–6.185** (2.840)	–4.954* (2.588)	–4.233* (2.328)
Amount of health aid as % of GDP * HHI (endogenous)	5,319 (3.456)	8.115* (4.351)	8.106* (4.369)	7.786* (4.210)	5.936** (2.986)	5.112* (2.881)
Amount of health aid as % of GDP * HHI2 (endogenous)	–6.974 (4.417)	–9.606* (5.273)	–9.840* (5.331)	–9.467* (5.159)	–7.774** (3.881)	–6.387* (3.623)
Amount of health aid as % of GDP (endogenous)	–0.818 (0.696)	–1.097 (0.889)	–1.066 (0.926)	–1.033 (0.931)	–0.933 (0.580)	–0.867 (0.571)
Government health expenditure as % of GDP (endogenous)	–0.164** (0.0793)	–0.523** (0.204)	–0.443*** (0.142)	–0.388*** (0.141)	–0.176** (0.0748)	–0.203** (0.0972)

GDP growth rate per capita (logarithm) (endogenous)	−0.0333 (0.402)	0.0887 (0.423)	−0.0406 (0.409)	−0.125 (0.401)	−0.0435 (0.412)	0.310 (0.510)
Population growth rate (exogenous)	0.260 (0.206)	0.360 (0.255)	0.0233 (0.182)	0.194 (0.211)	0.193 (0.191)	0.403** (0.190)
Voice and accountability (endogenous)		0.856 (0.938)				0.747 (0.580)
Government effectiveness (endogenous)			−0.437 (0.982)			
Regulatory quality (endogenous)				0.355 (1.216)		
M2/GDP (endogenous)		0.000381 (0.0103)	0.0126 (0.0108)	−0.00161 (0.0119)		
Investment (endogenous)					−0.0147 (0.0474)	−0.0151 (0.0446)
Arellano–Bond test AR (1)	0.043	0.04	0.039	0.044	0.04	0.056
Arellano-Bond test AR (2)	0.632	0.665	0.572	0.569	0.613	0.65
Hansen test lag(difference)	0.276 lag(3 3)	0.326 lag(3 3)	0.28 lag(3 3)	0.361 lag(3 3)	0.155 lag(3 3)	0.255 lag(3 3)

(*continued*)

Table 12.1 (continued)

Dependent variable	*Infant and child mortality*					
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Number of observations	1,058	985	984	984	1,050	1,050
Number of countries	137	130	130	130	137	137
Number of instruments	104	128	128	128	116	128

Source: Author's own estimations

Note: All values in parentheses indicate robust standard error. Three stars (***), two stars (**), and one star (*) refer to a significance level of 1%, 5%, or 10% respectively, and indicate statistically significant differences from zero. The instrumental variable is the dummy of Nordic Plus focus countries. The estimations of a time dummy were excluded from the table

Overall effect of the *HHI* on the infant and child mortality rate = (*HHI* coefficient + Aid * Coefficient of the interaction term between *HHI* and aid) × *HHI* + (*HHI*^{2} coefficient + Aid * Coefficient of the interaction term between *HHI*^{2} and aid) × *HHI*^{2}.

All the cases in Fig. 12.1 demonstrate inverted U curves, suggesting that the infant and child mortality rate worsens as the *HHI* goes up and reaches the peak when the *HHI* is between 0.5 and 0.7. Although the rise of the mortality rate slows down as the *HHI* further increases, it never turns negative except for the case of Sub-Saharan Africa where the rate of health aid to GDP is as high as 0.83%. Even in Africa, such a phenomenon would happen in an exceptional case where the aid concentration is close to 100%. As a whole, no reduction in the infant and child mortality rate can be expected from the decline of the project aid fragmentation.

Table 12.2 summarises the results of the System GMM estimation of the impact of the project aid fragmentation on the primary school completion rate. The coefficient for the completion performance shows a pattern opposite to the one for the mortality-rate increase. The improvement of the primary school completion rate correlates significantly but negatively with the aid concentration (*HHI*) in all the models except for (2) and (5). Meanwhile, the correlation between the *HHI*^{2} and the aid concentration is significantly positive. These results indicate that the primary school

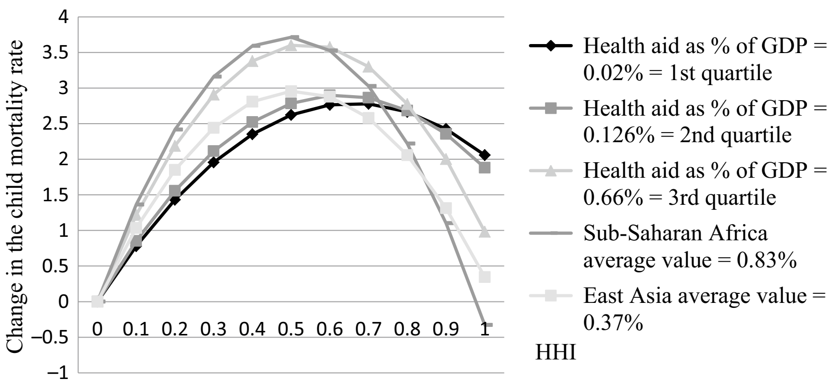


Fig. 12.1 Overall *HHI* effect for the infant and child mortality rate among different groups (Source: Author's own estimations)

Table 12.2 Project fragmentation and primary school completion rate

Dependent variable	*Primary school completion rate*						
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Primary school completion rate (t–1)	0.849***	0.848***	0.847***	0.858***	0.834***	0.838***	0.850***
	(0.0368)	(0.0376)	(0.0358)	(0.0345)	(0.0407)	(0.0377)	(0.0362)
Education project concentration index (HHI) (endogenous)	–18.11*	–16.63	–19.02*	–20.31**	–17.11	–19.97*	–21.55**
	(10.36)	(10.75)	(11.34)	(10.06)	(11.09)	(11.13)	(10.16)
HHI squared (HHI2) (endogenous)	34.10**	32.78**	36.36**	35.72**	33.72**	37.30**	37.88**
	(13.93)	(13.71)	(16.37)	(14.22)	(14.67)	(16.44)	(14.77)
Amount of education aid as % of GDP*HHI (endogenous)	23.84**	21.51**	24.26**	21.94*	18.80*	23.08**	21.07*
	(11.40)	(9.344)	(10.92)	(11.66)	(9.761)	(11.38)	(12.38)
Amount of education aid as % of GDP*HHI2 (endogenous)	–32.00**	–29.10**	–32.78**	–29.08*	–26.26**	–31.96**	–28.65*
	(15.15)	(12.49)	(14.57)	(16.04)	(13.02)	(15.29)	(17.07)
Amount of education aid as % of GDP (endogenous)	–4.157*	–3.676**	–4.219**	–3.856*	–3.038*	–3.854*	–3.560
	(2.134)	(1.749)	(2.031)	(2.076)	(1.814)	(2.078)	(2.184)

GDP growth rate per capita (logarithm) (endogenous)	−0.0912 (0.987)	0.0329 (0.873)	−0.111 (0.990)	0.0388 (0.843)	0.545 (0.826)	0.283 (0.930)	0.333 (0.852)
Population growth rate (exogenous)	−0.871* (0.456)	−0.898* (0.457)	−0.970** (0.457)	−0.780* (0.441)	−0.884* (0.459)	−0.855* (0.436)	−0.689 (0.429)
Voice and accountability (endogenous)		−0.219 (0.647)			−0.311 (0.677)		
Government effectiveness (endogenous)			−0.289 (0.996)			0.0217 (0.990)	
Regulatory quality (endogenous)				0.0491 (1.105)			0.425 (1.107)
Investment (endogenous)					0.0147 (0.0701)	0.00346 (0.0662)	0.0141 (0.0704)
Arellano-Bond test AR (1)	0	0	0	0	0	0	0
Arellano-Bond test AR (2)	0.964	0.953	0.967	0.965	0.947	0.977	0.971
Hansen test lag (difference)	0.702 lag(3 3)	0.805 lag(3 3)	0.884 lag(3 3)	0.694 lag(3 3)	0.705 lag(3 3)	0.786 lag(3 3)	0.697 lag(3 3)

(*continued*)

Table 12.2 (continued)

Dependent variable	*Primary school completion rate*						
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Number of observations	664	664	664	664	664	664	664
Number of countries	123	123	123	123	123	123	123
Number of instruments	92	104	104	104	116	116	116

Source: Author's own estimations

Note: All values in parentheses indicate robust standard error. Three stars (***), two stars (**), and one star (*) refer to a significance level of 1 %, 5 %, or 10 % respectively, and indicate statistically significant differences from zero. The instrumental variable is the dummy of Nordic Plus focus countries. The result on M2 is not shown here because it is not statistically significant. The estimations of a time dummy were excluded from the table completion rate declines as the aid concentration goes up. Although the decline is mitigated as the concentration increases further.

Table 12.2 also shows that the amount of education aid as a percentage of GDP is negatively correlated with the improvement of the primary school completion rate. The same table, however, demonstrates that the interaction terms between the amount of aid as a percentage of the GDP and *HHI* correlates positively and significantly with improvements in the completion rate. This means that, when the amount of education aid as a percentage of GDP is high, aid concentration helps improve the primary school completion rate.

These results are robust across the different models. For all the models, both the Arellano-Bond test and the Hansen's J test show reasonable values while the number of instruments does not exceed the number of countries in the regression.

Figure 12.2 below shows the visualised simulation of the overall effect of the *HHI* on the primary school completion rate which is similar to the one for the infant and child mortality rate. This chapter inputs the values for the three quartile groups and the two regions using the model (3) of Table 12.2, where the results look most statistically significant.

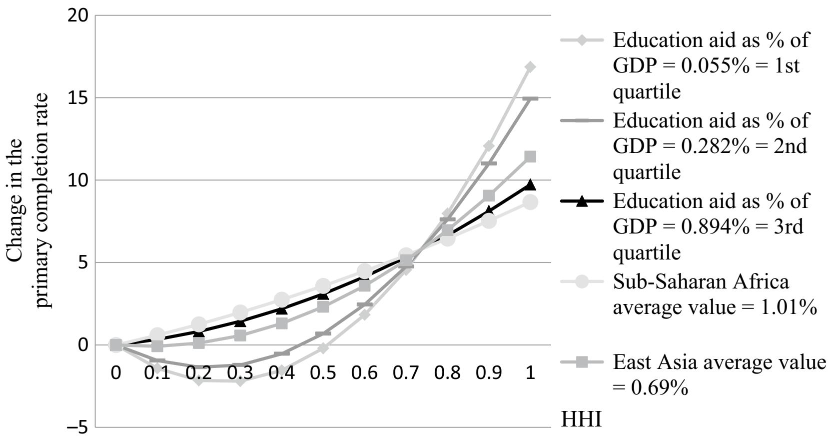


Fig. 12.2 Overall *HHI* for the primary school completion rate among different groups (Source: Author's own estimations)

As shown in Fig. 12.2, when the amount of aid as a percentage of GDP is relatively low (0.055 % in the first quartile and 0.282 % in the second quartile), the rate of primary school completion declines as the *HHI* increases from 0 to 0.45 or 0.5 with the lowest point reached at 0.2 or 0.3. It starts to improve after the *HHI* reaches 0.45 or 0.5. When the amount of aid as a percentage of GDP is relatively high as in the third quartile (at 0.894 %) and in Sub-Sahara Africa (at 1.01 %), the primary school completion rate goes up constantly as the aid concentration increases. East Asia (at 0.69 %) is somewhere in between these two cases. The completion rate starts to improve only after the *HHI* reaches 0.2 there.

Conclusions

This chapter has empirically examined the overall effect of project aid fragmentation on the infant and child mortality rate and the primary school completion rate. Project aid fragmentation is a situation in which a large number of fragmented and non-coordinated donor projects are introduced to a recipient country raising the transaction costs of the recipient government. To measure project aid fragmentation, this chapter used the DAC CRS disbursement data on the projects directly integrated into the programmes of recipient countries. To quantify the extent of the project aid fragmentation, this chapter calculated the Herfindahl-Hirschman Index (*HHI*) on the basis of the number of projects as opposed to the usual method which relies on the amount of aid.

Since there is a non-linear relationship between project aid fragmentation and the infant and child mortality rate or the primary school completion rate, this chapter included both the *HHI* and the HHI^2 as the polynomial model. This chapter estimated the impact of each variable, controlling for the influence of other variables, and found that the result differs from one sector to another. The relationship between project aid fragmentation and the infant and child mortality rate shows an inverted U curve suggesting that the infant and child mortality rate worsens as the *HHI* increases up to a certain point. Furthermore, even if the project aid fragmentation declines beyond such a point, the effect is no greater than lowering the rate at which the mortality rate worsens. The infant and child mortality rate improves only in the case where the recipient country is heavily dependent on health aid and the *HHI* is exceptionally high.

The reduction of project aid fragmentation has a better chance of contributing to improving the primary school completion rate. Especially in the countries whose dependence on aid is relatively high in education, consistently positive impacts from the concentration of project aid can be expected.

It is clear that the effect of aid concentration (the reduction of aid fragmentation) varies among different sectors and depends on the level of dependence on aid of each recipient country in each sector. However, it is clear what actual aid modalities and methods can reduce the aid fragmentation and its impact on indicators. International donors and the developing countries have tried to reduce project aid fragmentation, such as the provision of general budget support, sector budget support, use of the country system, and so forth. The empirical study by Furukawa and Takahata (2013) shows that general budget support (GBS) can have a certain degree of impact on some health indicators. However, not many empirical studies have been carried out for sector levels. In the future discussion of aid effectiveness, sectoral variations and the actual sectoral aid modalities and methods for the reduction of the aid fragmentation should be seriously taken into account.

Notes

1. Knack and Rahman (2008b) and Steinwand (2013) use 'project proliferation' or 'fragmentation of aid delivery' when the proliferation is calculated on the basis of the number of projects, but 'donor fragmentation' when it is measured by the amount of aid.
2. CRS contains detailed information on individual aid activities of most of the 23 member countries of the OECD's Development Assistance Committee (DAC), and of the multilateral development banks and UN agencies. The whole dataset is available at http://www.oecd.org/dataoecd/20/29/31753872.htm.
3. Panel data, which this paper relies on, are more informative, provide more variability but less multicollinearity among the variables, and offer a greater degree of freedom and more efficiency (Baltagi 2005, p. 5; Kitamura 2005). Nevertheless, it is not possible to eliminate the problem of multicollinearity completely.
4. Baez-Camargo and Jacobs (2011) show that voice and accountability (that is, the extent to which citizens of a country can participate in choosing their own government, and attitudes toward freedom of expression, freedom of association, and a free media) have a positive impact on health indicators.
5. Quantitative data for all these public-sector indicators have been adopted from The Worldwide Governance Indicators 2012, Aggregate Indicators of Governance 1996–2011 (http://www.govindicators.org).

6. The Nordic Plus countries are Denmark, Finland, Norway, Sweden, Ireland, the Netherlands, and the United Kingdom. Until 2002, the group covered only four Nordic countries (Denmark, Finland, Norway, and Sweden). After 2002, the group expanded to include Ireland, the Netherlands and the United Kingdom and adopted the name Nordic Plus.
7. http://www.oecd.org/dac/stats/usersguidetothecreditorreportingsystemcrsaidactivitiesdatabase.htm, Hudson (2012, p. 1) believes that on a panel data basis, it is possible to conduct a meaningful analysis using data from 2002 onwards.
8. However, the 'weak instruments' problem continues to be discussed in works such as Bun and Windmeijer (2010).
9. It is possible to estimate Difference GMM with the xtabond2 Stata command created by David Roodman.
10. Roodman (2007b) points out that the number of instruments should not exceed the number of countries in the regression.

CHAPTER 13

The Implications of Multi-bi Financing for Multilateral Agencies: The Example of the World Bank

Bernhard Reinsberg

I thank Chris Humphrey, Christina Kükenshöner, Timo Mahn, Katharina Michaelowa and participants in the German Development Institute conference, "Fragmentation or Pluralism? The organisation of development cooperation revisited", for their helpful comments. Financial support from the Swiss Network for International Studies is gratefully acknowledged.

Introduction

Over the last decade, there has been massive growth in the voluntary contributions of Official Development Assistance (ODA) that are earmarked for multilateral agencies. Such contributions are different from multilateral aid, which involves pooling sovereign donor contributions and disbursing funds at the discretion of multilateral governing bodies and their secretariats. Also unlike multilateral aid, earmarked voluntary contributions finance specific development priorities and require separate accountability structures. I use the term 'multi-bi financing' to refer to these contributions. Channelled to multilateral agencies through trust funds, multi-bi financing can be provided by sovereign donors, multilateral donors and global funds, as well as by private actors (Reinsberg et al. 2015a).

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_13

The growth of multi-bi financing could have major repercussions for the multilateral development system by increasing competition amongst multilateral agencies, leading to duplication, fragmentation and greater complexity. Multi-bi financing could also distort programme priorities—favouring activities that are more popular with donors than beneficiaries. The requirement to keep funds separate, as well as extra reporting and fiduciary controls, create new burdens for multilateral agencies. Finally, the lower predictability of multi-bi financing, and its alleged failure to cover the real maintenance costs, threatens multilateral agencies' budget autonomy (The 1818 Society 2012; UN 2012a; Graham 2015).

All in all, multi-bi financing may have serious implications for development effectiveness by encroaching upon the operations of multilateral agencies. In this chapter, I assess the empirical validity of multi-bi financing using the case of the World Bank. Following a brief overview of the organisational background (section 'The Organisational Context of Trust Funds at the World Bank'), I summarise the seven most widespread hypotheses about the implications of multi-bi financing in the literature (section 'Hypotheses') and present my empirical approach and the results of my analysis (section 'The Implications of Multi-bi Financing on the World Bank'), before synthesising my findings and discussing their implications in a more general context in the section 'Synthesis and Outlook'.

The Organisational Context of Trust Funds at the World Bank

For my purposes, the World Bank consists of two branches—the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—that channel resources for development through the public sector with the aims of 'eradicat[ing] extreme poverty' and 'boost[ing] shared prosperity' (World Bank 2014).

The World Bank's Organisational Structure

The policies of the World Bank, like those of many other multilateral agencies, are determined by the priorities of its member states, represented by the Boards of Governors and of Executive Directors, and by the Bank's bureaucratic, day-to-day activities.

The World Bank bureaucracy consists of three types of organisational units: Four 'central units' provide corporate services in legal affairs, accounting, controlling and external relations; six 'regional vice presidencies' have country management units, which coordinate relationships with beneficiary countries; five 'network vice presidencies' address sectors and themes, such as education, energy, environment, finance, governance, health, private sector development, transportation and trade, which cut across countries and regions. Each vice presidency has a designated 'Trust Fund Coordinator', who acts as a broker between trust fund managers and the task teams that are financed by trust fund grants.

Even though the World Bank adopted a new organisational structure starting in FY 14 (1 July 2013–30 June 2014), it is still the case that trust funds are controlled by the (former) network units and implemented by the (former) regional units. Staff members speculated that the recent organisational changes would not significantly impact trust funds.

Trust Funds

Multi-bi financing usually takes the legal form of trust funds, which are financial vehicles with no independent legal personalities that are created by administrative agreement between donor(s) and a multilateral trustee. Donors maintain effective control over trust funds, which are not combined with the multilateral agencies' general resources (Droesse 2011, p. 113). Multilateral agencies are free to establish trust funds under their own institutional laws. Trust funds do not typically require approval by the formal governing body, and decision-making procedures and mechanisms for internal accountability differ from those for core funding (Droesse 2011, p. 114; Bantekas 2012, p. 103; McKeehan 2012, p. 3).

The World Bank does not implement all the trust funds in its portfolio: For financial intermediary funds (FIFs), the Bank serves only as the financial agent; for IBRD/IDA trust funds, the Bank acts as administrator (World Bank 2012b, p. 6).[1] These trust funds can support recipient-executed activities similar to IBRD/IDA projects, and also support Bank operations which are similar to those financed from the World Bank's budget, i.e. the core resources of the organisation that support its base structure. Trust funds further differ from multi-bi financing in their governance structure, the number of supporting donors and whether or not the donor specifies upfront which specific projects are to be supported through the trust fund—although these features are obviously related (see also Herrmann et al. 2014).

Given the relative ease with which trust funds are established and the ways they can be used for World Bank operations, it is not surprising that they have greatly proliferated over the last two decades. The World Bank currently manages over 700 IBRD/IDA trust funds (almost half of which are single-donor trust funds) that receive annual donor contributions of roughly USD 4 billion. Trust funds have become a significant source of funding, supporting 10% of country operations and nearly a quarter of global-knowledge and other non-lending activities (World Bank 2013c, pp. 25–28).

Hypotheses

The tremendous growth of multi-bi financing at multilateral agencies mirrors the system-wide proliferation of 'multi-actor funds' (Heimans 2004). Sometimes called 'pass-through multilaterals' (Reinsberg et al. 2015a), these funds mobilise resources for specific themes and channel them to traditional multilateral agencies for implementation (Panneels and Beringhs 2005; Isenman and Shakow 2010; Smyth 2011). For example, the Global Fund to Fight Aids, Tuberculosis, and Malaria has cooperation agreements with the World Health Organization and the World Bank for programme implementation (Sridhar and Woods 2013). Although global funds clearly have benefits, their rise has complicated the multilateral system, duplicated efforts, created a lack of oversight and coordination costs—all of which raise questions regarding effectiveness, legitimacy and sustainability (Forman and Segaar 2006; Kharas and Linn 2008; Isenman and Shakow 2010; OECD 2011g; Browne and Weiss 2012).

Pass-through multilaterals almost exclusively channel their resources through trust funds at multilateral agencies. However, despite the growing significance of global funds as donors in their own right, at multilateral agencies bilateral donors fund most of the trust funds. How might multi-bi financing affect multilateral agencies? Using the relevant literature, I describe seven potential implications (stated as hypotheses in bold font below).

First and foremost, there are worries that *multi-bi financing 'distorts the focus' of multilateral agencies* (Pind 2010; The 1818 Society 2012, p. 4; UN 2012a, p. 11). By definition, trust funds escape control of the formal governing bodies of multilateral agencies, which can lead to "mission creep" (Einhorn 2001), or agency staff shopping around for funding—especially when faced with severe budget pressures (UNDP 2012a, p. 52).

Sceptics are concerned that *multi-bi financing does not address key development needs*. Multi-bi financing can undermine the capacity of multilateral agencies to carry out sustainable development activities (IEG 2011, p. 72). Specifically, the results-based approach that is championed by many donors of multi-bi aid encourages multilateral implementing agencies to pursue activities with easily attainable short-term goals and neglect long-term goals (Isenman and Shakow 2010, p. 12; IEG 2011, p. 41; Graham 2015, p. 188).

Multi-bi financing may further open the door to undue donor influence. Sceptics assert that multi-bi financing reduces multilateral agencies to mere implementers of bilateral programs (Browne and Weiss 2012; Mahn 2012; Graham 2015). Studies on aid allocation (Maizels and Nissanke 1984; Frey and Schneider 1986; Neumayer 2003; Berthélemy and Tichit 2004) have shown that multi-bi aid reduces aid effectiveness because bilateralised aid pursues donors' selfish goals rather than development purposes. Furthermore, when formal governing bodies are not involved, donors may be able to buy influence and infiltrate development thinking in multilateral agencies, thus reducing the organisations' ability to create independent knowledge (Kapur 2002, p. 63; Weaver 2007, p. 500; Gopalan 2011; IEG 2011, p. 74).

Multi-bi financing could rival the core budget. It is possible that support costs for non-core resources will not be recovered through management fees (Smith et al. 2011, p. 11; UN 2012a, p. 3). Especially in areas where multilaterals compete with each other, agencies may be tempted to lower management fees below sustainable levels (Mahn 2012, p. 3). If non-core resources were able to hollow out core funding this way, multilateral agencies would have to cut back core programme activities, threatening their sustainability (Forman and Segaar 2006, p. 212).

Sceptics also doubt the financial additionality of multi-bi aid. Some argue that multi-bi aid displaces core (voluntary) resources, mainly because it gives donors more control without sacrificing the benefits of multilateral delegation (Panneels and Beringhs 2005; Barakat 2009; Isenman and Shakow 2010; IEG 2011; GPE 2011; Mukherjee 2011; UN 2012a). Others contend that multi-bi financing can make it more difficult for individual multilateral agencies to plan for longer time spans (Isenman and Shakow 2010, p. 44; IEG 2011, p. 52; UN 2012a, p. 37).

Multi-bi financing could create additional transaction costs for multilaterals. Some task teams may have to screen projects for potential trust fund support (Michaelowa and Michaelowa 2011, p. 354) and others might have to search for appropriate funds and write requests for grants. If trust funds proliferate, the costs for these activities would also increase. Often, a lack of synergies makes the effort to obtain trust fund support too costly (Droesse 2011, p. 162). Multilateral agencies might have to foot the bill for the costs of establishing trust funds—using funds earmarked for donor-relations maintenance. A United Nations budget report argues, '[n]egotiating individual funding agreements and separate program and financial reporting for hundreds or even thousands of individual projects according to widely varying sets of requirements add significant costs […]' (UN 2012a, p. 24).

Finally, *multi-bi financing might disrupt the internal flow of information because of increased rivalry over funding*. The 'unhealthy competition' that multi-bi aid instils in the multilateral system (Carlsson 2007, p. 62; Severino and Ray 2010, p. 13; Haaß 2012; UN 2012a, p. 12), could also be working within individual agencies. Trust funds create winners and losers in an organisation so there will also be more silo thinking and rivalries, which negatively impact aid effectiveness in the long run.

The Implications of Multi-bi Financing on the World Bank

For my empirical analysis, I have relied on interviews conducted at the World Bank at the end of FY 13, selecting potential respondents by searching the staff directory for officials with trust fund experience. I conducted 75 semi-structured interviews with central unit staff, operational staff, and trust fund coordinators.[2]

Unless otherwise stated, all findings except for my first hypothesis are based on the interview evidence. Most of the statements were seconded by several interviewees. To assess my first hypothesis, I used datasets on the disbursements of IBRD/IDA projects (World Bank 2015a) as well as trust fund disbursements from FY 02 to FY 13 (World Bank 2015b).[3]

Potential for Realignment

According to the first hypothesis, trust funds shift priorities away from formally agreed activities. The World Bank's operational policy requires it to '[only] accept [trust funds] that support activities not traditionally financed under the administrative budget' (World Bank 1997). The data shows that disbursement profiles across World Bank regions are either from IDA funding or trust funds. A likelihood ratio test (Hagenaars 1990, pp. 56–68) shows that cell frequencies cannot be predicted without specific knowledge of both the region and the funding type—which implies that distributional differences are statistically significant. This result holds regardless of the base period used to compare the respective disbursements (FY 10–13 or FY 02–13).

IDA funding and trust funds also differ with respect to their specific country allocations. Trust funds do not necessarily follow the country-focused assistance model since their second-tier activities cannot be assigned to any particular country. Further analysis revealed significant differences in the number of beneficiaries.

Trust funds and IDA funding are again different in terms of the aggregate sector distribution. The likelihood ratio test rejects the hypothesis that funding type does not affect sector shares. In fact, core funding has been important in the transportation sector, whilst trust funds tend to give more weight to governance and education. Comparing specific development themes across funding types reveals more pronounced differences.

Relevance for Development Needs

Are trust funds less aligned to the needs of developing countries than core funding? Previous analysis revealed differences in the activity portfolios of both funding types. However, this does not imply that trust funds are misaligned with country needs since IDA funding itself may not be a good indicator of actual development needs. According to most respondents, IDA is too restrictive to take actual needs fully into account. In fact, IDA can only be used to support low-income countries; it favours well-governed countries which boast successful finished projects. As its legal mandate prohibits the Bank from interfering into the political affairs of member countries,[4] it is difficult to use IDA funding in sectors such as post-conflict reconstruction. Unlike trust funds, it also cannot be used to assist non-member territories, such as the West Bank and Gaza Strip.

Trust funds may create positive spillovers for core activities. In regional units, trust funds are often used to pilot projects that are subsequently scaled up by core funding. They also may provide complementary technical assistance to facilitate other core projects (see also IEG 2011).

Most trust funds are aligned with the World Bank's agenda, and contribute to the achievement of country assistance strategies in the regional units. Half of all trust funds co-finance World Bank country projects—by scaling up existing operations. In the network units, trust funds support advisory services and 'think-tank activities'. Such activities, which are delivered through Bank-executed trust funds, tend to be less relevant for country needs. Respondents emphasise, however, that the Bank management has recently made reforms that discourage 'advocacy funds'.

The interviews revealed an unforeseen issue—that increasing the alignment between trust funds and core funding could displace funding priorities if trust funds crowd out specific activities from the core-funded country tasks. In the case of the Global Partnership on Education (GPE), recipient countries prefer to use GPE grants for basic education rather than IDA funds.

Donor Involvement in Trust-Funded Operations

Do trust funds help individual donors become more involved in Bank operations? The Bank's operational policies prohibit donor influence, particularly in hand-picking recipients, determining sub-sector allocation and tying aid to national procurement (World Bank 1997). However, the Bank does try to accommodate donor requests regarding co-execution, especially when made by a major donor. A trust fund coordinator reported a case in which a lead donor wanted to have its own technical staff on the ground; however, since the donor had not hand-picked the project, the request could be accepted.

In the World Bank's two types of operational units, there are different types of informal influence. One regional trust fund coordinator cited the joint supervision of recipient-executed projects as an example of donor influence. Donors that frequently join supervision missions include the European Commission, Netherlands, Norway, Sweden, the United Kingdom and increasingly, South Korea; Germany and Ireland are more hesitant. However, Bank staff emphasise that it is illegal to grant donors more entry points than co-execution and staff exchange. In contrast, in network units donor influence tends to be greater, and may even influence development thinking. For example, the Nordic Trust Fund enables Nordic donors to send their own experts to the Bank to help mainstream human rights issues into Bank operations.

According to managerial staff, donors usually do not interfere with project implementation. However, interviews with operational staff provided evidence that donors were deeply involved. Although staff frequently appreciates this, such operational involvement allows financially forthcoming donors to shape Bank operations in their own interest.

Hollowing Out Core Funding

Different funding types entail different fee structures. The World Bank requires that costs for providing financial intermediary services to external trust funds be fully covered (World Bank 2012b, p. 17). Indeed, such fees do generate a stable source of independent revenue (IEG 2011, p. 68). For IBRD/IDA trust funds, which are the focus of this paper, the Bank uses a standardised fee structure, which consists of a one-off setup payment of USD 35,000 and a management fee of 5 % that is deducted from additional trust fund contributions (World Bank 2012b, p. 18). These 5 % are shared between the management unit (60 %) and the central units (40 %).

Bank staff disagree as to whether or not this fee structure actually covers the costs of trust funds. While trust fund managers agree that it does, trust fund coordinators and staff in the central units are sceptical. Trust funds must cover the direct management costs incurred by the trust fund secretariats—because the trust fund operations department would never approve a trust fund proposal under any other circumstances. However, the fees based on direct costs may not cover indirect costs. Whilst trust funds are being established, they stretch the human resources in the central units; once they are operational, however, the workload is drastically reduced. Given the highly skewed cost dynamics, central units may not be able to fully recover their costs, especially those of short-lived funds.

At the operational level, the picture is not so clear. With regard to cost recovery, task teams are principally charged with supporting specific costs to the fund. Costs for drafting grant applications and supervising trust-funded projects typically come from the Bank budget, although for the latter, some trust funds have ‘supervision budgets’. Trust funds can help to ease budget constraints by supporting Bank inputs to core-funded projects and expanding the work agenda. Donors can greatly influence a trust fund’s expenditures, thus inducing large variability in the cost recovery potential for Bank inputs.

Replacing Core Funding

Corporate-level staff have different views about the long-term budget implications of trust funds. In rare instances, trust funds help to facilitate contributions from new donors. From the perspective of individual multilateral agencies, trust funds can be financially incremental. However, many respondents stated that the Bank has lured resources away from bilateral aid. An experienced trust fund manager said that trust funds were financially incremental ‘only in the old days [when they supported non-core issues]'. Nowadays trust funds, especially thematic funds, tend to compete financially with core funding.

Rather than actually replacing core funding, trust funds provide donors with an effective lever to threaten the withdrawal of core contributions. According to one official, it can be difficult for staff to reject donor demands for new trust funds for fear of negative spillovers on replenishments to the core fund and other key trust funds.

The additionality of trust funds hinges on their substantive purpose. In areas where core resources cannot be used, trust funds tend to be financially incremental. Many respondents agree that the World Bank has limited resources to address global public goods, fragile states, middle-income countries, poorly governed states and humanitarian emergencies. In contrast, trust funds that support Bank activities are most likely to replace the Bank budget because both types of funding can be used for the same activities. In areas such as non-lending technical assistance and global knowledge activities, the financing shares of trust funds in Bank operations are alarmingly high (IEG 2011, p. 71): One experienced official said that the Bank budget has been kept "artificially low" since FY 07, forcing the Bank to use trust funds to maintain its operations in these areas. At least in the short term, trust funds seem to be financially incremental. Their long-term effects are less obvious.

Costs of Donor Relations and Administrative Procedures

Multi-bi financing increases the administrative burden for the whole World Bank through transaction costs that are mostly related to trust fund negotiations, donor relations, tighter monitoring and additional reporting.

According to trust fund coordinators, negotiating with donors about establishing trust funds can be time-consuming. However, negotiations are necessary because, unlike core funding, each trust fund must have an administrative agreement with the donor(s) that is approved by central Bank units. The average trust fund can easily take 12 months to be properly negotiated and another 6 months to get the Bank's internal clearance. Multi-donor trust funds clearly require more preparation than single-donor trust funds, but a single multi-donor trust fund is preferable to the equivalent collection of single-donor trust funds.

Fragmentation of the donor landscape further increases transaction costs. Trust funds at the World Bank are channelled from more than 220 donors— including sovereign donors, multilateral donors, philanthropic foundations, companies and (I)NGOs. Non-sovereign donors have special legal exigencies and involve costly due diligence by the Bank, whilst even some established donors require special treatment for domestic legal reasons.

Task teams—the potential users of trust funds—incur administrative costs. In particular, they first must identify relevant trust fund sources and prepare grant applications that may not even be successful given the stiff internal competition for funds. All trust fund grants are subject to the same standard administrative procedures. This leads staff to consider small grants to be relatively more costly. To address this problem, corporate management recently adopted the small-grants procedure (World Bank 2012b). The only case in which additional administrative burdens are avoided refers to trust funds that merely co-finance ongoing activities. These funds create no extra burdens because the necessary monitoring and reporting is already addressed by the co-financed core projects. This is also echoed in earlier findings that single-recipient trust funds are considered to be the least costly in terms of administration, whilst thematic funds require additional reporting (IEG 2011, p. 45).

A few donors have been pushing for 'results frameworks', which include more fine-grained indicators of success, rely on elaborate data collection and augment analytical efforts. The Bank acknowledges that donors themselves are increasingly pressured to show better value for their money, but it is not always easy to obtain results indicators across disbursing units. Furthermore, some donors are increasingly scrutinising results and more carefully verifying specific outputs and financial audits in order to account for the use of the funds to their own domestic constituencies. A few donors stress the need for fiduciary accountability. All these tendencies have intensified in the wake of the financial crisis—yet most donors have neither the willingness nor the capacity to conduct intense monitoring.

Faced with the tremendous growth in trust funds around the millennium, the World Bank itself has subjected trust funds to greater internal control. New trust funds must be signed off by senior management and approved by central units and in exceptional cases, by the Executive Board as well (World Bank 2012c, p. 27). The proliferation of rules has raised the costs of administering trust funds.

Bureaucratic Politics and Institutional Fragmentation

Trust funds amplify two dividing lines inside the Bank. On one hand, the interests of the Bank management and operational staff are not always aligned. Managerial staff seeks standardisation, whereas operational staff seeks flexibility through trust funds. The debate about 'umbrella facilities' illustrates this point: The Bank management's proposal to consolidate all trust funds that address a specific sector under a single umbrella faced strong opposition from operational units who feared that it would negatively affect their ability to raise funds ad hoc and to tailor responses to the demands of recipient countries.

On the other hand, trust funds increase the divisions between network and regional units. In the last decade, the trend towards donor funding for thematic priorities has tipped the balance in favour of network units, which have created 'chiefdoms'. Since it is the country units that implement the funds and the groups speak to different constituencies, friction is almost unavoidable. However, the use of thematic trust funds could improve communication amongst the various operational units, and between operational and central units. Trust fund coordinators say that such cooperation is often helpful.

Synthesis and Outlook

In this paper, I have examined the implications of multi-bi financing on multilateral agencies. I have used the case of the World Bank to combine qualitative evidence from a large number of interviews with an analysis of agency disbursements from alternative funding sources—in order to assess the validity of seven widespread hypotheses.

First and foremost, both interview evidence and statistical analysis indicate that trust funds and core funding support different activities at the World Bank. Some trust funds support ongoing operations whilst others complement these operations—particularly by piloting novel development approaches and providing technical assistance.

Second, trust funds, especially multi-donor trust funds for fragile states, sometimes address built-in legal restrictions of IDA. It is difficult to make robust conclusions regarding the incremental developmental benefit of trust funds, however, because trust funds have sometimes crowded out activities from the core-funded portfolio and changed the reference point for comparing activities.

Third, trust funds have sometimes enabled donors to influence the Bank's day-to-day operations. Whilst local collaboration has been mutually beneficial, it may also allow more active donors to shape development thinking at the Bank.

Fourth, although trust fund fees cover the management costs that are incurred by trust fund secretariats, at central units cost coverage tends to be insufficient. Activities beyond immediate program support—especially fundraising, learning and monitoring—are not always covered.

Fifth, there is virtually no evidence that trust funds directly replace core funding at the World Bank: Donor monies are not reallocated from core funding to trust funds. From the Bank's perspective, trust funds are always financially incremental if they support issues outside the IDA mandate and when there is evidence that donors use trust funds instead of core bilateral aid. For large sector funds, however, there is a plausible connection between growing multi-bi aid and declining core budgets.

Sixth, trust funds create administrative costs related to negotiating trust funds, maintaining donor relations, monitoring and reporting. Such administrative burdens result from donor exigencies, as well as the Bank's internal rules and clearance procedures.

Seventh, trust funds challenge the Bank's organisational integrity by creating wedges between heterogeneous organisational units. Conflicts about goals exist between the Bank's management and operational staff, as well as between networks and regions.

My work was subject to two limitations. First, I was not able to systematically include donors in the picture.[5] Principal-agent theory suggests, however, that we should not ignore donors' motivations, which can influence multi-bi financing for multilateral agencies. The implications of multi-bi financing may also be influenced by the pre-existing organisational culture (Barnett and Finnemore 1999), the staff's organisational habits (Momani 2007), norm entrepreneurship within the agency (Finnemore and Sikkink 1998), organisational structures (Balding and Wehrenfennig 2011) and the 'organisational field' (Moschella and Vetterlein 2013). This should be taken into account when discussing the World Bank with respect to other multilateral agencies. More research is needed to understand the differential impact of multi-bi financing regarding other organisational structures, dominant modes of financing and bureaucratic cultures.

Notes

1. The International Finance Corporation, the private-sector lending branch of the World Bank, also hosts a negligible amount of trust funds not mentioned here.

2. Due to space constraints, I am not able to reference each individual quote to a specific respondent. Complete references and further information about the interviews can be found online (Reinsberg 2015).
3. More information on the dataset can be found online (Reinsberg 2015).
4. Articles of Agreement, Section 10.
5. For related papers that take the donor's perspective, see for example, Sridhar and Woods (2013), Graham (2015), Eichenauer and Hug (2015), Reinsberg et al. (2015a, b).

CHAPTER 14

Diversification in Practice: How Fragmented Aid Affects Renewable Energy Support in the Philippines

Jens Marquardt

Introduction

The target sounds ambitious: The Philippines is aiming to triple its renewable energy capacity by 2030 (DOE 2011). In contrast, however, the country is also struggling to implement its comprehensive *Renewable Energy Act* (Government of the Philippines 2008), passed in 2008. The share of renewables in the electricity mix decreased from 44% in 1999 to slightly above 32% in 2012 (DOE 2013b). The Asian Development Bank (ADB 2013) predicts an even further decrease to 18.8% by 2030, but massively increasing coal generating capacities. At the same time, the Philippines is heavily affected by climate change and considered to be a global climate hotspot (Jabines and Inventor 2007). Adaptation and mitigation efforts are important topics in the public debate as well as for development cooperation (World Bank 2013a) in a rapidly developing country with negative effects on the environment (Larano 2013). International donors promote renewable energy sources as an important instrument to bridge the gap between further economic development and environmental protection.

Environmentalism and sustainable development have become key areas of activity for many bi- and multilateral donor organisations in the Philippines. Their support of renewables is often embedded in various programmes for climate protection or green development (GIZ 2013b;

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_14

USAID Philippines 2013). Activities promoting modern renewables date back to the 1980s. Since then, their number, their project design as well as the variety of donor organisations have increased significantly. How does this development affect renewable energy support in the Philippines? Does the process of aid diversification lead to negative forms of fragmentation and decreasing aid effectiveness? Or does it provide observable evidence for more positive competition among donors along with pluralism of ideas? This chapter takes the diversified donor landscape in the Philippines as a starting point to discuss the following question: *What are the positive and negative effects of a diversified development cooperation landscape in the case of renewable energy support in the Philippines*? Two hypotheses guide this chapter that distinguishes between donor-driven renewable energy projects at the local and at the national level:

1. At the local level, diversification leads to *negative* fragmentation, as donors promote similar projects over time without coordination among each other or even collective learning.

Following the first hypothesis it is argued that various donors demonstrate the feasibility of renewable energy technologies at the local level with similar project designs. Those projects are relatively easy to implement for the donors, but hard to sustain for the recipient country. This chapter looks at solar power projects from different donors, but with similar project design, that failed due to structural reasons (lack of capacity, financial constraints, maintenance issues) that should have been known already.

2. At the national level, diversification leads to *positive* pluralism as donor organisations compete for the best options for the Philippine context from which the Philippine government can select.

According to the second hypothesis it is argued that aid diversification at the national level should also lead to positive effects due to competition among donors. This chapter looks at various projects that promote national renewable energy policies and their implementation. Because different donors emphasise different support mechanisms for renewables, the Philippine government sees a range of alternatives it can choose from to adapt it to the country's context.

To shed light on the effects of aid diversification in the Philippines, interviews with experts from national and local governments, donor organisations, energy regulation authorities, the business sector, civil society actors, and the academe were conducted. Eight specific development cooperation projects are discussed as case studies: Four of them demonstrate the feasibility of solar power in remote off-grid areas (local level); four promote supportive policies for renewables (national level).

The analytical bracket for discussing the positive and negative effects of aid diversification is derived from the literature about aid fragmentation and the political process of donor harmonisation that has been on top of the agenda within the OECD donor community for several years (OECD 2005, 2008a, 2011c) and has been presented earlier in this book. Related debates are vibrant, broad and complex (Anderson 2012; Kimura et al. 2012), but they often lack specific empirical evidence. The Philippine case of renewable energy support illustrates various effects of aid diversification in practice that can be linked to the broader discussion (for example: Nunnenkamp et al. 2011).

As outlined in other chapters in this book, development cooperation has changed enormously since 1960 with the emergence of new donor and aid partnerships (Santiso and Frot 2013). The average number of donors per country has nearly tripled over the last 50 years (Sindzingre 2012), leading to fragmented aid (Deutscher and Fyson 2008). This proliferation of aid is believed to have a negative effect on aid effectiveness (OECD 2005), project efficiency (Djankov et al. 2009), and the recipient countries' institutions (Knack and Rahman 2007) due to duplication of projects, higher chances of corruption and increasing transaction costs (World Bank and IMF 2010). According to the OECD (2011a, p. 3) "a large number of donors with different and often uncoordinated management practices [...] places a heavy burden on the administrative capacity" of the partner countries. Easterly (2007) adds that aid agencies not only fail to learn from their own experiences, but also to develop a strong knowledge management system among themselves. Sindzingre (2012, p. 34) describes fragmentation as "the permanence of the status quo and repetition of past mistakes." Can those broad arguments also be observed in practice? Do they apply to the Philippine context? What can we learn from the field?

Issues of diversification are closely linked to aid effectiveness. Four crucial factors for effective development cooperation can be summed up here to guide the discussion about empirical findings from the Philippines: (1) *Coordination and communication among donors* is essential to avoid the unnecessary duplication of project activities. To a certain degree specialisation and lead donorship can help to streamline efforts in a particular sector and/or a certain country. (2) *Coordination of activities in line with the recipient country's own efforts* is important to match the projects with the recipient country's specific demands. This would need a strong authority in the Philippines to steer the donors' activities. (3) *Learning and knowledge exchange* is also crucial to avoid making similar or the same mistakes in later projects (from other donors). Monitoring and ex post evaluation of activities are a prerequisite for long-term learning. Finally, (4) *division of labour* is another crucial factor to avoid ineffective aid. In practice, this means a certain degree of specialisation among donors to match donor country-specific competencies with the recipient country's demand.

The Electricity Sector and Renewable Energy in the Philippines

The electricity supply in the Philippines faces a variety of challenges: Due to a massive annual increase in energy demand of between 4.4 and 5.5% (ADB 2013), the national government is struggling to ensure energy security and avoid regular electricity cut-offs. Yet, electricity rates are among the highest in Southeast Asia (Suryadi 2011; Velasco 2012) and rural electrification (especially in Mindanao) remains a primary task for the Philippine government. To improve the situation, the Philippine electricity market is being substantially liberalised since the 1990s (Larona et al. 2013). The 2001 *Electric Power Industry Reform Act* (Government of the Philippines 2001) reformed the electricity market to stimulate private sector participation. Yet, electricity demand is still higher than supply. In 2012, more than 17 GW of installed capacity produced 72,922 GWh of electricity (DOE 2013b).

Traditionally, renewables play an important role in the Philippines. After the second oil crisis in 1979, people experienced regular electricity shortages due to high oil prices and the country's dependency on crude oil imports. As a result, the Philippines managed to establish strong hydro and geothermal capacities in order to become independent from foreign fuels. "Never again", an interview partner pointed out, "did the Philippines want to make such an experience."[1] However, economic development and increasing demand led to new electricity shortages and ultimately to the government's decision to open the power market for new private actors. Since then, the share of cheaper electricity from coal has increased substantially (Marquardt 2010). Today, the Philippine electricity mix (IEA 2015) is dominated by coal (32.7% of installed capacity) and oil (18.1%) with relatively high amounts of hydro (20.7%) and geothermal (10.9%). Despite the 2008 *Renewable Energy Act* (Government of the Philippines 2008) that formulates incentives and a strong commitment for renewable energy sources, modern renewables are of minor importance (biomass) or negligible (wind and solar). While solar electricity is used for rural electrification, daily electricity cuts and limited electricity supply are common in most remote off-grid communities (DOE 2012a). In 2011, the Philippines had an electricity self-sufficiency rate of 68%. Slightly more than 70% of all households have been electrified.

Donor organisations have been actively promoting modern renewables in the Philippines since the late 1980s with a focus on solar and mini hydro projects for rural electrification. Especially since the 2000s, a shift towards advisory activities for a supportive national framework can be observed. Bilateral donor organisations such as GIZ, USAID, JICA or AusAID as well as multilateral donors like the UNDP, the ADB or the World Bank, are active in the field of renewable energy support. For the Philippine government, the National Economic Development Agency (NEDA) is responsible for providing an overarching framework for the country's development and for coordinating all donor-driven projects. The Department of Energy (DOE) is the primary partner for renewable energy projects, but also other ministries such as the Department of the Interior and Local Government (DILG) as well as local government units (LGUs) are important partners for project implementers.

Findings: Diverse Donor Support for Renewable Energy

Although donor-driven renewable energy support has a long history in the Philippines, only a small amount of information is available for most of the projects. Official foreign aid databases such as AidData (2014) do not provide a comprehensive overview of all projects in the sector, but they show a general trend: Based on AidData, Fig. 14.1 shows how the number of donor organisations and the number of project activities in the Philippine energy sector has increased significantly over time.

However, this information says little about the actual effects of a diversified development cooperation landscape that in contrast requires a qualitative assessment. For this reason, fifty semi-structured expert interviews

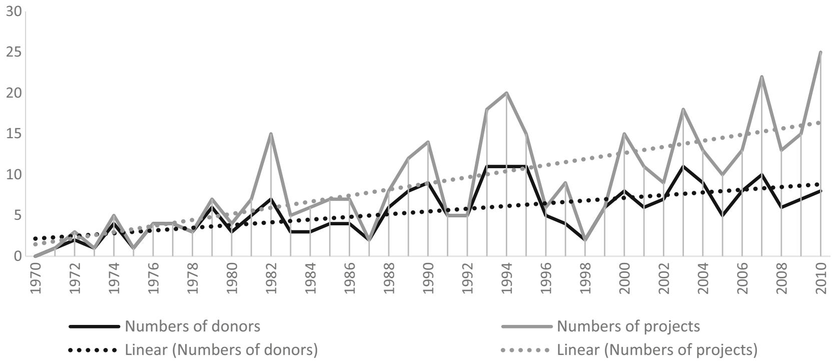


Fig. 14.1 Energy-related development cooperation in the Philippines over time (Source: Author's own estimations, based on data from AidData)

with a broad range of experts (16 from national and local governments[2]; 12 from donor organisations[3]; four from the civil society[4]; six from renewable energy businesses[5]; seven from public energy authorities[6]; and five from the academe[7]) were conducted to identify positive and negative effects of aid diversification.

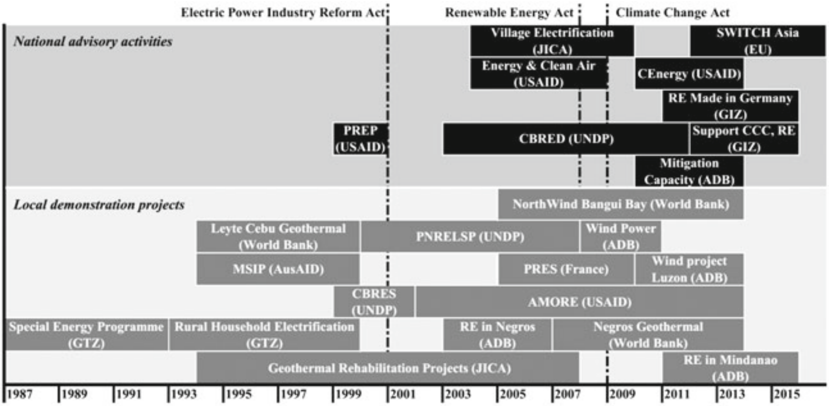
Figure 14.2 lists the projects that were mentioned and described by the experts interviewed during field research in the Philippines. The diagram distinguishes between local demonstration projects and national advisory activities. Eight of them are investigated as case studies later in this chapter to discuss issues of aid diversification.

The following fairly general and preliminary conclusions related to donor-driven renewable energy support can be drawn from the interviews:

1. *Has development cooperation in the field of renewable energy support diversified over time?* According to the experts interviewed, activities promoting renewables have diversified significantly over the last decades—especially after EPIRA in 2001 and again after the RE Act in 2008. Diversification can be observed both at the local and at the national level. Since the 1980s, not only the number of implementing agencies, but also the number of donor authorities has diversified. For example, GIZ recently implemented renewable energy support projects with funding from the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) as well as from the Federal Ministry for the Economy and Technology

(BMWi). Meanwhile the Federal Ministry for Economic Cooperation and Development (BMZ) almost completely withdrew from the Philippines. A senior GIZ representative pointed out that GIZ managed to "keep and broaden the portfolio only with active project acquisition."[8]

2. *How does the Philippine government coordinate donor-driven projects promoting renewables?* NEDA is the main Philippine authority for project coordination in the field of development cooperation. In theory, it should streamline activities and coordinate efforts,[9] but in practice, its role is considered to be rather weak or even "chaotic",[10] because it does not "change or even refuse project proposals."[11] The DOE is the major partner for projects related to renewable energy sources. Its Renewable Energy Management Bureau (REMB) is "responsible for coordination and streamlining activities to avoid duplication."[12] This is a challenging task as donors also work with other national government departments such as the DILG or competing divisions within the DOE such as the Power Bureau.[13] Although in 2012 the DOE held a donors' forum to facilitate exchange among donors and match the DOE's priorities for renewable energy development with the donor agencies' competences (DOE 2012b), this weakly institutionalised coordination on the recipient country's side leaves room for project duplication and other uncoordinated efforts.
3. *How do donor organisations coordinate their activities among themselves?* Most donor agencies use informal channels of communication to coordinate their activities.[14] Those forms of consultation and information exchange start *after* a project has been planned and at a point of time when one agency has already decided on the project's design and approved its implementation.[15] Consequently, coordination is limited to the project's narrow boundaries. Also donors are rarely aware of earlier renewable energy projects from other donors. There is hence a lack of a long-term, continuing cross-donor knowledge management system.
4. *Is there any kind of specialization on the donors' side in the field of renewable energy support?* To a certain degree, donor organisations have specialised according to their national preferences and expertise. For example, GIZ lays its current focus on solar power activities,[16] whereas JICA concentrates on the field of mini hydro power.[17] Policy recommendations are based on the donor countries' own experiences: Exemplarily, Germany promotes the feed-in tariff as an important support mechanism for renewables, whereas USAID aims to push a renewable portfolio standard.[18]



Notes: **ADB**: Asian Development Bank / **AMORE**: Alliance for Mindanao Off-grid RE / **CBRED**: Capacity Building to Remove Barriers to Renewable Energy Development / **CBRES**: Community-based Renewable Energy System / **CEnergy:** Climate Change and Clean Energy Project / **EU**: European Union / **GIZ**: Deutsche Gesellschaft für Internationale Zusammenarbeit / **GTZ**: German Technical Cooperation / **JICA**: Japan International Cooperation Agency / **MSIP**: Municipal Solar Infrastructure Project / **PNRELSP**: Palawan New and Renewable Energy and Livelihood Support Project / **PREP**: Philippine Renewable Energy Project / **PRES**: Philippine Rural Electrification Service Project / **RE**: Renewable energy / **Support CCC**: Support the Philippine Climate Change Commission / **UNDP**: United Nations Development Programme / **USAID**: United States Agency for International Development

Fig. 14.2 Development cooperation activities promoting renewables in the Philippines (Source: Author's own estimations)

Local Project Diversification: Demonstrating Solar Electricity

In general, solar electricity in the Philippines is perceived as expensive, unreliable and not yet fully developed for sufficient electricity supply (Meller and Marquardt 2013). At the same time, donor agencies implement solar electricity projects to support rural electrification, substitute diesel generation and increase energy self-sufficiency.[19] The Philippine government incorporates donor-funded solar projects in its own *expanded rural electrification programme* that aims to electrify all *barangays* (smallest administrative division in the Philippines) by 2008 and 90% of all households by 2017 (DOE 2013a). A major concern is that every barangay that has once been electrified counts as 'electrified'—no matter what the future of a solar electricity project looks like.[20] Donors have been promoting solar electricity in the Philippines for more than 30 years. Four projects represent case studies in the field.

SEP (GTZ 1990, Isla Verde, Batangas)

In 1990, the German Technical Cooperation (GTZ) planned and constructed a 3 kW/peak solar power plant and distributed further solar home systems (SHSs) to San Agapito on Isla Verde. The project was part of the *German-Philippine Special Energy Programme* (SEP, 1987–1999). According to former GTZ experts[21] and reports (Böhnke 1992), the project was documented as a successful model of independent electricity supply and substituting fossil fuels. However, the current situation (field visit: 4–7 July 2013) tells another story: The mini-grid does not exist anymore and the local government does not know where the solar panels have gone.[22] Most SHSs are broken and diesel generators only provide electricity for up to 4 h a day. According to GIZ experts as well as local officials,[23] the main reasons behind the project's failure are high costs for exchanging the battery after two to three years, the lack of maintenance capacity and trained technical personnel, as well as a lack of ownership.

PNRELS (UNDP 2004–2006, New Ibajay, El Nido)

As part of the *Palawan New and Renewable Energy and Livelihood Support Project* (PNRELSP 2000–2007),[24] a solar-diesel hybrid mini grid was constructed in New Ibajay, El Nido, to supply electricity for 232 households. A final project report from UNDP and the DOE (2006) documented the system as a success story, but after six years of operation (field visit: 19–22 July 2013) the solar component has stopped running due to technical problems with the batteries and the converter. The local electric cooperative as well as the municipal government[25] point out that they are not able to solve the problems on their own. Neither UNDP, nor the Philippine government feel responsible for the project today.

AMORE Program (USAID/Winrock 2002–2013, Mindanao)

According to its own records, the *Alliance for Mindanao Off-Grid Renewable Energy* (AMORE) project provided SHSs and solar lanterns to more than 22,000 households in almost 500 *barangays* all over Mindanao.[26] Some communities managed to self-sustain the project—such as *barangay* Bantol (field visit: 12–16 July 2013), where a Barangay Renewable Energy and Community Development Association (BRECDA) was founded to run and maintain the project. The BRECDA managed to build up the financial capacity for funding additional SHSs without donor support.[27]

Despite those successful cases, the overall outcome of the programme is mixed according to a mid-term evaluation: The sustainability of the BRECDAs is “a continuing struggle with some hope that this may eventually be overcome” (Pascual and Macli-ing 2008, p. 8). Especially poor and remote areas with limited access to cities (for spare parts and batteries) have not been able to maintain or further develop the solar projects.

MSIP (AusAID/BP Solar 1995–2001, Guimaras)

The *Municipal Solar Infrastructure Project* (MISP) was a joint venture of AusAID and BP solar. In the late 1990s, the project distributed SHSs, solar lanterns and solar pumps for water distribution to remote areas and was described as the biggest of its kind at that time. Despite positive project reports (BP Solar 2004), AusAID is reluctant to provide any information on their experiences (for example a comprehensive list of targeted *barangays*). A sample interview with an electronic engineer in Guiwanon, Guimaras (one of the project regions) revealed that all solar facilities had stopped working after two to three years due to lack of technical and financial maintenance capacity.[28] No authority feels responsible for managing the projects.

While these four projects may not draw a comprehensive picture of donor-driven solar electricity support in the Philippines (not to mention the private initiatives), they do provide some vital information and “lessons learnt” in terms of a diversified development cooperation landscape. Over the past 30 years, the same experiences with regard to solar power applications have been made by various different donors—such as the GTZ, USAID, AusAID or UNDP. Activities with very similar project designs have been implemented successively with similar negative results after a few years. An energy expert of a Philippine regulator estimates that most of the SHSs distributed have stopped working after a few years due to well-known problems of maintenance, weak ownership, and the lack of technical capacity at the local level.[29] Missing knowledge exchange between donors hinders a process of collective learning from mistakes.[30] None of the organisations has ever conducted an ex post evaluation for a renewable energy project. In addition to that, learning and monitoring capacities on the Philippine government side are insufficient.[31] In the short run, all solar projects contribute to the Philippine rural electrification programme, but most of them fail to provide a sustainable long-term electricity supply. A negative effect of donor diversification in this specific sector can be observed. Yet, not fragmentation per se, but also missing forms of communication and coordination between donors led to the problems with local demonstration projects as outlined above (Marquardt 2014). To discuss the effects of aid diversification at the national level, this chapter now turns to donor-driven activities related to the 2008 *Renewable Energy Act*.

National Project Diversification: Advice for Renewable Energy Policies

The *Renewable Energy Act* is considered to be a milestone in renewable energy support in the Philippines.[32] It was passed by Parliament in 2008 after more than 20 years of debate.[33] The law provides a variety of fiscal and non-fiscal incentives for renewables,[34] but the government is struggling to implement these incentives. REMB is the responsible agency at the DOE for promoting renewables in general and implementing the Renewable Energy Act in particular, in coordination with further agencies.[35] Various donors support the Philippines with advisory services for national renewable energy policies. Four case studies are discussed below.

CBRED (UNDP 2003–2011)

The first major programme supporting renewable energy policies and capacities at the national level was the *Capacity Building to Remove Barriers to Renewable Energy Development* (CBRED) project undertaken by UNDP. The programme aimed to reduce greenhouse gas emissions growth by removing barriers and reducing costs for renewables "to replace fossil fuel use in the Philippines" (CESM 2011, p. iii). CBRED facilitated the passage of the Renewable Energy Act with various policy studies and expertise. Moreover, the projects created awareness for renewables at the local level and assisted the DOE with the formulation of the implementation rules and regulations. "REMB highly values the efforts and results of the CBRED project."[36] Due to the project's broad portfolio, other bi- and multilateral donors such as the ADB, World Bank or JICA also contributed to CBRED.

Support CCC (GIZ 2012–2014)

The BMU-funded project *Support the Philippine Climate Change Commission with the Implementation of the National Climate Change Strategy and the National Climate Change Action Plan* (Support CCC) was implemented by GIZ (2013b). Component three of the project assists the government with the implementation and monitoring of the feed-in tariff for renewables. It provides policy advice as well as workshop activities in close coordination with REMB.[37] Although clear indicators were formulated, the project's concrete activities are flexible as they heavily depend on the status of the Philippine feed-in tariff regime. Experiences from the German energy transition are taken as an important background for policy advice.[38]

CEnergy (USAID 2010–2013)

The *Climate Change and Clean Energy* (CEnergy) project combined energy security with action against climate change. It covered four interrelated tasks: policy implementation, regulatory capacity, climate change mitigation, and public understanding and support (USAID Philippines 2013). CEnergy supported the implementation of the Renewable Energy Act with advisory services for the renewable portfolio standard, capacity-building and policy papers.[39] Priority areas depend on the agency's own capacity and expertise, which gives the project a certain degree of flexibility. The project was not coordinated with other donors at the time of project planning, but once it was already running.[40]

Renewables Made in Germany (GIZ 2011–2015)

This project was also implemented by GIZ, but with funding from the German BMWi. It aims to promote general conditions for renewables in the Philippines to open the country's market for German renewable energy businesses.[41] The project's focus depends on the partner country's market potential and is currently on solar photovoltaic (PV) applications. It promoted a reliable framework for solar PV installations by facilitating workshops with stakeholders and providing a manual for interconnection of rooftop PV installations in the Philippines (GIZ 2013a). The manual had a positive effect on the process of official policy-making and regulation for rooftop PV installations.[42] Joint workshops and seminars were undertaken with the GIZ supporting the CCC project.

Those four project case studies already demonstrate that national policy advice activities are much more diverse and vague than local projects. Although institutionalised forms of coordination are as weak as for local solar projects, an informal labour division can be observed when it comes to policy mechanisms such as the feed-in tariff or the renewable portfolio standard. Project activities built on previous activities and often linked their aims to CBRED. Donors also interact with civil society actors and business associations.[43] A certain degree of flexibility leaves room to react to policy changes or delays and to adapt to the specific demands of the

Philippine partners. All in all, increasing diversification at the national level draws a fairly positive picture, because donors have been able to find their specific niches to contribute with country-specific expertise. At the same time, higher transaction costs are likely while increasing competition leads to incoherent advices and policy mechanisms that might be not compatible to the Philippine context. For example, USAID and GIZ promote different support mechanisms for renewables, but Philippine officials need to study how those mechanisms interact with each other in the Philippine context. A clear assignment of effects to specific activities at the national level remains highly interpretative due to higher interdependencies (attribution gaps) than at the local level.

Pluralism or Fragmentation? Conclusions from the Philippines

What Are the Positive and Negative Effects of a Diversified Development Cooperation Landscape in the Case of Renewable Energy Support in the Philippines?

This chapter revealed that the effects of a diversified donor landscape do not necessarily need to be negative. Yet, especially for solar power in the Philippines, it is true that negative fragmentation (parallel structures, project duplication, increasing transaction costs) can be observed, because *donors promote similar projects over time without coordination among each other or even collective learning* (Hypothesis 1). Various donors have implemented similar solar projects in the Philippines over decades and have experienced almost the same challenges leading to long-term project failure that could have been prevented with better project monitoring, knowledge exchange between donors and coordination by the Philippine government.

The picture looks different at the national level, where a variety of donors contributed to the formulation and implementation of the *Renewable Energy Act*, but mostly with country-specific expertise and demand-driven policy advice. Donors have built on earlier projects and coordinated their activities on an informal basis. Diversification within one agency due to various sources of funding for different projects can lead to synergies, as the coordination among GIZ projects revealed. It is possible to assert that *at the national level diversification leads to positive pluralism as donor organisations compete for the best options for the Philippine context from which the Philippine government can select* (Hypothesis 2). At the same time, projects at the national level are weakly coordinated during planning. The kind of policy support for renewables may also be politically driven. Competition leads to negative effects as it leaves the Philippine government with numerous options that are not necessarily compatible and need to be adapted to the Philippine context. If positive competition is to be fostered, a strong regulation authority in the recipient country is needed.

Donor-driven renewable energy support in the Philippines reveals how difficult it is to assess the effects of donor diversification in a qualitative way. It also shows that general conclusions are far from reality, because negative fragmentation as well as positive pluralisms can be observed in the same field. Potentials for positive pluralism seem to be especially high for national policy advice activities, whereas local demonstration projects show a clearer need for specialisation, coordination and the long-term exchange of knowledge. Further specific qualitative studies are needed to comprehend a rather quantitative field of research and to inform our understanding of the complexity of diversification in development cooperation.

Notes

1. Interview: Development Academy of the Philippines, Teaching Fellow (2 July 2013).
2. Department of Energy (DOE), Department of Science and Technology (DOST), Philippine Congress, Local Government Units (LGUs), National Renewable Energy Board (NREB).
3. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United States Agency for International Development (USAID), Japanese International Cooperation Agency (JICA), Embassy of the United Kingdom, United Nations Development Programme (UNDP), European Union Switch Programme.
4. Greenpeace, World Wide Fund for Nature (WWF), Oxfam, Renewable Energy Association of the Philippines.
5. Meralco, Thor Energy, Philippine Solar Power Association, Winrock International, Wind Energy Development Association.
6. National Electrification Administration (NEA), Energy Regulation Commission (ERC), Philippine National Oil Company (PNOC), National Power Corporation (NPC).
7. University of the Philippines Diliman, Center for Asia Pacific Studies, Development Academy of the Philippines.
8. Interview: GIZ, Deputy Country Director (7 July 2013).
9. Interview: DOE, Office of the Secretary (11 June 2013).
10. Interview: Development Academy of the Philippines, Teaching Fellow (2 July 2013).

11. Interview: Renewable Energy Association of the Philippines, President (12 July 2013).
12. Interview: DOE, REMB Director (7 June 2013).
13. Interview: UP Diliman, Assistant Professor (19 June 2013).
14. Interviews: GIZ, Principal Advisor (3 June 2013); GIZ, Chief Advisor for RE (7 July 2013); USAID, Energy Policy Advisor (11 July 2013); Embassy of the UK, Climate Change Attaché (4 July 2013); EU Switch Programme, Senior Energy Advisor (18 July 2013).
15. Interview: GIZ, Senior Advisor (31 May 2013).
16. Interviews: GIZ, Chief Advisor for Renewable Energy (7 July 2013); GIZ, Project Consultant (19 June 2013).
17. Interview: JICA, Sector Chief (31 May 2013).
18. Interviews: GIZ, Senior Advisor (31 May 2013); UNDP, Energy and Environment Team Leader (6 June 2013).
19. Interviews: DOE, Wind and Solar Div. Chief (18 June 2013); NPC SPUG, Project Manager (23 July 2013).
20. Interview: NPC, Project Manager (23 July 2013).
21. Interview: GIZ, Senior Advisor (31 May 2013).
22. Interview: San Agapito, Barangay Captain (6 July 2013).
23. Interviews: San Agapito, Barangay Captain (6 July 2013); GIZ, Senior Advisor (31.05.2013); Meralco, Senior Engineer (5 July 2013).
24. Interview: UNDP, Energy and Environment Team Leader (6 June 2013).
25. Interview: City of Davao, Assistant City Engineer (15 July 2013).
26. Interview: Winrock International, Chief of Party (17 June 2013).
27. Interviews: Bantol (Davao), BRECDA President (16 July 2013); City of Davao, Assistant City Engineer (15 July 2013).
28. Interview: Guiwanon, Electronic Engineer (25 June 2013).
29. Interview: NEA, Deputy Administrator (21 March 2013).
30. Interview: ERC, Executive Director (3 July 2013).
31. Interview: Greenpeace, Climate and Energy Campaigner (13 June 2013).
32. Interviews: Philippine Congress, Head of Energy Committee (4 June 2013); NREB, Chairperson (20 June 2013); WWF, Climate Change Director (4 July 2013); Thor Energy, General Manager (10 July 2013).
33. Interviews: PNOC, Executive Vice President (11 July 2013); Greenpeace, Climate and Energy Campaigner (13 June 2013).
34. Fiscal incentives include tax holidays and tax reductions, duty free importation for renewable energy technologies and cash incentive in off-grid areas. Non-fiscal incentives include a feed-in tariff, renewable portfolio standard and net metering.
35. Interviews: DOE, REMB Director (7 June 2013); DOE, former Undersecretary (25 June 2013); NEA, Deputy Administrator (21 March 2013).
36. Interview: DOE, REMB Director (07 June 2013).

37. Interviews: DOE, REMB Director (7 June 2013); GIZ, Chief Advisor for Renewable Energy (7 July 2013).
38. Interview: GIZ, Chief Advisor for Renewable Energy (7 July 2013).
39. Interview: USAID, Energy Policy Advisor (11 July 2013).
40. Interview: USAID, Energy Policy Advisor (11 July 2013).
41. Interview: GIZ, Project Consultant (19 June 2013).
42. Interviews: Meralco, Senior Engineer (5 July 2013); Philippine Solar Power Association, President and CEO (14 June 2013).
43. Interviews: Oxfam, Project Manager (17 July 2013); Philippine Solar Power Association, President and CEO (14 June 2013); Wind Energy Development Association, Vice President (4 July 2013).

PART IV

How to Deal with Fragmentation

CHAPTER 15

Managing Diversity: A Partner Country Perspective

Elena Pietschmann

Introduction

The current development landscape is characterised by a multiplicity of different actors and aid channels, and it is largely believed that finding ways to deal with the proliferation of donors is crucial for improving aid effectiveness (OECD 2011a, p. 3). However, despite repeated international commitments at the High Level Forums in Paris (2005), Accra (2008) and Busan (2011) to tackle the challenges posed by a diverse aid landscape, progress to date has been rather slow (Brown and Swiss 2013).

Besides lack of incentives for both donors and partner countries to rationalise aid portfolios (Bigsten et al. 2011, pp. 152–153), a major reason for the disappointing progress is uncertainty about what the most desirable type of aid landscape should look like. The argument that there is value also in the multiplicity and the diversity of development actors is increasingly being put forward both in academic papers (Severino and Ray 2009, p. 7; Brinkman 2013, p. 16) and at the policy level.

Efforts for reducing fragmentation have thus progressively shifted from a focus on decreasing the number of donors per partner country by means of the cross-country division of labour (DoL) to in-country DoL and the "management of diversity" at the national level. However, it remains unclear what managing diversity actually means and how this vague idea should be put into practice. This chapter proposes a definition for the term and discusses different implementation approaches. The chapter is based on an extensive literature review and draws on insights collected from 34

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_15

interviews with officers from donor agencies and government officials in Madagascar and Bangladesh. Field research in Dhaka and Antananarivo was conducted in August/September 2013.

What Is Managing Diversity? Definition and Possible Approaches

This chapter defines managing diversity as the management of different sources and channels of aid by the partner country, with the goal of improving the effectiveness of aid in a complex aid landscape. Although suggestions for improvements in coordination tend to be focussed on donors (Woods 2011, pp. 13–14), emphasising the partner country's perspective is in line with the principles of aid effectiveness, as the importance of partner country leadership in coordination efforts has been underlined in all the international High Level Forums and is the first of the International Good Practice Principles for Country-Led Division of Labour and Complementarity (OECD 2009a). Moreover, although still weak, incentives for increasing coordination are likely to be stronger for the partner country than for donors (Woods 2011, pp. 13–14).

The activities for managing diversity do not necessarily result in a reduced number of donors, but they are all expected to reduce transaction costs and other undesirable consequences of a fragmented aid landscape, such as collective action problems, inefficiencies in aid allocation, and the overlap of contrasting approaches and strategies. A broad range of options is envisaged, including pooling of aid, cross-sector DoL, joint strategies to achieve common objectives, and sector working groups to enhance dialogue and the use of country systems (BB 2014, p. 7). To assess the several possible ways in which developing countries can deal with the complexity of the current aid landscape, it is helpful to analyse existing tools in a systematic way. Based on Mackie (2013, pp. 4–5), three main approaches for managing diversity can be identified, according to the extent to which they would produce a reduction in the number of donors:

(a) Pooling of resources: Partner countries could invite donors to pool resources and channel them through multilateral vehicles of some kind—through multilateral organisations, trust funds, co-financing arrangements among bilateral donors such as the Mutual Reliance Initiative, or through the partner country's institutions in the form of multi-donor budget support. Depending on donors' trust in the partner government, pooling arrangements can be run by the government, by the donors or jointly (Klingebiel et al. 2013a, p. 81).

(b) Cross-sector division of labour: The DoL approach envisages a coordinated distribution of donors across sectors, with individual donors concentrating aid in a limited number of thematic areas. Partner countries could encourage donors to focus on areas where they have a comparative advantage while allowing them to contribute to other sectors by delegating cooperation to other donors.

(c) Coordination through communication: Partner countries would not ask individual donors to concentrate aid, but would strengthen coordination with and among the multiple donors through donor consultative groups, sector working groups and other coordination mechanisms at the national or sector level. To date, forums for dialogue between partner country governments and donors, as well as among donors, have been set up in most partner countries (UNDP 2011). However, a full implementation of the "coordination through communication" approach would require *ex ante* coordination of individual donors' activities to prevent the duplication of efforts and other undesirable consequences of fragmentation (Woods 2011, p. 10).

Advantages and Disadvantages of Different Approaches

Different approaches present different degrees of the costs and benefits associated with aid coordination, and this information can be used to compare them with each other. The main benefits identified by the literature on fragmentation include:

Reduced Transaction Costs This is the most commonly cited benefit of reducing fragmentation and refers to savings in resources spent on meetings, missions, negotiations, monitoring and reports. Among the different approaches to managing diversity, pooling has the greatest potential for reducing transaction costs. The programming, design and supervision of aid activities could, in principle, be carried out by one agency on behalf of several donors (Lawson 2009, p. 13). With DoL, transaction costs tend to rise during an initial phase, as the DoL framework is set up, and then decrease in a second phase (Weingärtner 2008, pp. 18–19). Coordination through communication accepts the presence of many donors active in multiple sectors and is thus likely to present the largest transaction costs, both for donors and for partner countries (Easterly and Williamson 2011).

More Efficient Aid Allocation A frequently mentioned problem associated with a fragmented development landscape is that many uncoordinated donors tend to focus on the same sectors, sub-sectors and geographical areas, producing a duplication of efforts on the one hand, and funding gaps on the other (Carlsson et al. 2009, p. 29). Coordination helps to achieve an efficient overall aid allocation that addresses the partner country's main development priorities and is therefore better aligned (Klingebiel et al. 2013a, p. 13). In terms of efficient allocation of resources, a pooling approach would be particularly helpful, as centralisation enables a better overview of aid activities and the avoidance of gaps in coverage (Abbott and Snidal 1998, pp. 13–14), as well as enabling economies of scale (Lawson 2013, p. 4). DoL also has the potential to improve the overall allocation of aid (Weingärtner 2008, p. 23).

The problem of inefficient allocations can, in theory, also be solved with a "coordination through communication" approach by means of an increased exchange of information, which would allow donors to adjust their allocations to a certain sector based on other donors' allocations to that area (Halonen-Akatwijuka 2004). However, with a larger number of donors involved, such allocation decisions would require more negotiations and coordination meetings as compared to pooling or DoL, thereby increasing transaction costs and delays (Klingebiel et al. 2013a, p. 14).

More Coherent Approaches and Strategies Fragmentation results in the multiplication of different—and sometimes contradictory—strategies and approaches to development (Carlsson et al. 2009, p. 29). According to the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD-DAC 2001, p. 16), incoherent strategies and preferences among donors arise for three reasons: differing analyses, differing mandates and differing domestic pressures. Although the first source of discrepancy could be avoided by conducting joint analyses, which is compatible with all three approaches to managing diversity, the second and third sources of discrepancy are best addressed through pooling.

Reduced Collective Action Problems Fragmentation tends to produce collective action problems that arise when actors do not take part in efforts whose benefits will be shared by all, leading to outcomes that are sub-optimal for everyone involved. With a large number of actors, responsibility for the development impact of aid is diffused, and individual donors tend to concentrate on the success of their own projects to the detriment of the overall effectiveness of aid (Bigsten 2006, p. 4). Collective action problems also lead uncoordinated donors to compete for the most capable staff, and aid agencies' "poaching of officials" often leads to the weakening of government institutions (Knack and Rahman 2008b). Both pooling and DoL lead to a reduction in the number of donors, which is likely to reduce collective action problems by making it harder for donors to free-ride (Abbott and Snidal 1998, p. 12). Coordination through communication can mitigate the types of collective action problems that arise from a lack of information (Halonen-Akatwijuka 2004), but it does not necessarily limit civil-servant poaching or the diffusion of responsibilities.

On the other hand, strong donor coordination might also carry disadvantages for the partner country, such as:

Loss of Partner Country Ownership For the partner country, it is often not obvious that increased coordination among donors leads to better alignment to the country's needs (Bigsten 2006, p. 15). On the contrary, it could lead to a "donor cartel" that imposes its own preferences and conditions (Rocha Menocal and Rogerson 2006, p. 9). Whereas donors think of the more effective use of conditionalities as one of the advantages of stronger coordination (Bigsten and Tengstam 2012, p. 3), partner countries do not see it as a desirable outcome of reducing fragmentation. If donor coordination leads to a unified position among the whole donor group, this might undermine the partner country's room for manoeuvring in the choice of policies (Frot and Santiso 2010; OECD 2011a). This is part of the reason why some partner governments find the idea of donor coordination threatening and prefer to deal with donors individually—whatever the transaction costs (DFID 2010, p. 2). From the perspective of country ownership, pooling seems to be the most risky option. The presence of a dominant donor might undermine ownership because such donors tend to take over state operations (ODI 2005, p. 41), and because dependency on one donor provides it with excessive influence over the partner country's policies (Frot and Santiso 2010). However, multilateral aid generally leaves a narrower scope for individual donor countries to pursue their own interests, making this kind of aid less politicised and interest-based than bilateral aid. As a result, multilateral aid can facilitate greater ownership by partner countries (Klingebiel 2013, pp. 5–6). With DoL the problem lies predominantly at the sector level, as limited numbers of donors per sector make it more difficult for the government to play one donor off against another and have its own way in sector policies (ODI 2005, p. 41). With a "coordination through communication" approach, the risk of weakening ownership is reduced, as the presence of many donors increases the partner government's bargaining power and its ability to approach other donors if one does not meet its needs or terms (Gibson et al. 2005, p. 65). However, coordination through communication can also undermine government ownership if it involves long negotiations that distract and draw energy away from the government processes of priority-setting, implementation and monitoring (Odén and Wohlgemuth 2011, p. 7).

Tied Aid Concerns have been expressed about the fact that, in a less fragmented aid landscape, donors might gain monopoly power and be in a position to deliver prevalently tied aid (UN 2011, p. 28).[1] This risk seems to be greater with DoL than with the pooling option because bilateral donors tend to have a more pronounced tendency to promote their national commercial interests by tying aid (Kanbur 2006). Coordination through communication would be the best option, since a large number of donors per sector helps to maintain competition among them (UN 2011, p. 28; Frot and Santiso 2010).

Loss of Donor Expertise One cost commonly associated with reducing fragmentation is the loss of donor expertise produced by a donor's exit from a country or a sector (Rogerson 2005, p. 543). The pooling approach is likely to produce the largest loss of expertise, as it would generally require bilateral donors to exit. Limiting the variety of independent donors might also undermine the promotion of pluralism, creativity and innovation (Lawson 2013, p. 5). On the other hand, it can also be argued (Abbott and Snidal 1998, pp. 13–14) that, due to the large number of activities they carry out in many sectors and countries, large multilateral organisations are better placed than bilateral donors to accumulate knowledge and develop expertise. In contrast, many co-existing donors might fail to develop collective learning, with one donor's mistakes being subsequently repeated by others (Carlsson et al. 2009, p. 29). With DoL, it is likely that some expertise will be lost when donors exit sectors that they have been active in for many years. This is particularly true for large donors, which typically develop expertise in many sectors (Mackie 2013, p. 16). However, concentrating on fewer sectors can also be seen as an opportunity for donors to develop even greater expertise in their areas of comparative advantage (Mürle 2007, p. 36). Expertise will not be lost with the "coordination through communication" approach, as donors are not required to exit any sector. It might even be strengthened, thanks to an increased exchange of information as well as the sharing of different experiences among donors and the partner government within the framework of sector working groups or other forums for dialogue.

No Single "Best" Approach

The above analysis indicates that there is no approach to managing diversity that both maximises the benefits and minimises the costs of strong donor coordination, as Table 15.1 shows.

In particular, there seems to be a trade-off between minimising transaction costs and minimising the risks of reducing fragmentation in terms of the loss of bargaining power by the partner country government. The

Table 15.1 Advantages and disadvantages of different coordination approaches for partner countries

Potential costs and benefits	*Pooling*	*DoL*	*Coordination through communication*
Reduced transaction costs	+++	++	+
Efficient aid allocation	+++	++	+
Coherence of donor strategies	+++	++	+
Pluralism of approaches	– –	–	+
Reduced collective action problems (free-riding, competition for staff and so on)	+++	++	+
Partner country ownership and alignment	– – –	– –	–
Tied aid	–	– –	+
Loss of donor expertise	– –	–	+
Opportunities for including non-DAC donors	+	++	+++

Source: Own compilation

Note: The plus and minus signs refer to the difference that the adoption of these approaches would make, as compared to a situation of no coordination.

trade-off between having more choices and absorbing higher transaction costs is unavoidable, and each country needs to make this cost-benefit analysis for itself.

Partner governments tend to prioritise ownership and alignment when choosing a strategy for managing diversity and often strategically choose to keep donors separate in order to boost their bargaining power (Greenhill et al. 2013b, pp. 26–30). This makes it unlikely that partner countries would ask donors to deliver all aid through one multilateral organisation, for example. However, partner countries' strategies are also shaped by contextual elements that determine their ability to take advantage of multiple aid sources (Greenhill et al. 2013b, p. 34), as well as by the need to reduce transaction costs and the perceived risk of reducing the number of donors. The context not only determines what is feasible but also shapes partner governments' incentives for or against implementing different approaches, such as pooling, DoL or coordination through communication.

Three important contextual elements that shape partner countries' strategies for managing diversity are: (i) the quality of government institutions, (ii) the coordination structure already in place and (iii) the nature of the relationship between donors and the national government.

First, the quality of government institutions defines the government's ability to bear transaction costs and determines at what point the presence of multiple donors starts to become a problem. Countries with better institutions can benefit from a degree of fragmentation that would be far too high for less-advanced countries (Dreher et al. 2013), and they are often willing—and able—to incur relatively high transaction costs in order to gain room to manoeuvre and take advantage of the diversity of expertise (Rogerson 2005, p. 544).

Second, the coordination structure already in place in a specific country also plays a role when considering different approaches to managing diversity. The status quo influences the perceived need to change or strengthen established coordination structures (Carbone 2012, p. 10). Moreover, the coordination structure already in place determines what can be aimed for in terms of short-term coordination objectives. In countries where coordination and alignment are weak, a phased approach seems to be more appropriate (Linn 2009, p. 11). This is also because creating coordination structures from scratch has rarely worked well, and experience shows that it is preferable to build upon existing mechanisms (DFID, 2010, p. 1).

Third, the nature of the relationship between donors and the national government shapes the partner country's perceptions of the risks associated with reducing the number of donors. If donors prove unable or unwilling to submit to partner countries' desires, then partner governments may prefer to have a large number of donors to play against each other, rather than a cohesive group (Brinkman 2013, pp. 15–16). In particular, DoL seems to be most suited to countries where donors and the partner government enjoy relatively high degrees of reciprocal trust and mutual understanding (Weingärtner, 2008, p. 22).

Promoting Coordination Through the Use of Country Systems

Partner countries do not necessarily need to choose among the options of pooling, DoL and coordination through communication (Rocha Menocal and Mulley 2006, pp. 20–21). Partner countries often prefer to focus on aid modalities and donors' use of country systems instead of reducing the number of donors per sector, or even per country. Success in dealing with a multitude of donors might be related more to donors' use of country systems than to the number of active donors per country or sector (Klingebiel 2013, p. 6). Several countries that were relatively successful in managing diversity expressed a strong preference for budget support as a central piece of their strategies for better aid coordination (Rocha Menocal and Mulley 2006, p. 8). Project aid that makes insufficient use of country systems is considered one of the main obstacles to better coordination at the country level (ODI 2005, p. 26). The use of country systems helps reduce collective action problems and strengthens the country's institutions (Keijzer 2013, pp. 25–26). Partner countries could thus let donors distribute their aid in as many sectors as they wish and instead concentrate on their use of country systems.

The aid modalities through which funds are delivered can increase or decrease the costs and benefits associated with different approaches to managing diversity. The extent to which the pooling of resources undermines ownership and alignment largely depends on how the pooled funds are delivered. Although multi-donor budget support could give donors excessive influence over the partner country's policies (Carlsson et al. 2009, pp. 63–64), it has the potential to promote ownership and alignment while also reducing transaction costs (Klingebiel et al. 2013a, p. 48; Manuel et al. 2012, p. 38). On the other hand, pooled funding can also be delivered in a way similar to project aid, with detrimental effects on ownership and alignment. Multi-donor trust funds are criticised for often being off-budget and earmarked by donors for specific activities, and for making insufficient use of government systems (DFID 2010, pp. 5–6).

Equally, the amount of transaction costs produced by a "coordination through communication" approach, with multiple donors, depends on how bilateral programmes are provided. Transaction costs will be substantially lower if bilateral donors avoid setting up parallel implementation units, make significant use of country systems and align the delivery of funds to the partner country's budget cycles and reporting, disbursement and procurement modalities (ODI 2005, p. 10).

Combining Approaches

Since no single "best" approach to managing diversity can be identified, combining them could be an option for partner countries. Klingebiel et al. (2013a, p. 23) distinguish between the different levels at which coordination can take place (the policy, programming and implementation levels). This is particularly useful for highlighting the possibility for partner countries to use different approaches to managing diversity in different phases of development cooperation.

Partner countries could adopt different coordination mechanisms for the design of country strategies, for financing and implementation arrangements, and for monitoring and evaluation (M&E) reports and missions. For example, they could foster joint analyses, which would then facilitate donor coordination at the implementation level, even if aid were to continue to be delivered through bilateral channels (Klingebiel et al. 2013a, p. 41). In its current form of implementation, joint programming could be seen as a combination of different approaches for the programming and implementation levels of coordination. Indeed, for the moment, joint programming has mostly been about developing a common country strategy, whereas implementation is supposed to take place via bilateral donors distributed in different sectors through a DoL arrangement. Financing decisions and the organisation of programme delivery are usually done separately by each EU member state and the Commission (Klingebiel et al. 2013a, p. 41).

Partner country governments may also have different preferences in different sectors, as some line ministries might have better capacities than others for dealing with multiple donors. Having stronger institutions in certain sectors also makes it more likely that donors will make greater use of country systems when delivering aid to those sectors (Rocha Menocal and Mulley 2006, p. 8). The interviews conducted for this chapter indicate that there are large differences in the functioning of sector working groups, depending on the institutional quality of the relevant line ministry. Moreover, some sectors tend to have fewer donors than others, meaning that fragmentation might not constitute an equally pressing concern in all areas (Pietschmann 2014, pp. 77–78).

Partner Country Leadership in Managing Diversity

Despite the multiplicity of possible strategies and approaches to managing diversity, some elements can be identified as crucial for every approach to aid coordination. If managing diversity is defined as the management of aid from different sources by the partner country, then partner country leadership in coordination efforts is essential, regardless of the specific approach chosen. Given donors' reluctance to share power and release control over their funding, coordination requires a decisive push from the partner country government (Woods 2011, p. 13).

The establishment of clear priorities and strategies for aid coordination by the partner country government is a crucial success factor in managing diversity. By developing clear aid policies, partner countries can set standards and criteria for the acceptance of aid. Of course, these will be all the more powerful when the government enjoys enough bargaining power to refuse aid that does not meet these conditions (Greenhill et al. 2013b, p. 25). But even when the partner government is in a position of weakness towards donors, detailed rules might help donors to align, or at least make it more difficult for them to justify their lack of alignment (Rocha Menocal and Mulley 2006, p. 22). A coherent plan with clear deadlines also makes it easier for donor country offices to obtain their headquarters' clearance for the requested adjustments (Nkuzi 2010, pp. 1–2). Aid policies should indicate partner countries' preferences regarding donor coordination at the programming, implementation and M&E levels. A comprehensive aid policy should define the sectoral and thematic priorities to be addressed by donors, the form and structure of coordination mechanisms and forums, the preferences in terms of aid modalities, and the use of country systems. It should present a clear position on technical cooperation and the use of project implementation units, and specify the extent to which the partner government wishes to take part in M&E activities. Aid policies should also clarify whether and how partner countries wish to include new donors in coordination efforts.

To ensure the implementation of aid policies, effective aid management institutions need to be in place (Schumacher and Sawadogo 2010, pp. 64–66). These should be located within an institution in charge of central coordination, such as the Ministry of Finance (ODI 2005, p. 22).

It is crucial that aid management institutions are well connected to the rest of the government and can spread awareness of the importance of aid coordination among line ministries. An important condition for aid management institutions to work effectively is the availability of reliable data on aid activities (Rocha Menocal and Mulley 2006, p. 22). In order to make efficient use of information on aid, partner countries should set up or strengthen aid information management systems.

Conclusions and Policy Recommendations

It is difficult to say in the abstract which approach works better for managing diversity. In particular, a trade-off exists between minimising transaction costs and limiting the risks associated with reducing the number of active donors per sector. Partner countries will have to weigh the advantages and disadvantages of different approaches and choose the strategy—or combination of strategies—that is most suited to their specific context.

Although the management of diversity should lie primarily in the hands of partner countries, success in coordinating aid also requires an active contribution from development partners. The effective management of aid would be impossible without donors' readiness to conform to partner countries' priorities and aid policies. Given the wide range of possible strategies for managing diversity, the actions required from donors will vary from country to country, depending on the approach chosen by the partner government. However, independent of the specific approach chosen, donors can always support both the willingness and the capacity of partner countries to manage diversity. Partner countries' willingness to take the lead in coordination efforts is often undermined by the fear of losing funding and by the perception that coordinated donors might exercise excessive influence on domestic policies. Donors can address the first concern by underlining their commitment to the principles set forth in the Accra Agenda for Action (Paragraph 17a) that DoL and other coordination processes will have no impact on the overall aid volumes of individual countries. Addressing the fear that coordination might reduce partner countries' bargaining power and undermine their ownership is more challenging. Here, reinforcing the link between coordination and alignment could be helpful. Donors should also support partner governments' capacity for development in the area of aid management by assisting in the creation and strengthening of aid management institutions. Specific capacity-development efforts seem to be particularly helpful when they address the government budgeting process (ODI 2005, p. 22).

Donor agencies can also facilitate the work of these institutions in two important ways: first, by minimising and harmonising the number of reports, assessments, and other project rules and requirements; second, by making information on their aid activities available in a timely manner and feeding it into the countries' aid information management systems (Lawson 2013, p. 12).

In addition to these crucial activities to be undertaken on both sides, there are also joint tasks for donors and partner countries.

First, they should improve the conditions for dialogue. Given the importance of establishing a relationship of trust between donors and partner governments, coordination meetings should be seen not only as transaction costs but also as opportunities for dialogue. To allow for the emergence of a cooperative spirit between donors and the government, officials in partner countries should engage fully in coordination meetings, and aid agencies should reconsider the frequent rotation of their staff.

Second, they should establish strong mutual monitoring systems. The political economy of coordination and the role of incentives cannot be underestimated. Because of the lack of strong incentives—on both the donor and the partner country side—to push for increased coordination, it is crucial that monitoring systems are established to foster action by creating peer pressure among donors to implement commitments and by strengthening mutual accountability relationships between donors and partner countries. In 2013, only 59% of countries reported having mutual assessment reviews in place (OECD and UNDP 2014, pp. 89–90). More effort should be made by both donors and partner countries to quickly reach the 100% target agreed on in Busan.

Third, donors and partner countries should promote policy discussions on fragmentation and managing diversity at the international level. Donors and partner countries should keep discussing different strategies for managing diversity and sharing experiences in order to diffuse best practices and report on challenges that have been met.

Note

1. "Tied aid" is defined as development assistance provided under the condition that certain goods and services are purchased from firms in the donor country, or otherwise directly involve donor country stakeholders (Keijzer 2013, p. 24).

CHAPTER 16

One Recipe for Many Cooks? Multi-actor Coordination in Post-conflict Countries: Benefits and Risks

Tanja Kasten

The Parisian Approach

Efforts to improve the effectiveness of foreign aid date almost as far back as the beginnings of development assistance in the 1960s. Since then, there has been an ongoing discussion—including several high-level initiatives and international agreements—on aid effectiveness, which came to a head in 2005, when donors and recipient countries adopted the *Paris Declaration on Aid Effectiveness* as an 'antidote' to tackle the negative effects associated with a proliferation of actors and fragmentation. Furthermore, the Parisian approach is believed to generate additional benefits in post-conflict and fragile situations, since lack of coordination is all the more counterproductive in such environments. Consequently, the declaration includes a strong commitment to state-building and good governance as a precondition for sustainable development and the consolidation of peace in fragile states and situations.[1]

There are some essential prerequisites to be considered if international assistance is to have any cumulative effect in post-conflict and fragile situations. Consistent findings raised in development studies, transformation research and impact assessment conclude there are two basic requirements for peacebuilding and development in post-conflict countries:

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_16

(i) *State-building and political capacity-building must be put centre-stage for all international engagement in fragile states.*[2]
Yet, international efforts in state-building and development promotion may easily override national interests and political priorities as well as local dynamics of governance in the recipient countries, which is why donor interventions have been frequently criticised by local stakeholders as being political paternalism (see, for instance, Peace Security and Development Network 2009). It follows that donor strategies need to be better aligned to national needs and priorities in developing countries and to build on local participation and ownership.

(ii) *Any international support for peacebuilding and development requires a minimum of local ownership in order to comply with national interests and priorities and as a foundation for the legitimacy of government.*
For the purpose of this study, local ownership has been defined as the extent of domestic control of (i) external funds, and of (ii) the content and scope of donor activities. This definition goes well beyond the scope of established criteria which are usually restricted to the existence of a national development strategy to which donors can align (OECD 2005, 2008a).[3] Yet, especially in light of new aid modalities such as budget support and programme-based support, this understanding does not cover all relevant dimensions of national ownership associated with the Parisian agenda.

Aid Effectiveness in Situations of Post-conflict and Fragility

As the political and social transitions which are needed to address national development challenges and to improve government accountability require long-term engagement on multiple levels of society, any international support needs to be consistently applied and carefully coordinated. Thus, the Parisian principles on harmonisation and alignment seem to respond appropriately to the specific needs and requirements of effective aid in situations of post-conflict and fragility. However, crucial questions remain: Is the new approach living up to the promised effects? How can it be implemented? And is there any reason to believe that this kind of harmonisation and coordination generates an additional value for peacebuilding? In this context, scholars and political practitioners have pointed out two dimensions of potential adverse effects in situations of post-conflict and fragility:

(i) On a first level, an increased harmonisation of donor activities might amplify existing vulnerabilities and conflicting goals in promoting development and peacebuilding; in particular with regard to security, political stability, and social justice. Many critics fear that the strategic interests of major donors could become more dominant, while alternative approaches of less financially strong providers of development assistance may lose influence (see Kurtenbach 2009, p. 9).

(ii) On a second level, harmonisation itself may cause negative side-effects as well and thus thwart international efforts in the promotion of peacebuilding and development:

- One of the most cited risks of harmonisation relates to potential limitations of scope and plurality in addressing development needs in the recipient countries. On the one hand, this approach might amplify the negative effects of ill-suited donor policies if strategic decisions are taken collectively (Ashoff 2004, p. 3). On the other hand, donors might try to avoid controversial topics and thus agree on the least common denominator (Six et al. 2007, p. 17).
- A second line of argument refers to a perceived 'technisation' of development cooperation. Several authors indicate that a prioritised commitment to harmonisation and alignment may result in a shift of emphasis if development actors focus increasingly on operational questions of coordination and management while the political dimension of development remains neglected (Brown and Morton 2008, p. 7).
- Finally, a third, and probably the most serious, risk of harmonisation in development cooperation is associated with a significant increase in donor control. From this perspective, harmonisation may pave the way for a 'donor cartel' since a common position and collective demands on political conditionalities may easily result in a loss of national ownership. This tendency has been strongly criticised by several authors as a relapse into social engineering (see, for example, Carbone 2010).

However, even if these hazards and risks must be taken seriously, the potential benefits of increased harmonisation and alignment seem equally plausible. As proponents of the *Paris Declaration* argue, donor coordination could help to avoid duplications, unintended side-effects, and conflicting goals in such a way that development activities on multiple levels add up to a combined impact. Considering both possible positive and negative consequences in implementing the Parisian principles, further research on the practical implications seems highly relevant. This applies in particular for situations of post-conflict and fragility as the complex political and social dynamics in these environments are hardly predictable, let alone controllable, by external actors (Kurtenbach and Seifert 2010, p. 36). The remainder of this chapter is dedicated to the results of two exemplary case studies that have been selected to investigate how different ways of multi-actor coordination are put into practice and how this interaction affects the promotion of peace in developing countries.[4]

Defining Harmonisation

As Roland Paris rightly pointed out: "[…] too much, too little, or the wrong type of coordination could do more harm than good" (Paris 2009, p. 61). Following this approach, the challenge in adapting donor cooperation to peacebuilding needs is not just to *strengthen* coordination but *how* to do it. However, there is not much differentiation within the academic debate. In most cases, harmonisation is understood as a mere "technical" process such as adjusting evaluation procedures and procurement, and/or increasing transparency and communication via round table meetings and working groups (Wood et al. 2011, p. 10). While the progress indicators used in the regular surveys on monitoring the implementation of the *Paris Declaration* provide detailed information on donor quotas and shares, such as the use of common arrangements, basket funds and budget support, these data offer little (or no) insights into the actual quality or any added value of these activities. Consequently, any analytical study on the merits and risks of multi-actor coordination should distinguish between different types and levels of harmonisation to obtain conclusive results.

This is why empirical research for both case studies was based on two dimensions of donor coordination: (i) the *structural dimension (H1)* includes operational aspects of harmonisation, such as adjustments of regulations, proceedings, and requirements, as well as platforms, committees and other forums for coordination; (ii) a second level of analysis refers to the *harmonisation of contents and strategies (H2)*, which includes various forms of *cooperation* (like joint programmes and activities, common instruments, standards and criteria, and collective funding) as well as arrangements for a *division of labour* (such as lead donors for specific sectors or delegated cooperation).

Case Studies

Rwanda and Sierra Leone have been selected as case studies because both are developing countries with low HDI-scores,[5] and both are post-conflict states,[6] while they differ in their approach to donor harmonisation. Rwanda is considered a model country with regard to the national aid architecture and in implementing the Parisian reforms. On the other hand, Sierra Leone is usually not seen as a prime example for harmonisation since most development activities are coordinated in a very informal way. However, there is a strong focus on peacebuilding which could be of relevance for donor coordination on content and scope in this area of support. Therefore, an empirical analysis of both cases seemed promising for a comparative review of different levels of harmonisation in a peacebuilding-context.

For both countries, peacebuilding was defined in accordance with corresponding objectives and categories used in the national development strategy (Poverty Reduction Strategy Paper, PRSP). The timeframe for empirical research in each case focused on peacebuilding activities carried out by multilateral and bilateral donor agencies[7] over a period of 4 years (2008–2011). This corresponds to the programme cycle of the national development strategies, which had been endorsed after the *Paris Declaration* came into being in 2005.

National Ownership and Harmonisation of Aid

Rwanda

Twenty years after the genocide, Rwanda is considered a "donor darling", as the overall amount of ODA (official development assistance), which is equivalent to 50% of the national treasury (MINECOFIN 2010, p. 13), has been steadily increasing.[8] While the country is gaining ground in terms of economic development, international observers are concerned about the political situation in Rwanda due to an authoritarian style of governance and violations of human rights, an unresolved legacy of ethno-social conflict, deficits in civic participation and oversight, as well as governmental and institutional limitations, especially in the public sector and in the judiciary (see JGA 2008).

During the period of investigation (2008–2011) the country had been supported by a group of 20 bi- and multilateral donors. Twelve of these donors were involved in peacebuilding activities[9]—including three multilateral agencies (World Bank, African Development Bank—AfDB, European Commission—EC), three UN agencies (UNDP, UNICEF, UNESCO), and six bilateral donors (United States, Great Britain, Belgium, the Netherlands, Germany, Sweden).

National Ownership and State-Building

Although Rwanda is a highly aid-dependent country, it is widely considered as a prime example for national ownership. According to OECD data, over 90% of all development aid to Rwanda is aligned to country priorities and coordinated with local authorities (OECD 2011d, p. 31). The same applies to the financial dimension of ODA-control (OECD 2011j, pp. 121–129). A national *Aid Policy* clearly sets out the government's expectations for the use and management of aid and has been complemented by a clear-cut division of labour which has caused considerable changes in the distribution of donor involvement. Taken together, national ownership in Rwanda is very strong, although the involvement of civil society in political decision-making remains extremely limited (OECD 2011k, p. 17).

Due to deficits in civic participation and oversight, including the freedom of the press, and limitations in protecting human rights (see BTI 2012a), most donors focus their peacebuilding activities primarily on participation and empowerment and on supporting the rule of law and social recovery after the genocide. However, even if this distribution of donor priorities suggests an overall preference for the civic sphere, there are as well clear indications of a special emphasis on governance-support and state-building. Almost all development partners in Rwanda dedicate a considerable part of their activities to institutional and political capacity-building for the public sector and governmental bodies. Consequently, international peacebuilding activities in Rwanda are both based on a solid foundation of national ownership and include a special focus on state-building.

Aid Architecture and Structural Harmonisation

The national aid architecture in Rwanda is both complex and sophisticated and includes all dimensions of development cooperation. This applies as well for the coordination of peacebuilding activities. Several *Sector Working Groups* (SWGs) have been established, which are complemented by additional steering committees for specific support programmes and internal coordination structures for EU member states and UN Agencies. Each SWG has several thematic working groups and, in the case of the justice sector, a separate secretariat (MINECOFIN 2012, p. 65). However, not all of these coordination forums are able to fulfil their tasks without certain limitations. Due to the high level of complexity and divergent donor positions on justice and governance, especially between the US and other bilateral donors, sectoral policies are sometimes impaired by coordination requirements. Moreover, the "One UN" process did not simplify internal and external UN-proceedings but resulted in an increase of complexity (Universalia Management Group 2010). Thus, the Rwandan example shows that an advanced coordination structure is no guarantee of functionality.

Conceptual Harmonisation

On a second level of harmonisation, donors are called on to agree on a *division of labour* (DoL) and to cooperate more closely in implementing national programmes and sector policies. In this regard, donor performance in Rwanda has shown mixed results. On the one hand, the division of labour in Rwanda is very advanced. In each area, a selected lead donor is in charge of coordination and oversight, while some providers of development aid, such as Belgium and the Netherlands, decided to entrust their sectoral contributions to like-minded donors. On the other hand, each developing agency is implementing its own assistance strategy. Although, several donors decided to suspend their budgetary contributions to Rwanda in reaction to the country's military involvement in the Congolese conflict (UN 2012b), they did so bilaterally without consulting other donors. Thus, at a conceptual level, donor cooperation is less advanced than the structural coordination-framework.

Similarly, mutually agreed award criteria for national reforms in justice and governance have not been consistently applied by all donor agencies—not to mention considerable disagreements with regard to the *Joint Governance Assessment (JGA)*, which had been highly disputed among all parties involved.[10] If one considers as well further shortcomings regarding the division of labour—since several governance-related topics, such as human rights issues, were not included—the advanced Rwandan aid architecture does not automatically lead to improvements in the overall coherence of donor cooperation on concepts and strategies.

Sierra Leone

The political conditions in Sierra Leone differ in several ways from those in Rwanda. The country has been devastated by a decade of civil war, which gained sad notoriety for its brutality against the civilian population. Yet, unlike Rwanda, Sierra Leone does not receive as much international assistance. Since the war ended, ODA contributions have been fluctuating and even decreased considerably in 2011 (OECD 2012a, 2013a). On average, Sierra Leone received about half as much ODA as Rwanda, which covered 50% of the annual national budget.[11] While the political situation had been gradually stabilizing during the period of investigation—partly due to the presence of a UN Peacebuilding Mission[12]—the socio-economic conditions remained very poor (BTI 2012b). Against this background, the consolidation of peace has been impaired by serious deficits—above all insufficient political structures and extremely limited capacities (OECD 2010h). These problems are further aggravated by a high level of corruption, a weak judicial system (especially in rural areas), human rights violations (mostly against women), and a high risk of political violence with frequent armed clashes between the two major ethno-political groupings (BTI 2012b, p. 24). Consequently, the national peacebuilding agenda is very extensive.

During the period of investigation, the country had been supported by a group of 20 bi- and multilateral donors, although almost 90% of all contributions had been provided by five main donors (Nadoll 2009, p. 17). All of these donors—the European Commission (EC), Great Britain, the World Bank, the AfDB, and the United Nations (UNDP)—were also involved in peacebuilding activities; as were the United States, Germany, and Ireland.[13] Thus, a total of eight bi- and multilateral donors was included in the sample.

National Ownership and State-Building

In contrast to the situation in Rwanda, national ownership in Sierra Leone remains very limited as the following statement illustrates: "[T]he weak capacity translates into weak leadership. So then the donors, who are trying to engage in the sector, try to fill in that vacuum with an informal discussion group" (donor statement, author's interview). While this apparent "vacuum" refers to deficits in strategic planning and management, similar limitations exist with regard to financial matters. According to OECD data, most donors do not channel their ODA contributions through national systems, but manage their funds separately (OECD 2011d, p. 125). On the whole, aid management and funding decisions in Sierra Leone are mostly donor-driven.

Against this background, fostering state-institutions and capacities should be all the more significant as a priority field of activity for international donors. However, even though most donors focus on state-building—including *Public Financial Management* (PFM), institutional support, and capacity-building for state entities—this assistance has been repeatedly criticised as an additional strain on governmental resources (GTZ 2010, p. 52). In contracting external consultants and using separate implementation units, most development agencies are acting contradictorily to their task (OECD 2010h, p. 18). Since weak national ownership and deficits in governance support pose a serious threat to government legitimacy and accountability, this constellation could jeopardise the consolidation of peace in Sierra Leone.

Aid Architecture and Structural Harmonisation

Aid coordination in Sierra Leone is highly informal and depends largely on local networks and personal relationships. Although an official aid architecture exists, formal mechanisms for consultation are poorly institutionalised and hardly used. Instead, donors meet regularly in a *Development Partners Group*. Apart from these meetings, structural coordination in Sierra Leone concentrates on programme activities, such as election support and other sectoral initiatives, which usually imply a basket fund and an administering steering committee. Although these informal networks are widely accepted by all parties involved, this pragmatic approach has several deficits: irrespective of their effectiveness, separate donor-led structures further undermine the weak national aid architecture, while smaller donors are less integrated into those consultations. Furthermore, the distribution of tasks and responsibilities remains fragmented and incomplete. On the whole, structural harmonisation in Sierra Leone remains weak and barely functional.

Conceptual Harmonisation

At a conceptual level, donor coordination in Sierra Leone is much more advanced and formalised, although some deficits persist. The scope of peacebuilding activities is very broad, but there has been no official division of labour, even if each donor has been involved in different focal areas. However, most donors cooperate closely in implementing national programmes and sector policies. During the period of investigation, three groups of donors had initiated joint assistance strategies for their activities in Sierra Leone: the EC and Great Britain, the World Bank and AfDB, and the UN Country Team.[14] Further areas of cooperation include several multi-donor funds and sectoral support programmes, while most activities are individually implemented (OECD 2011d, p. 135ff). Due to deficits in coordination, sectoral analyses and evaluations have been partly repetitive and/or inconsistently applied.

Thus, the overall picture remains ambivalent. While some areas of cooperation, such as electoral and judicial support, are far advanced, other crucial aspects are not coherently integrated. Due to an improvised division of labour, some relevant areas—such as fighting corruption, policing and security—receive less attention, while other support programmes—especially in the public sector—show inconsistencies and/or duplications. These findings suggest that the existing structural deficits translate, at least partly, into a lack of coherence at the conceptual level of donor cooperation.

How Does Aid Harmonisation Affect Peacebuilding Activities in Both Countries?

Since there is no reliable empirical methodology to assess the combined impact of donor activities on the consolidation of peace in a given country—considering the large number of contributing factors and further context criteria—the analytical approach for both case studies focused on a selection of key indicators (see Table 16.1).

The remainder of this chapter explains the findings for both countries in relation to the specific approach to harmonisation in each case.

Table 16.1 Potential impact of peacebuilding activities in Rwanda and Sierra Leone

	Rwanda	*Sierra Leone*
Conflict sensitivity/Do No Harm criteria	High	Moderate
Strategic approach/Adjustment to peacebuilding needs	High	Moderate
Coherency (avoiding contradictions, duplications and/or gaps)	Low	Moderate
Effectiveness (reaching peacebuilding goals)	Moderate	Low

Source: Authors' own estimations

Rwanda

According to the distribution of relevant donor activities in Rwanda during the period of investigation (2008–2011), the priority fields of action were largely in line with national peacebuilding needs. However, the analysis revealed as well some limitations with regard to the coherency of donor support and achieving common goals. This was mostly due to disagreements about governance performance and the application of political conditionalities among different groups of donors.

Apart from these incoherencies, the Rwandan case study showed mixed results regarding international achievements in peacebuilding. While the political situation in the country had not noticeably improved (BTI 2012a), a joint donor initiative in support of good governance and the rule of law was considered a success. Apparently, international peacebuilding activities did influence the political course of action to some extent, albeit impaired by significant deficits in developing a coherent strategy.

On the other hand, the analysis did not reveal any negative side-effects as a consequence of harmonisation. This applies to both a suspected conformity of donor activities and to a possible 'technisation' of development cooperation to the detriment of its political dimension. In Rwanda, the whole spectrum of international peacebuilding activities is highly politicised and at the same time very heterogeneous. Thus, even a high level of harmonisation did not result in a "donor cartel" or any homogenous approach based on the least common denominator. As the Rwandan example clearly shows, it seems highly unlikely that any given constellation of development actors would lead to a broad agreement on the political course of action.

Sierra Leone

As has become clear from the previous findings, the conditions in Sierra Leone differ in several ways from those in Rwanda. Due to limitations in the national aid architecture and a low level of ownership, donors focus primarily on informal mechanisms and sector policies. With regard to the overall distribution of activities, the focal areas of donor involvement are largely in line with national peacebuilding needs. Yet, there are some deficits in fighting corruption, in political capacity-building, and in supporting public order and safety.

Furthermore, the case study revealed some incoherencies with regard to donor activities in support of the judicial system and the public sector—including the frequent use of salary top-ups in the civil service, which is widely regarded as a hazard for governmental reform programmes (OECD 2011d, pp. 27–30). Apart from these shortcomings, analysts observed little change in the political situation, which remained fragile—despite international support (GTZ 2010, p. 54f). While these findings revealed limitations in effectiveness, the potential impact on the consolidation of peace remained viable, since most sector activities were coherently applied and aligned to national needs and priorities.

However, the results for Sierra Leone emphasise potential risks in implementing the Parisian principles, although the specific causal dynamics remain ambiguous. As the findings show, the significant limitations of national ownership—in combination with deficiencies in state-building and governance-support and a very informal culture of donor coordination—led to an excessive influence of external actors on domestic politics. Even if this constellation did not narrow the overall scope of activities, the Sierra Leonean case study shows tendencies of a "donor cartel". This phenomenon can be explained by two main reasons—a lack of structures and a lack of political will. Due to the rudimentary national framework, most donors tend to avoid these national structures. Thus, most policy decisions are not discussed with local authorities while most politicians are reluctant to assume management responsibilities over donor activities.

To conclude, the findings for Sierra Leone indicate that an extensive level of coordination may indeed generate negative side-effects. However, in this case, the dominant donor influence is both a result of low ownership and limited communication. Therefore, it seems reasonable to consider an increase in cooperation as a contributing factor for donor-driven policies, but not necessarily as an indicator for social engineering.

Conclusions

The following table illustrates the overall findings on aid harmonisation in Rwanda and Sierra Leone in relation to national governance capacities in both states (Table 16.2). As has been explained above, the aggregated donor contribution to peacebuilding in both countries remains limited, even if the results vary in the individual categories (see Table 16.1).

However, it would be misleading to conclude that differences in harmonisation do not affect the potential impact of foreign aid. Although the overall result of donor activities in Rwanda and Sierra Leone seems to be similar, the findings indicate some specific implications for the "added value" of peacebuilding activities with regard to different forms of harmonisation.

Table 16.2 Aid harmonisation in Rwanda and Sierra Leone

	Rwanda	*Sierra Leone*
National ownership	High	Low
Focus on state-building/governance capacities	High	Moderate
Harmonisation: H1—structures and proceedings		
(A) Extent/scope	High	Low
(B) Functionality	Moderate	Low
Harmonisation: H2—contents and strategies		
(A) Extent/scope: cooperation & division of labour:		
(i) Division of labour	High	Low
(ii) Cooperation		
Common conditions/sanctions	Low	Low
Joint programmes	Low	Moderate
Common activities	High	Low
Common instruments	High	Moderate
(B) Coherency		
(i) Division of labour range/implementation	Moderate	Low
(ii) Cooperation		
Synergies (avoiding contradictions)	Moderate	Moderate
Complementarity (avoiding duplications/gaps)	High	Low

Source: Authors' own estimations

In Sierra Leone, national ownership is very low and donor activities in support of state-building and governance capacities remain limited. Since both criteria are indispensable for any potential donor impact on the consolidation of peace, the results for Sierra Leone should be largely negative. However, the findings suggest that a close cooperation on contents and policies may compensate for these deficits to some extent. On the other hand, this constellation favours the formation of a "donor cartel"—a phenomenon that did not occur in Rwanda in spite of an advanced level of harmonisation.

Due to the explorative character of the selected case studies, these first results remain preliminary and dependent upon further analysis. Yet it is still possible to draw some conclusions about donor involvement and the consolidation of peace as a starting point for further investigations.

- First of all, the findings indicate that a coherent approach to coordination (H2) is decisive for any potential impact on peacebuilding, while the structural dimension of harmonisation (H1) should fulfil a serving function and correspond to actual needs. Otherwise, both abundance and a lack of coordinating committees, steering groups and similar forums will most likely have negative consequences on aid effectiveness. As the Rwandan example shows, an advanced aid

architecture is no guarantee for quality. Deficits in functionality are likely to affect the consistency of donor activities. This in turn affects the potential benefit of these interventions.
- Both national ownership and a minimum of operational structures for coordination and consultation serve as important safeguards to avoid potential risks and the unintended side-effects of harmonisation such as an increase in donor-driven policies. As in Sierra Leone, a "donor cartel" may emerge if national control is low and donors cooperate closely on a conceptual level.
- However, other negative effects—such as social engineering, the "technisation" of aid or homogenous donor policies based on the least common denominator—have not been observed. So far, the empirical findings indicate that the advantages of harmonisation outweigh potential hazards and risks—especially as donors and local authorities are able to adjust their political course of action in response to existing deficits.

While the new aid architecture endorsed by the *Paris Declaration* was proclaimed as an emancipatory concept, the practical implementation of new aid modalities, such as budget support and other forms of collective funding, may indeed increase the overall influence of donors in developing countries. On the other hand, donor interests are usually not homogenous—especially regarding their position on governance. If one considers as well different political mandates and institutional requirements and an increasingly diverse and heterogeneous donor community, it seems highly unlikely that these discrepancies will be replaced by a relapse into political paternalism.

Notes

1. The term 'fragile state' is used according to the following definition: "States are fragile when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations" (OECD 2007).
2. As proposed by the OECD, state-building has been defined as a "purposeful action to develop the capacity, institutions and legitimacy of the state in relation to an effective political process for negotiating the mutual demands between state and societal groups" (OECD 2008b, p. 14).
3. For a critical review of donor policies and ownership, see Buiter 2010.

4. This chapter provides an overview of key findings, based on an exhaustive analysis of aid effectiveness in post-conflict countries (see Kasten 2013).
5. During the period of investigation (2008–2011), both states were listed among the 20 least developed countries in the world according to their scores on the Human Development Index (HDI).
6. For further information on the genocide in Rwanda (1994), see for example Prunier 2010; and Keen 2005 for the civil war in Sierra Leone (1991–2001).
7. Non-state actors such as NGOs, churches or foundations have not been included in the study for several reasons: these actors mostly operate independently of national/multilateral donor organisations and are usually less focused on the political sphere of development.
8. During the financial year 2009/2010, all ODA for Rwanda amounted to 945 million US dollars. Approximately 40% of this amount has been provided as budget support (MINECOFIN 2010, p. 15ff).
9. Based on the thematic clusters outlined in the Rwandan development strategy (Economic Development and Poverty Reduction Strategy, EDPRS), all activities in support of the national *Governance Flagship Programme* have been categorised as peacebuilding activities for the purpose of the study.
10. The JGA was launched in 2008 as a joint initiative of the Rwandan government and most development partners. While the first baseline report (JGA 2008) had been considered a major achievement, the follow-up process was impaired by serious disagreements on all sides.
11. From 2008 to 2010, average annual ODA contributions to Sierra Leone amounted to 432 million US dollars (OECD 2011d). According to the national Database (DAD) this amount was reduced to 234 million in 2011.
12. A first Peacekeeping Mission (UN Mission in Sierra Leone, UNAMSIL) had been deployed in 1999. When its mandate ended in 2005, a *UN Integrated Peacebuilding Office* (UNIPSIL) was established.
13. According to the national development strategy (*Agenda for Change*—PRSP II), peacebuilding has been defined by the scope of activities in support of *Sustaining Peace, Security and Good Governance* as outlined in Chap. 8 of the PRSP.
14. Unlike the usual *UN Development Assistance Framework* (UNDAF), the *Joint Vision* for Sierra Leone serves as a common guideline for both peacebuilding and development activities.

CHAPTER 17

The United Nations in Development: Confronting Fragmentation?

Timo Mahn

The views expressed by the author do not necessarily reflect the views of the United Nations and/or the United Nations Joint Inspection Unit. No unpublished or proprietary material of the United Nations was used for this paper.

Introduction

To lament that the United Nations' (UN) engagement in the field of development is fragmented is a commonplace argument in all 'three UNs'—member states, the UN staff and the larger UN community, which is made up of civil society, external experts and academia. Within the UN context, fragmentation is said to result in inefficiencies and high transaction and coordination costs (Mueller 2010), duplications, rivalries among entities and efforts to protect bureaucratic turf—that hinder effectiveness (Righter 1995; Weiss 2009). Fragmentation is also said to overburden the administrative capacities of recipient countries (Vatterodt 2008). Standard characterizations of UN fragmentation point toward the complex web of entities engaged in development operations and their increasing number of interventions.

The United Nations as a whole is a multi-issue organization that covers a wide spectrum of activities including peacekeeping and security, setting international norms and generating knowledge and statistics—in addition to its development operations. The UN Development System, composed of 37 funds, programmes and specialized agencies, is an integral part of the UN

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_17

family. It also qualifies as institutionally complex. The approximately USD 23.9 billion spent annually on development operations is spread wide—thick in some places, thin in many others—and is unevenly distributed across entities. A few entities have major, and many have relatively minor, expenditures in the more than 130 countries where the UN Development System is engaged (Lindores 2012; Secretary-General 2014).

Assessments therefore necessarily differ as to the UN Development System's overall contribution. Whereas it is often stressed that the UN's ideational contribution in terms of generating ideas, norms, data and standards in the field of development has been particularly valuable (Jolly et al. 2009; Weinlich 2011; Browne and Weiss 2013), assessment of its operations is often much less positive. At the same time and somewhat paradoxically, donors continue to implement large shares of their budgets through the UN Development System, which with 17% of total annual Official Development Assistance (ODA), remains the largest multilateral partner of OECD-DAC countries (Secretary-General 2014). A more positive reading of the fragmentation of the UN Development System describes a 'creative chaos' based on the concept of 'strength in diversity' that have positive results in terms of institutional learning and emulation.

The aim of this paper is to present an assessment of the fragmentation discussion in the specific context of the UN Development System. Biermann et al. (2009b) maintain that in today's world 'fragmentation is ubiquitous'—including in development. '[Y]et the degree of fragmentation varies from case to case'. This paper contextualizes and adds to the debate on fragmentation by offering a focused analysis of the UN Development System, a major actor in the field of development cooperation and a peculiar and interesting case of a multilateral system with a high level of intrinsic fragmentation.

The focus of this paper is on the operational aspects of the UN Development System, but this should not be taken as dismissive of its non-operative role, which is considered very substantial by many experts in- and outside the UN system. The debate about the post-2015 Agenda, which is to replace the more operationally inclined Millennium Development Goal (MDG) framework, and the discussion about 'fit for purpose' suggest an even greater non-operative role in the future.

The basis of analysis for the paper is the systemic level. Whilst debates about fragmentation in the UN context are widespread, it is surprising that the systemic level of analysis is rarely applied as a category (compare Jenks and Jones 2013). Within the context of day-to-day operations in- and outside of the UN, the individual entity remains the main unit of analysis of purposes such as performance measurement, funding, monitoring and governance.

This paper is structured as follows: Section two outlines the broad contours of UN development activities and presents ways of measuring its fragmentation. Section three provides a more in-depth analysis of the facets of fragmentation, focused on the structural and operational levels. Section four then discusses some of the main drivers of fragmentation within the UN Development System: the historical legacies of functionalism, evolving funding patterns and incoherent governance by member states. The concluding section provides some perspectives on efforts to overcome fragmentation and opens up the debate with a discussion of the future direction of the fragmentation debate within the context of the UN Development System.

Fragmentation and the Contours of the UN Development System

The fragmentation debate within the UN Development System has a long history that began with the system's establishment. The ambiguity surrounding the UN's overall role in development is a key aspect. The UN Charter is the most fundamental document of the UN system. According to Article 1, one of the purposes of the organization is 'to achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character'. Article 55 states that the UN shall 'promote' the 'conditions of economic and social progress and development'. These generic and operationally non-prescriptive provisions must be contrasted with the numerous articles dealing with peace and security. Provisions for peace and security, the first pillar of the UN, are detailed and prescriptive, but the Charter has remained unspecific about the UN's engagement in development and normative issues, the other two pillars.

Whilst development operations therefore cannot be seen as a prominent or integral element of the UN Charter, member states have generally taken an expansionist stance when interpreting the respective mandate, mirroring the global trends of entity proliferation as the development architecture matured during the 1960s and 1970s. To address upcoming challenges in the course of decolonization, member states established several new specialized agencies, funds and programmes. Today the different entities in the UN Development System collectively cover a mandate and scope that is unequalled within international development architecture. As a result, the principle of universal reach that the specialized agencies embody also applies to operational activities.

The case of the 'mandate review' in the wake of the 2005 World Summit presents an interesting example of an attempt to reign in these expansionist tendencies. Conceived as an attempt to control mandate proliferation within the realm of the General Assembly (GA) and the Economic and Social Council[1] (ECOSOC) and to reduce their overall number, the elaborate process took several years of deliberations before it was abandoned for lack of political will. According to a Secretary-General (2006) report, 'The proliferation of mandates has in some cases led to overlapping, uncoordinated and inconsistent architecture for implementing mandates, in which the whole may be less than the sum of the parts.'

Today the trend of entity proliferation, the first dimension of fragmentation, has mostly abated within the UN development system and since the 1990s has largely been replaced by the accelerated fragmentation of activities, which is the second dimension of fragmentation. As a result, today there are at least 37 distinct entities within the UN Development System that engage in operational activities for development.[2] Challenges relate in particular to their heterogeneous nature, with some of these entities constituting large organizations with multi-billion-dollar portfolios, such as the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF), and others are minor offices in the Secretariat. Together, most of the entities within the UN Development system are members of the UN Development Group (UNDG).[3]

The UN Development System is organised in a decentralised way without a central and authoritative steering body. ECOSOC has a formal mandate to coordinate and steer, but it is under the GA's authority and frequently cannot fulfil its coordination expectations. Furthermore, largely because many of the autonomous specialized agencies existed before the UN's founding and were subsequently incorporated, they are beyond the influence and coordination of both the GA and ECOSOC. This legacy has been called ECOSOC's 'birth defect' (Martens 2006). The expansion of the development system in an iterative fashion over time has only further aggravated the situation. Today, paradoxically, difficulties in overhauling existing structures often give reason to create new ones—and further complexity.

On the positive side, cultural and soft ideational factors can play crucial roles in tying the UN Development System together and shift the dynamics towards more or less coherence. Such factors include value systems, practices, goals and culture. The larger UN family, of which the UN Development System is an integral part, has strong universal values such as peace, justice, equality, human dignity and environmental sustainability embedded in its organizational culture. Whilst perhaps less palpable than other factors, in the daily practice of UN development operations, the UN flag and symbol and the blue passport for officials on mission are concrete manifestations of a unity that—in the absence of some of the harder factors—the UN Development System can capitalize on.

The institutional complexity, comprehensive mandate and reliance on ideational factors makes measuring the level of fragmentation of the UN Development System a challenging task. The following section presents major recent approaches.

The quantitative approach advanced by the OECD is the most common way of measuring fragmentation (compare Chap. 2 by Ericson/Steensen in this volume). The measure[4] combines assessments of fragmentation across and within countries. According to this measure, the five largest UN entities[5] are only moderately concentrated.[6] Overall, this measure of fragmentation depends, to an extent, on the scope of a particular entity's mandate. For example, entities with a more narrow and specific thematic mandate, like many UN entities, have some of the lowest across-county concentration ratios.

The 'Quality of Official Development Assistance (QUODA)' assessment by the Center for Global Development and the Brookings Institution includes a measure of fragmentation that takes a similar approach to the OECD's in that it provides a combined quantitative measure of fragmentation within, as well as across, countries.[7] The QUODA also assesses fragmentation/concentration at the level of different sectors. The selected UN entities[8] covered in the assessment show significant fragmentation across countries as well as significant concentration at the level of individual sectors. Whilst this result also depends on the limited number of entities in the assessment, it provides some useful indications for further research that may contrast traditional perceptions of fragmentation within the UN Development System.

Finally, Lindores (2012) conducted a comprehensive 'expenditure analysis' in a study on coordination that offered multifaceted insights into fragmentation within the UN Development System. Using a comprehensive analysis that broke down expenditure by recipient country groupings, budget size of the disbursing entity and other factors, the study paints a differentiated picture of UN fragmentation. According to his findings, in 2009, just eight UN entities accounted for more than 90% of total aid disbursed and in 50% of countries, the average disbursement for 29 'smaller entities' was a mere USD 357,000 per entity. With an average number of 14.4 disbursing entities per country, an average of nearly 10 entities represented less than 10% of total spending.

The different quantitative approaches to measuring fragmentation have helped to inform the debate within the context of the UN Development System. One of their main limitations, however, relates to the fact that the financial volume of a development activity does not necessarily determine its impact on development outcomes. This is particularly relevant in the case of the UN Development System, which mostly provides technical expertise and policy advice services and relies on relatively small funding volumes. Second, quantitative approaches and measures tend to neglect the political and qualitative aspects of aid relations, which UN entities insist are particularly relevant in their cases.

Facets of Fragmentation in the UN Development System

The particular set-up and complexity of the UN Development System provides substantial obstacles to analysing the factors underlying the fragmentation of the UN development system. This section examines facets of fragmentation at the structural and operational levels.

Structural Fragmentation

As early as the 1960s, the UN Development System was called 'the most complex organization in the world' (Jackson 1969). The UN Development System operates more than 1,400 country offices in more than 130 countries. Each country of engagement has around 14 UN entities represented (Lindores 2012). In addition, there are also elaborate regional structures. The system is characterized by a sectoral institutional set-up with each of the funds, programmes and specialized agencies having a specific sphere of activity. The main organizational structures have traditionally been organized along vertical and entity-specific lines—what critics call 'silo operations'. The legally independent, specialized agencies such as the World Health Organization (WHO) and the International Labour Organization (ILO) form a sort of sub-cluster because of their separate founding articles, which give them a high degree of independence. The funds, programmes and other entities, on the other hand, are nominally under the auspices of the Secretary-General, but de facto also have differing degrees of independence. Intra-organizational collaboration can range from close association among the "big" operational entities, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), UNICEF and the World Food Programme (WFP), to much more peripheral links among others. Relationships among the different entities are thus characterized by a complex pattern of commonalities and differences that result in varying degrees of integration and independence. All the entities are loosely bound together under the umbrella of the GA and ECOSOC.

This fragmented institutional set-up is aggravated by a double-layered system of management and governance, the latter of which consists of entity-specific as well as central governance mechanisms. The strength of entity-specific management and governance is largely considered to be the weakness of respective central arrangements. The UN Development System is unique this way when compared with other international organizations, because the governing bodies, that is, the executive boards of the individual funds, programmes and agencies, operate in near isolation. This non-hierarchical system with no ultimate decision-making authority has been said to cause important governance gaps (Helgasson and Weinlich 2015) with negative effects for fragmentation.

As a result of this set-up, there are few incentives for the governance, management and staff of individual entities of the UN Development System to put system-wide interests ahead of entity interests. Complexity, in particular, has not been kept in check because the UN Charter does not contain strong provisions for an overarching authority to manage and draw together the institutional web of funds, programmes and specialized entities. From this perspective, the UN Development System resembles more of a loose network of individual entities than an actual 'system' (Browne 2011; Mueller 2013; Browne and Weiss 2014).

There are a few notable exceptions, however. In a unique reversal of a longstanding trend of institutional persistence, in 2010 four smaller entities of the UN development system were merged to create a new UN 'Entity for Gender Equality and the Empowerment of Women' (UN Women). Whilst this move was generally seen as a major step forward, including with regard to reducing fragmentation, to make the merger a reality took more than 4 years. This protracted negotiation process mirrored the developing and industrialized countries' diverging views about what the UN Development System stands for and also shined a light on the ambitions of developing countries to have a greater say formally (Weinlich 2011).

Operational Fragmentation

At the level of operations, key processes and systems within the UN Development System, including those for programming, business practices, providing accountability, monitoring and reporting, and to some extent also those for implementation, are organized along vertical lines within individual entities. In particular, enterprise resource planning (ERP) systems, which form the operational backbone of UN development entities, are different in each entity and therefore unable to 'speak to each other'. This presents a big practical obstacle for efforts to overcome fragmentation.

In terms of overall management, the UNDG was established only relatively recently (in 1997) as the main coordination mechanism for the UN Development System. In 2008 it was integrated into the Chief Executives Board for Coordination (CEB) of the entire UN system. Its consensus-based decision-making has been criticized for being weak and inadequate to address the major fragmentation challenges faced by the UN Development System.

There are, however, several operational mechanisms, which run counter to the centrifugal forces outlined above. For example, the 'common system' of human resources rules and regulations as well as post classifications, is arguably one of the most unifying factors of the UN Development System.

There are also a number of more recent initiatives aimed at strengthening collaboration and harmonisation across the different organizational boundaries. Chief among them is the 'Resident Coordinator' system, which has been called the 'lynchpin of coordination in the field'. Resident Coordinators focus on coordinating UN entities at the country level but are hindered by the lack of a formal authority that would be binding for all the UN funds, programmes and entities active in one country.

Another major process for overcoming fragmentation and increasing coherence is the 'Quadrennial Comprehensive Policy Review (QCPR), which took place every 3 years until 2007 and then switched to a 4-year cycle. The QCPR has led to the establishment of a number of instruments aimed at creating coherence, including in common planning and programming (i.e., through the UN Development Assistance Framework) and strengthening Resident Coordinators to advance coordination among the leadership of the various entities present in a particular country.

One of the most important initiatives to overcome operational fragmentation in recent years, going back to the High-level Panel on UN System Coherence of 2006, is the 'Delivering as One' initiative, which encourages convergence at the country level. According to a large-scale independent evaluation (2011) of Delivering as One, it helped to strengthen the role of national governments as coordinators and somewhat increased efficiency. Financial incentives were found to be a key driver of the Delivering as One process. Even after the pilot initiative was officially ended, more and more countries have adopted the Delivering as One principles, which have been operationalized in a set of standard operating procedures. Combined with changes undertaken at headquarters, this has improved cooperation among UN staff of different entities.

Overall, however, the horizontal interagency mechanisms aimed at operations were found to frequently clash with vertical organization principles and structures which made efforts to overcome fragmentation challenging.

Drivers of Fragmentation in the UN Development System

The various facets of fragmentation of the UN Development System are driven by a multitude of factors. Given the complexity of the system and its long history and evolution, any examination of the specific drivers of fragmentation is therefore bound to be piecemeal and incomplete. Nonetheless, the literature suggests that (a) important historical legacies, (b) current funding practices, and (c) incoherent governance and direction by member states are important drivers of fragmentation within the UN Development System (compare Fomerand 2003; Jenks and Jones 2013; Mueller 2013). This section analyses these factors in more detail.

The Historical Legacy of Functionalism

When the United Nations were founded in 1945, the situation was the opposite of a 'tabula rasa'. Specialized agencies working on specific policy areas, such as the pre-existing ILO and WHO, had to be brought into the UN Development System. For practical and political reasons, instead of establishing a more unified entity, the approach taken was to leave the set-up intact, and instead to establish a system of coordination and cooperation based on relationship agreements with ECOSOC. This created an important precedent for the evolution of the UN Development System on the basis of individual entities, instead of a strong centrally organized system.

Most of the entities that were subsequently established responded to an emerging problem or challenge, such as the need for newly independent states to industrialize, address rising environmental challenges, and so forth. This approach was based on the concept of 'functionalism', which rested on the assumption that organizations should be isolated from political interference and focus on expert-driven technical collaboration among nations to resolve common problems. In effect, the UN Development System has compartmentalized its approach to handling development challenges. Its subsystems are frequently coherent in their particular sector of activity, yet distinct from other subsystems. In effect, the current fragmented and non-hierarchical structure of the UN Development System came about largely by intent. It must be concluded, then that the 'functional, disaggregated organisational model is a major hindrance to aid effectiveness' (Picciotto 2014), including to efforts to overcome fragmentation.

Financial Modalities: The Smoking Gun?

Financial modalities and practices—the way donors provide funding to the UN Development System—have repeatedly been identified as crucial aspects of the fragmentation challenge (Weinlich 2014b). The funding structure of the UN Development System has undergone some major structural changes in recent decades. Whereas in the early years, the UNDP fulfilled the role of a centralized funding mechanism that collected and then transferred funds to the various entities, there has been a continuing trend towards decentralized resource mobilization without mediation by a central authority (Browne 2011). Whilst this approach enabled the UN Development System to partake in the global trend of growing ODA, it also carried the incentive for entities to push their own visibility and set themselves off against others in the competition for resources (Mahn 2012).

To make matters worse, the trend towards decentralized resource mobilization within the UN Development System coincided with a larger development towards 'earmarked' non-core or 'multi-bi' funds in the international development realm (see Chap. 7 by Thalwitz and Chap. 13 by Reinsberg in this book). In essence, earmarked funds are designed to make aid organizations more pliable to bilateral interests and priorities. This is in contrast to 'core' funding provided to finance the implementation of an organization's overall mandate without any particular earmarks attached.

Earmarking could be conceptualized as an instrument for incentivizing reform and rewarding performance. It is also said to be more conducive to supporting cross-cutting issues (see Chap. 7 by Thalwitz in this book). Potential negative effects of earmarking include undermining the multilateral mandate if priorities are set outside, encouraging a widening of an organization's mandate ('mission creep'), increasing transaction costs by increasing the administrative burden, blurring accountability lines and the UN development agencies' legitimacy, as well as stimulating competition for funding, which creates still more pressures for fragmentation. From 1997 to 2012, whilst growth in core resources was negligible, earmarked contributions skyrocketed to more than two-and-a-half times the 1997 level. This radical shift in the balance between core and earmarked financing was a second major structural change for the UN Development System and a key factor driving fragmentation. This is because, according to the OECD (2011b), 'non-core funding is particularly prone to creating new 'financially insignificant aid relationships'.

Incoherent Governance

A third driver of fragmentation relates to incoherent governance arrangements and direction by member states. Incoherent governance challenges largely result from fragmented arrangements to govern the UN Development System, which perpetuate the policy incoherencies that exist in each member state government. The executive boards of UN development entities are normally serviced by diplomats and representatives of different ministries within national governments, who often insufficiently coordinate their positions internally within their government. These incoherencies then often cascade to the intergovernmental level of the UN Development System, where they are further exacerbated by complex and dispersed governance arrangements, resulting in fragmentation in the form of incoherent 'marching orders', as well as accountability gaps.

Confronting Fragmentation and the Future

This paper has shown the facets of fragmentation within the UN Development System, both in terms of the number of actors involved, as well as the number of different interventions. Different ways to measure fragmentation (see above) were presented, each of which has its particular strengths and weaknesses for illustrating the extent of fragmentation from a variety of angles. Independent of the marginal differences of the various measures, the magnitude of fragmentation is apparent.

What is missing, however is to put the fragmentation debate into a larger context. As could have been expected, the concept of fragmentation is not value-free and, indeed, is closely linked to particular models and operational approaches. For example, a vertical fund with a limited and clearly delineated mandate that invests significant amounts of funding, such as for distributing bed nets in a limited number of countries, is poised to score better on quantitative measures of fragmentation. In some countries the UN Development System has been evolving in the direction of vertical funds as a result, as evidenced by the growth and success of initiatives such as UN Aids. This is in line with Jenks' finding (2013) that the current financing system rewards operational projects and penalizes norm- and standard-setting work. In contrast, a typical intervention of the UN Development System could be multifaceted or regional, centred on capacity building or providing policy advice to government ministry(ies), and having a more modest financial envelope—all factors that do not necessarily score positively in quantitative measures of fragmentation.

With the sustained debate about fragmentation within the UN Development System, the current conundrum is that financial support continues to be strong. This suggests that narrowly defined measures of efficiency, including fragmentation coefficients, may only form part of donor's broader decision matrix for allocating ODA. For example, current funding patterns indicate an increasing demand for the UN development system to take on the role of 'implementing agent' for earmarked projects (Mahn 2012). At the same time, a substantial segment of member states does not seem to favour such a niche role. This is echoed by concerns at the higher echelons of the UN Development System, who fear that current silo operations relying heavily on earmarked funds may not be sustainable in the medium term.

In essence, through their current funding practices, donors are sending mixed messages to the UN Development System, simultaneously signalling their continued sustenance to individual organizations whilst criticizing the system's overall efficiency and effectiveness, thereby taking an ambiguous stance in the debate about strengthening the systemic vs. individual entities. Given this context, current measures to overcome fragmentation often must fall short of expectations.

In essence, the fragmentation debate within the UN Development System has focused much attention and efforts on reforming operations, in particular at the country level. Some experts (compare, for example, Jenks and Jones 2013) have questioned the logic of such an approach, arguing that from a perspective of strategic positioning and the UN's future role in development, the focus must be placed on other areas of emerging challenges, including generating global norms and promoting a rights-based agenda. In this view, the fragmentation debate was and is backward- rather than future-oriented. There is thus a strong case against limiting the future reform agenda for the UN Development System on fragmentation instead of focusing on the efficiency of transfers in a limited number of recipients, that is, the well-functioning low-income countries. In this view, the focus should be placed on challenges related to globalization and the growing number of middle-income countries. This is in line with the argument by Jenks and Jones (2013) that 'fragmentation provides a serious disincentive to pursue focus and strategic positioning'.

The mandate and role of the UN Development System have been changing over time and its structure and composition reflect earlier development priorities. With the emergence of the sustainable development agenda, there might be a need for a change of role, structure and operations of the UN Development System that is more future-oriented.

Notes

1. A 'mandate' was defined as 'a request or direction for action by the UN Secretariat or other implementing entities in the system, which originates in a resolution of the General Assembly or one of the other organs' (GA/60/733 of 19 April 2006).
2. This is the official term used in the UN to describe what other organizations call 'humanitarian and development aid'.
3. According to the funding report published by the UN Secretariat (2014), there are 37 UN entities engaged in operational activities for development: UNDP, UNCDF, UNV, UN-Women, UNFPA, UNICEF, WFP, UNHCR, UNAIDS, UNCTAD, ITC, UNEP, UN-Habitat, UNODC, UNRWA, FAO, IAEA, UNESCO, ICAO, ILO, IMO, ITU, UNIDO, UPU, WIPO,

WHO, WMO, UNWTO, UNECA, UNECE, UNECLAC, UNESCAP, UNESCWA, OCHA, DESA, IFAD and OHCHR. These broadly overlap the 32 members of UNDG. However, OSAA, OSRSG-CAC, OHRLLS and UNOPS are members of UNDG but not listed in the funding report, and IAEA, UNCDF, UNV, ICAO, IMO, UPU, WIPO and OCHA are listed in the funding report but are not UNDG members (https://undg.org/home/about-undg/members/accessed 29 May 2015).

4. The OECD qualifies an aid relation with a specific partner country as "significant" when the donor's aid volume to the country is among the top 90% of all aid the country receives, and/or the donor's share of aid to the partner country is higher than the donor's overall share of global aid.
5. The five largest UN entities in terms of overall aid volumes are UNDP, UNFPA, UNICEF, WFP and UNHCR. These five entities account for approximately 80% of annual operational expenditures.
6. The combined concentration ratio of the selected five UN entities is 53%. The higher the concentration ratio measuring cross-country fragmentation is, the less fragmented a donor's aid portfolio. Given the limited number of UN entities in the survey, these results are only indicative. Furthermore, the figures just relate to the entities' core budgets. Today, however, the vast majority of funding for the UN Development System comes in the form of 'non-core' or earmarked funding—provided by a donor on the condition that it is spent on a specific project in a specific country.
7. The QUODA measure compares the ratios of a donor's aid to a partner country relative to global aid to that country, and the donor's total aid flows to all its partner countries relative to total global aid. If this ratio is one or greater, the donor is considered to have a 'revealed comparative advantage' in that partner country, meaning that the donor provided a greater share of its aid to the partner than the partner's share of global aid. A second step calculates the total share of aid that a donor has allocated to countries where it has a revealed comparative advantage (www.cgdev.org/page/quality-oda-quoda, accessed 2 May 2015).
8. WFP, UNAIDS, UNFPA, UNDP and UNICEF.

CHAPTER 18

How Serious Is the EU on Aid Fragmentation?

James Mackie

The author thanks his colleagues at ECDPM, including in particular Greta Galeazzi, Florian Krätke, Brecht Lein, Jan Vanheukelom, and Sebastian Grosse-Puppendahl for their comments and suggestions.

Introduction

The European Union (EU) has a long history of internal agreements to improve coordination and complementarity between the member states and the EU institutions on development cooperation. The *Code of Conduct on Complementarity and Division of Labour* (DoL) agreed by Council in May 2007 is the latest example and the cornerstone of the EU's current efforts to reduce fragmentation. But how serious is the EU about implementing the Code and reducing fragmentation?

Fragmentation as a term can apply as much to the proliferation of actors as of approaches. Here we focus on the number of actors. This is in line with the Busan final outcome document (HLF 2011, para 25) which uses *fragmentation* to refer to the 'diversity of development cooperation actors' and the 'proliferation of aid channels'. Although others take a broader view, Mürle (2007), in his study published in the lead up to the Code of Conduct, concurs: '*The main goal of a division of labour is to reduce the number of donors involved in the same kind of activities*'. The Organisation for Economic Co-operation and Development (OECD) in its *Report on*

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_18

the Division of Labour: Addressing Cross-Country Fragmentation of Aid, Report for the Busan High Level Forum (HLF) (OECD 2011a, p. 3) is equally succinct: '*many [developing countries] share a common problem: too little aid from too many donors*'.

This OECD report is a key reference document. Using their statistical database the OECD sought to quantify and analyse the phenomenon (see Chap. 2 by Ericsson and Steensen). Based on this analysis the OECD found that the global fragmentation ratio for 2009 was 40 %, meaning that two out of five aid relations were not significant.[1] On average bilateral donors were somewhat worse (45 %) than multilaterals (34 %). For the EU this analysis concluded that Japan, United States, Germany and Austria are the most concentrated in their ODA with 80 % or more of significant aid relations whereas several significant EU players[2] only show ratios of between 55 and 45 % and some others were substantially worse. Although most EU Member States do not come out well from this analysis, the data on concentration intentions does show that as a group EU countries are planning to make more improvements than most donors in the Development Assistance Committee (DAC).

On the other hand multilaterals seem to do better, with eight of them (including the EU Institutions at 83 %) showing levels of concentration over 80 %. The Report stresses (OECD 2011a, pp. 13–14) that DAC members put 81 % of their funding for multilaterals into just five main clusters of which the European Development Fund (EDF) and EU budget gets nearly half (37 %). Thus, although most EU Member States may not do well on concentration in their bilateral programmes, through their financing of the EU they are supporting one of the multilaterals with the best performance on concentration.

The EU's 2007 Code of Conduct takes a broader view of fragmentation and focuses on improving complementarity between EU donors at three levels: in country, cross-country and cross-sector. It therefore provides the basis for reducing fragmentation of aid management through such approaches as joint programming, delegation or lead donor arrangements, but also for reducing the number of donors in a country by encouraging country prioritization and addressing the 'orphans' gap (see Chap. 6 by Pietschmann).

Approaches to Reducing Fragmentation

In practice there are three distinct methods to reduce fragmentation:

a. *Pooling of resources* through one donor mechanism;
b. *Concentration:* donors reduce the number of partner countries or sectors in which they work;
c. *Coordination and complementarity of donor support* in one country to make it easier for partner governments to manage the support.

All three methods decrease the number of channels partner countries need to deal with and for constant levels of aid, should increase the scale and significance of all the remaining aid relations. Most of the literature however concentrates on the latter two approaches. Yet, the OECD's analysis does show the value of using multi-laterals. A few comments on each of these methods are useful:

a. *Pooling* of resources is the logic behind all multilateral agencies and vertical funds. They allow finance from multiple donors to be administered by one agency. This should ideally be done through existing agencies, as creating new ones can also lead to more fragmentation. Moreover, if bilateral donors continue to operate alongside the agencies or funds to which they have also contributed there is no gain in terms of numbers of active donors. That said, if a multilateral mechanism already exists and such contributions scale up the volumes of official development assistance (ODA) it administers, there may still be a gain in terms of 'significant aid relations.'
b. *Concentration* of individual donors' aid in a limited number of partner countries or sectors is a major concern of the Paris, Accra or Busan HLFs though one detects a certain wariness about pushing donors to reduce the number of countries they work in. Rather the main emphasis is on reducing fragmentation between sectors. The Accra Agenda for Action does contain a commitment to '*start dialogue on an international division of labour across countries by 2009*' (AAA 2008, p.3) and both the Accra and Busan documents refer to the '*issue of countries that receive insufficient aid*', one of the potential dangers of concentration, but go no further. Within the donor community country concentration is more actively considered

though it seems largely at a national level and rarely between donors or with partner countries. Though such dialogue is perhaps limited, concentration is never the less becoming a reality as the OECD notes '*bilateral donors are concentrating aid on fewer partnerships and many partner countries are now faced with donor exits.*' (2011a, p. 19)

c. *Coordination and complementarity in country* on the other hand receive far more attention in the Paris-Accra-Busan documents that emphasise the importance of partner country-led coordination and the need for donors to collaborate more closely and focus on areas of comparative advantage. Country-led coordination is advocated as it leads to higher ownership. At its purest this would take the form of general or sector budget support, which is essentially pooling of resources under the control of partner countries. Yet as the OECD Report points out, reductions in fragmentation can also be achieved through 'less advanced' methods by closer donor coordination involving measures such as joint programming, delegated cooperation and joint financing arrangements (2011a, p. 17).

Reducing fragmentation can also be negative as it could reduce partner country choices and ultimately, in extreme cases sometimes experienced by 'aid orphans,' can even lead to monopoly situations in which partner countries are faced with a very narrow choice of donors. This concern is evident in the Accra and Busan conclusions. Partner country attitudes to South-South cooperation also show the attraction of some level of diversity in external assistance relationships. There is no ideal level of concentration (OECD 2011a, p. 19). In effect having more choice needs to be balanced against higher transaction costs and each country will need to make this cost-benefit analysis for itself.

The Evidence from the EU

Much of the discussion on fragmentation of EU ODA has focussed on the slow pace of progress on the '3Cs' of the 1992 Maastricht Treaty and particularly the '2Cs' of *coordination* and *complementarity*.[3] It is only since the 2002 Monterrey Conference and particularly the 2005 Paris Declaration that real movement has occurred. The EU's 2007 Code of Conduct is an important milestone and the key policy initiative to date on fragmentation in the EU. After its adoption it was followed-up with a Fast Track Initiative (FTI) in 30 countries to encourage implementation (EC 2011a).

Another aspect of EU trends since 2000 is that EU enlargement has itself prompted the establishment of many new small donors as each new member state has been confronted with the *acquis communautaire* and obliged to create its own development administration and ODA budget.[4] This has resulted in a dozen donors with ODA levels of around €150 mn or less, each one contributing below 0.5% of collective EU ODA (EC 2014). As Mürle (2007) suggested after twelve new member states joined the EU in 2004 '*a division of labour approach is particularly important in this context*'.

How then does the EU use the three different approaches identified above?

Pooling of EU ODA

We should recognise that from the very start of the European Community with the establishment of the first EDF in 1958, the member states in effect adopted an ODA pooling approach by asking the Commission to manage some funding on their behalf. EU Budget funds then also started to be used for development 10 years later with the creation of the first food aid instrument (Frisch 2008). In the past decade these funds (EDF, the EU Budget and European Investment Bank (EIB) loans) have more than doubled from €5 bn in 2000 to €13.7 bn in 2012 (EC 2014), while 'collective EU ODA'[5] has nearly doubled. The proportion of pooled EU ODA is, with some fluctuations, slowly increasing from around 18% in 2002 to 25% in 2012.

Thus the EU member states are already making a sizeable effort to reduce fragmentation in their collective ODA by channelling up to a quarter of it through the EU institutions. For the most recent new member states in particular a large proportion of their small amounts of ODA are administered in this way. Thus the fragmentation their emergence as new donors seems to encourage is in practice reduced.

Concentration

The OECD's analysis (2011a) of EU member states' forward planning intentions suggests that as a group they intend to concentrate on fewer partner countries. Some progress has apparently already been achieved in this direction but the overall picture that emerges is not that positive.

There is little recent systematic data and analysis on the number of partner countries of each EU member state. The EU Donor Atlas (2012) does give some basic figures. Considering the absolute numbers of sub-Saharan

Africa partner countries receiving ODA in 2000, 2005 and 2010, four trends are noticeable:

- The total number of partner countries for all EU member states went up by 20% over the 10 years (550–657). Only half of this increase is associated with new member states joining the EU.
- The three largest member state donors maintained the number of partner countries at the same level though the UK was slightly lower than the other two (France: 47, Germany: 46 and UK: 42)
- Among the EU-15 half a dozen states increased their number of partner countries
- A few member states reduced the number of their partner countries (Austria, Netherlands, Spain and Sweden)

Data for 2011 from government websites and other publications[6] (ECDPM 2012) also suggest that some major member states are indeed reducing the number of their partner countries more drastically though the data is not strictly comparable due to variations in definitions.

Bürcky (2011) also looks at both cross-country and cross-sector concentration between 2005 and 2009. His overall conclusion is that donor cross-country fragmentation is increasing and the problem is significantly worse in the EU FTI countries. His data for all developing countries over five years gives a somewhat different picture than that from the Donor Atlas data for sub-Saharan Africa over 10 years. For the EU he identifies six member states (Austria, Belgium, France, Ireland, Netherlands and Portugal) as having decreased and eight (Denmark, Germany, Greece, Italy, Luxembourg, Spain, Sweden, and UK) as having increased their number of partner countries.

On the other hand, the EU Accountability Report (EC 2012) suggests that from 2010 to 2011 there were 71 exits of member states from 43 partner countries. If the total number of EU Member State presences in partner countries is around 650 in 2010 as suggested above, this is not a large reduction. The 2014 edition of the Report (EC 2014) is even less optimistic and notes that most exits relate to donors leaving Middle-Income Countries (MICs).

The European Commission itself is far from concentrated in its provision of aid, with aid programmes in 120 countries including all African countries (Donor Atlas, 2012). However, this is starting to change with the implementation of the Commission's 2011 *Agenda of Change* (EC 2011b), committing it to 'differentiation' and the reduction of aid to MICs.

Overall therefore it would seem some EU member states have been reviewing their partner country lists particularly since the 2008 financial crisis (ECDPM 2012, p. 3) but the varying data still gives an unclear picture suggesting that little real progress has been made to reduce the number of EU donors' partner countries. Moreover, a more careful analysis that also factors in volumes of ODA and sectoral distribution (Bürcky 2011) suggests there is little improvement. However, both Bürcky and the Commission's 2012 Report do point to specific cases of donors who do seem to have reduced fragmentation.

EU Coordination and Complementarity

It is difficult from existing literature to get a clear overall picture of trends in improved coordination and complementarity for EU donors, but various studies on budget support, division of labour, joint programming and discussions on comparative advantage, provide some insights.

Budget Support

Opinions on budget support among EU donors are divided. The Commission is a major advocate and has developed the approach over ten to fifteen years (ECA 2011), but several member states such as Germany or Luxembourg remain cautious or very wary (Schiltz and Bichler 2009). Even proponents regularly express doubts despite the positive assessments of impact that budget support often attracts (Tavakoli 2012). Levels of budget support among EU member states are generally not high. Leiderer (2010) notes how budget support only constitutes about 2.5 % of German aid. For the Netherlands this is slightly higher at 3.4 % (IOB-NL MFA, 2012), for Sweden it was 5.3 % in 2003 (Narea and Christensen 2004) and for the UK, a relatively frequent user, it was 20 % in 2010 (DFID 2011a). On the other hand for the Commission it is substantially higher with around 48 % of EDF10 disbursed in this way and 25 % in Asia and Latin American countries for 2006–2009 (ECA 2011).

What is clear from various studies (e.g. Lister et al. 2006) is that budget support does encourage donors to work together and improve harmonisation and alignment. Typically the Commission and several EU member states are involved, but the exercises generally also include other prominent DAC member countries and multilaterals. EU donors often constitute an important part of the donor group in each case.

Division of Labour

As the EU FTI third Progress Review (EC 2011a) suggests there has been encouraging progress in 19 out of 30 partner countries covered by the Initiative and in a number of areas important for reducing fragmentation through better complementarity. The Review notes in particular '*widespread use and institutionalisation of donor mappings*' and '*solid use of lead donor arrangements*' (p. 2) both of which help improve complementarity. The Review also notes however that the approach is demanding and takes time to yield results. Reprogramming decisions as a result of DoL processes are underway in 50% of the countries, though decisions tend to be taken at headquarters level and '*the coordination of exit strategies at country level remains a challenge*' (p. 7). However, as we have seen, Bürcky's (2011) conclusions on in-country fragmentation are more pessimistic and suggest EU donors generally fragmented their aid more in the 2005–2009 period as they increased their levels of country programmable aid.

The Review also looks at obstacles and enabling factors. In terms of obstacles the two most often cited by donors were (a) limited partner country ownership and (b) reluctance to leave attractive sectors. On the other hand the level of EU member state and Commission engagement in DoL seems to have a positive effect in encouraging other donors to join in.

Joint Programming

The EU institutions have recently been programming the use of funds for the new 2014–2020 budget cycle. For the first time this has been marked by a large scale uptake of joint programming wherein the Commission and various member states align their planning cycles, undertake the exercise together and as much as possible use single-country strategy papers or ideally even the partner country's own national development plan. The approach was first discussed seriously in an EU context in 2004 and has already been trialled in Haiti and South Sudan (Galeazzi et al. 2013). It is now operational in 20 countries and in due course is expected to cover some 40 countries (EC 2014). The exercise is primarily an EU one but can also involve other donors.

Joint programming as an approach to reducing fragmentation has several advantages for donors. First it offers the possibility of reductions in transaction costs, but equally it means donors maintain the visibility of their bilateral programmes as their contributions do not get lost in a larger pool. For the partner country however it still means multiple donors to deal with though probably in a more rationalised pattern.

Comparative Advantage

One of the less discussed aspects of the Code of Conduct is that it suggested that EU donors would each conduct a self-assessment of their comparative advantages with the intention of focusing their work more. While we may assume that such self-assessments do take place there is little evidence that the results are shared across the EU or any effort made to draw overall conclusions on how EU donors might as a group each concentrate their activities in particular areas and thereby reduce fragmentation. The FTI monitoring process also shows this is one of the least well used approaches (EC 2011a).

On the other hand, there is more discussion on the comparative advantages of the European Commission itself. The *European Consensus on Development* from 2006 (OJ-EU 2006) for instance suggests eight roles where the Commission has a comparative advantage: (i) world-wide presence, (ii) promoting policy coherence for development, (iii) promoting best practice, (iv) facilitating coordination and harmonisation, (v) as a delivery agent where size and critical mass are important, (vi) promoting governance, human rights and rule of law, (vii) promoting civil society participation in development, and (viii) promoting public understanding of interdependence and international solidarity among European citizens. These criteria are based on the characteristics of the Commission and the other roles it plays.

A similar conclusion is reached by Severino (2013) who argues that the role for the Commission should be determined by four factors: (i) global presence and scale: the EU has no other choice but to operate everywhere; (ii) because of its institutional nature it has to tackle global challenges such as the environment or climate change, which demand a European response, (iii) equally it should work in areas and sectors where member states are least present, and conversely (iv) in areas where member states are very active it should play a role of bringing them together and coordination.

While member states may not have such distinctive characteristics as the Commission many of the medium and smaller member states do tend to focus their attention on specific regions and sectors related to their history or areas of specialisation. Some also avoid certain sectors (for example large scale infrastructure) because they feel other EU donors are better equipped to handle them. Specialisation around comparative advantage is thus not unknown among EU donors, but it has not yet reached the level of an organised process required to deliver real advances in reducing fragmentation.

Summary of Progress

The evidence thus shows that in a rather ad hoc way the EU as a group of donors is in practice making quite substantial efforts to reduce fragmentation in some areas, though less in others.

- To begin with *pooling of aid*, it appears around 25 % of collective EU ODA is administered through a central institution, the European Commission and that this proportion is slowly increasing.
- On the other hand in terms of *concentration* the evidence is mixed and suggests that there is still only limited overall progress on reducing the number of countries in which EU donors are present or in rationalising the number of sectors each donor is involved in.
- As far as *coordination and complementarity* are concerned, they are well supported through the use of *budget support* where this occurs. But the use of this modality is far from systematic as it generally involves a limited number of EU member states and takes place in only a few partner countries, nor are budget support programmes purely EU based, but rather involve other donors as well and particularly development banks. On *division of labour*, follow-up action to the Code of Conduct through the FTI is more systematic, but progress is patchy and slow with best progress occurring in lead donor arrangements. But the evidence suggests that this showed little or no impact as in-country fragmentation of EU donor aid got worse during the period 2005–2008 while aid levels grew. *Joint programming* of EU donor ODA has already been put into effect in 20 countries for the period 2014 on (EC 2014).

Next Steps for the EU

How then should the EU move forward to reduce fragmentation?

It is questionable whether the political will really exists among EU member states to move fast on this even though they may be supportive of aid effectiveness principles. However, the EU institutions are keen to make the case in favour of reducing fragmentation. Both the European Parliament (EP EAVU 2013) and the Commission have commissioned studies (Carlsson et al. 2009; Bigsten et al. 2011) to estimate the benefits of a more joint EU approach to aid effectiveness.

These studies estimate that major potential savings in the order of 15–20% of total EU ODA[7] could be made if the EU donors were to take serious collective steps to coordinate their aid more closely. This should start from a realistic analysis of the roles the different EU member states and the Commission each play in channelling ODA.

The EU's multiannual budget and EDF11 are set for 2014–2020, but even so there remains scope for increasing the ODA managed by the Commission (Kilnes et al. 2012). In the shorter term pooling can be increased on specific programmes, on supporting trust funds (e.g. the EU-Africa Infrastructure Trust Fund) or on matching funds for blending activities. In the longer term, beyond 2020, channelling more aid through the Commission can be done either by increasing the share of the EU Budget going to development cooperation or by increasing the contributions to the EDF. The latter is in practice more flexible as contributions to the EDF, though based on an initial separately negotiated distribution key, are voluntary and not subject to the vagaries of the wider EU Budget negotiations (Mackie et al. 2011). Member states can therefore offer to pay more into the EDF without upsetting the delicate balances of the EU Budget and there are precedents for this happening. To retain this flexibility it would however be important to keep the EDF as a separate fund and not integrate it into the EU Budget as the Commission has long advocated.

Pooling ODA and channelling it through the Commission therefore remains an option that can be used more extensively. A further step would be to look more carefully at the role different EU member states play in the providing the overall package of collective EU ODA.

Figure 18.1 suggests that since 2000 three distinct groups of actors have emerged among the EU donors as many of them have made serious efforts to reach the 0.7% ODA/GNI target. In particular since 2010 there are four large players that rank among the biggest donors in the world: France, Germany, the UK and the Commission. These all now manage ODA volumes of around €9–14 bn p.a. A second group of half a dozen countries is clustered around the €2–4 bn marks. Among these are three (Netherlands, Sweden and Denmark) that had already reached the 0.7% and which have therefore not increased their aid volumes substantially and one member state (Spain) that made a serious effort to increase though

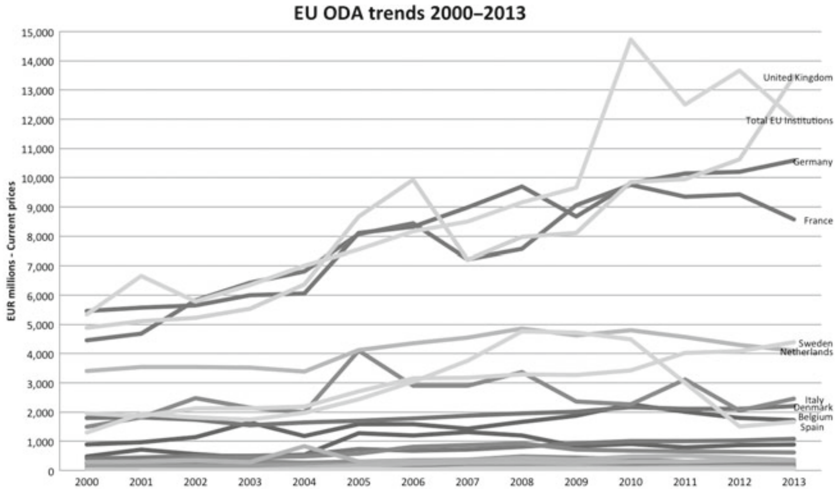


Fig. 18.1 ODA-EU institutions and nine largest member state donors (Sources: OECD Aid Statistics and EU Accountability Reports, EC 2012, 2013, 2014)

due to the financial crisis it has since slipped. The third group, all have ODA levels of €1 bn or below. Many of them have also made an effort to increase, but some started from a very low base in absolute terms and the group includes member states with the lowest GNIs. The EU effort to increase ODA levels since the Monterey Conference in 2002 has thus accentuated this differentiation into three relatively distinct groups.

This pattern of ODA volumes provides a basis for suggesting that these groups of EU donors should behave in rather different ways on aid concentration. In practice such different donor behaviour patterns are already starting to be visible in the actions of individual members of each of these groups.

- The first group of four large donors (Commission, Germany, France and United Kingdom) could take the role of providing overall coverage and major volumes of ODA wherever required. Amongst them the Commission should, as per the *European Consensus*, be the EU donor that is always present. The other three can then work jointly to ensure that, depending on levels of ODA need, at least one is also present in any partner country. With the volumes of ODA these four

deploy sector specialization is probably not called for; more important is that they should coordinate between themselves and ensure the provision of the overall amount of ODA required.
- The next group of six middle level EU donors need to continue their existing efforts to reduce the number of partner countries they work in and not spread themselves too widely over too many sectors. They provide valuable extra resources in addition to what the big four can deploy, but to be effective they need to be strategic in their choice of a limited number of activities.
- The third group of small and very smallest EU donors could consider the option of becoming 'niche' donors specializing closely on a very limited number of sectors and countries. Their other option is to channel an even larger proportion of their ODA through the Commission or through other pooling arrangements like trust funds.

Following such simple guidelines would result in a far more joined-up EU effort and if member states would reach some form of understanding along these lines, it could provide a basis for a more strategic EU approach to further aid concentration.

Conclusions

Although the EU is in theory committed to reducing the fragmentation of its aid, available evidence suggests progress is poor. The formal follow-up process to the 2007 Code of Conduct suggests that while lead donor arrangements and donor-mapping exercises are common there is no clear positive impact on fragmentation. A few EU donors do seem to be reducing the numbers of partner countries, but in-country fragmentation seems to be getting worse.

On the other hand better progress seems to be being made in areas not covered by the Code of Conduct. In particular there appears to be a slow trend of the EU institutions managing an increasing proportion of collective EU aid over the last dozen years. This coupled with coordinated efforts to use budget support where the Commission works jointly with groups of larger and medium scale EU donors as well as other DAC members or multilaterals are the most encouraging features of the landscape. But budget support, despite its promise as an effective means to reduce fragmentation, remains a modality that only a few EU donors use and even then for only a very small proportion of their total ODA. A major political difficulty with both budget support and pooling aid through the Commission instruments is, of course, that neither approach provides individual EU member state donors with much visibility for their aid. The new joint programming approach on the other hand might provide a useful way of EU donors cooperating to reduce fragmentation while at the same time maintaining their visibility.

The way forward on fragmentation for the EU is therefore likely to lie in a combination of different approaches. First and foremost continuing a slow but steady increase of the proportion of collective EU ODA channelled through the EU institutions should be recognised as valuable and an important trend to encourage. The EDF provides a more flexible way to do this than the EU Budget and, if only for this reason, should ideally be maintained as a separate financial instrument beyond 2020. Second, budget support involving groups of several EU donors led by the Commission should also be recognised as a key approach to reducing fragmentation and used wherever conditions are appropriate. Third, joint programming should indeed be supported as an attractive option for EU donors who want to maintain visibility for some of their ODA. After that all EU donors, though particularly those handling medium and smaller volumes of ODA should seek to reduce their number of partner countries and particularly be far more selective about sectors. For a small donor, specialising in a 'niche' activity can well be an attractive option in terms of achieving impact as well as visibility and a reputation for excellence.

These various actions are all consistent with the Code of Conduct although some of them do not feature in the FTI follow-up process. Actions monitored under the FTI are practical steps to reduce fragmentation and where they are followed, such as with donor mapping and lead donor arrangements, they are certainly useful, but they do not replace the real political decisions and hard choices that donors have to make if reducing fragmentation is really going to work. Moreover, as ODA becomes more concentrated in fewer LDCs and fragile states, precisely those countries least well equipped to cope with fragmentation, the importance of division of labour increases.

These decisions will not all be the same for every EU donor. A lot will depend on the volume of ODA they each contribute. It is likely that donors with similar volumes of ODA will have similar options and it may therefore be appropriate that groups of EU donors with large, medium and small ODA volumes each take different decisions. If so recognising these patterns in EU level dialogue may well provide the basis for a more thought through and effective EU strategy on reducing fragmentation.

Notes

1. The OECD looks at the significance of aid relations in financial terms from both donor and partner points of view, by defining a 'concentration ratio' for the former and a 'fragmentation ratio' for the latter. The value of aid relations are then questioned where these are not significant from either side.
2. France, Netherlands, Belgium, Spain, Sweden and the UK.
3. See for instance the studies for the Triple Cs evaluation process in 2006–2008 (www.three-cs.net).
4. Although new member states are not obliged to create a bilateral programme when they join the Union, they do contribute to the EU Budget and the EDF. They thus become donors though the Commission. They also join relevant Council working groups on development cooperation and participate in the EU decision making process, which requires a development administration. To participate in these discussions effectively several also feel the need to set up small bilateral programmes so as to acquire experience.
5. The European Commission uses the term 'Collective EU ODA' to cover all the ODA from EU member states and from EIB own resources (EC 2013, Table 4.2.3b).
6. France: The 2013 OECD Peer Review lists France as focusing its aid down on '17 priority countries'. Faust and Zaija (2012) indicate the number of German partner countries has dropped from 68 in 2000 to 46 in 2011. Though they also suggest that there is evidence of strong path dependency and in fact little evidence that such decisions have yet had any real financial consequences. The Dutch reduced the number of target countries from 43 to 32 between 2005 and 2010.
7. Using 2009 data Bigsten, Platteau and Tengstam estimate a total saving of up to €8 bn p.a. on total EU ODA could be made.

CHAPTER 19

Assessing the Costs and Benefits of Reducing Fragmentation: Coordination in European Aid

Mario Negre and Stephan Klingebiel

This paper substantially draws on the authors' study for the European Parliament, "The Cost of Non-Europe in Development Policy: Annex I", and has benefited from contributions and comments from Mark Furness, Stefan Leiderer, Niels Keijzer, Fredrik Ericsson and Sven Tengstam. Responsibility for the outcome, however, lies solely with the authors: The findings, interpretation and conclusions are theirs and do not necessarily reflect the views of their institutions.

Introduction

The efficiency and effectiveness of aid are key to its very own *raison d'être*. However, official development assistance (ODA) is widely recognized to be very fragmented, thus reducing the potential of each contribution to achieve its goals. This has two main reasons: first, aid comes from a number of bilateral and multilateral sources; second, aid typically provides resources (concessional loans or grants, goods, advice, training, etc.) that are divided among a number of interventions—usually projects and programmes—per donor (Acharya et al. 2006).

The growing number of aid providers and activities in recent decades has led to 'aid proliferation' and 'aid fragmentation', respectively. For recipients in particular, aid fragmentation has a number of negative consequences, which can only be overcome through better coordination.

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_19

Partner country[1] leadership has come to be regarded as crucial; a partner country's lack of decisive guidance and engagement with regard to coordination negatively impacts results.

As seen throughout this volume and briefly discussed below, there is a good deal of literature on the causes and effects of fragmentation (see Chap. 1 by Klingebiel, Mahn and Negre) and the potential benefits of improved coordination (Bigsten et al. 2011; Carbone 2010; Dearden 2013; Hoebink 2004; Knack and Rahman 2007, 2008a; Wood et al. 2011). This is particularly true for the EU, where commitments and institutional and political set-ups could immediately yield substantial gains (Bigsten et al. 2011; Dearden 2013; Klingebiel et al. 2013b; Olivié et al. 2013).

The EU case is not only of interest because the EU has led adoption of the aid effectiveness principles of the Paris Declaration (PD), the Accra Agenda for Action (AAA) and the Busan commitments, but also because of its individual and collective aid contributions, which represent more than half of global ODA (OECD 2013b, 2015). Furthermore, European involvement is very active and widespread in recipient countries: most of the donors active in any given country frequently come from the EU, which makes it a main contributor to fragmentation. Any gains in EU coordination would be large in both absolute and relative terms. Beyond this, the EU's distinct institutional set-up puts it in a very good position to vigorously implement the aid effectiveness agenda in key discussion forums and relevant joint legislation.

Below, we briefly discuss the main aspects of potential savings in transaction costs, and the benefits and trade-offs of coordination in development cooperation as discussed in the literature. We then assess the benefits and costs of greater EU donor coordination at the various levels, and draw conclusions.

A Conceptual Note on Coordination, Costs and Potential Benefits

One of the inherent difficulties of debating aid coordination involves the definitions and concepts, which tend to be very disparate. We use the following definition[2]:

> 'Aid coordination' comprises activities of two or more development partners—preferably under the lead of the partner country—that are intended to improve

or harmonise[3] their policies, programs, procedures and practices in order to maximise the development effectiveness and the efficient use of aid resources.

We distinguish three broadly understood levels of aid coordination. The *policy level* is about principles and standards, strategic approaches and allocation patterns. The *programming level* is about approaches and strategies (such as a specific country strategy) during the aid programming phase. The *implementation level* focuses on how aid is coordinated during the aid provision phase.

Generally speaking, increased coordination is expected to reduce the financial costs for achieving a given target (efficiency gains), improve the impact or outcome with the same investment (effectiveness gains)—or both. The costs and benefits of more and better coordination may be relevant for either the aid recipient or the aid donor—or both of them.

Transaction Costs

The most evident and straightforward potential gains of coordination in development cooperation are savings in transaction costs, as these are not linked to any specific policy choice that other potential gains may require. We use a simplified version of Lawson's (2009) notion of transaction costs—'the costs which allow an economic transaction to take place but which add nothing to the value of the transaction'—to distinguish them from production costs.

This notion of transaction costs can be adapted to development cooperation as 'the costs arising from the preparation, negotiation, implementation and enforcement of agreements for the delivery of ODA'—following Carlsson et al. (2009). Brown et al. (2000) state that these costs are mainly short-term or administrative costs, i.e. the overhead associated with programming, identification, preparation, negotiation, agreement, implementation, monitoring and evaluation of aid activities (programmes and projects) including the policies, procedures and diverse donor rules and regulations for managing aid projects and programmes, translations and adjustments to divergent fiscal periods'.

Long-term or indirect costs are associated with ODA delivery modes. These are mainly associated with the 'impact of aid delivery mechanisms, in particular donor practices that impair the quality of government systems or hinder development of public sector capacity' (Carlsson et al. 2009). Whilst long-term costs are crucial for development, we do not address them here. Following Lawson (2009) and Carlsson et al. (2009), short-term transaction costs and long-term costs could be assigned to the following categories: (i) search and information for project identification; (ii) negotiation and decision; (iii) monitoring and enforcing requirements; and (iv) long-term costs due to weak ownership and allocative efficiency.

The Problem of Measuring Aid Costs and Savings

When discussing benefits or cost savings by coordinating at the donor-to-donor level, we primarily address administrative costs and multiple structures/burdens. At the donor-to-partner country level, there are other cost types and dimensions. For instance, imperfect contracts could cause principal-agent problems, as well as issues including moral hazard, poaching of government officials and administrative burdens for local governments, *inter alia*. Measuring costs can also be problematic if costs are counted twice. The big challenge is to reveal the costs in the aid flow process—without overlapping and in a sufficiently disaggregated manner so that they can be identified and quantified.

Amis et al. (2005) stress that 'there [are] too many uncertainties in distinguishing which costs [are] additional to normal costs of running government, which [are] essential and which unnecessary, and which costs [are] direct (the administrative costs of the transaction) and which indirect (e.g. undermining government ownership and policy consistency)'.

Carlsson et al. (2009) illustrate that the principles defined in the PD and AAA can be applied to increase aid effectiveness. First they use cost categories defined by various authors, such as Knack and Rahman (2007), to analyse and locate potential savings. They raise key methodological issues like the distinction between ODA programme costs and total overhead costs. To define overhead and administration costs in detail they detect the costs of institutions or organizations, for example, the number of country offices, national and international staff, and administrative budgets at headquarters. When a ministry of foreign affairs oversees ODA, it may improve policy coherence either for or at the cost of development—and cause further complications (see Chap. 20 by Calleja, Carment and Samy in this volume and Negre 2013).

In terms of who bears the costs, although data on donors' administrative costs are scarce but increasingly available, they are very difficult to collect and generalize for partner countries. Despite the widely held belief that the costs of poor coordination are high for recipients, we continue to have difficulties in quantifying them.[4] Poor coordination translates into too many missions, a large number of projects to be managed, many strategies to be negotiated and so forth—all in specific forums and at different levels of government. This means that any estimation is highly contingent on the recipient country, both in terms of the aid set-up and officials' salaries and degrees of involvement.

Increased and Improved Impact

Research on aid coordination generally concurs that aid coordination leads to improved and increased outcomes and impact (Dearden 2013; Eriksson 2001; Knack and Rahman 2008a; Bigsten 2006). Benefits can have many forms in this regard and they are discussed herein following the three levels of coordination proposed earlier, namely policy, programming and implementation.

At the *policy level* we can assume that no single donor is in a position to cover all the countries and sectors that need support. Coordination contributes to efficient allocation, which is key for a cross-country and cross-sectoral approach to distributing aid resources.

We can also assume that existing types of conditionality largely depend on coordination. If a critical group of donors does not agree implicit or explicit conditions, the impact—for example, pushing for a Public Financial Management (PFM) reform—will be very inferior. Additionally the conditions may be contradictory.

At the *programming level*, aid coordination is expected to be key to an effective public sector in the partner country and to its absorptive capacity. Uncoordinated aid approaches lead to high transaction costs and less effective public institutions. For instance, a finance minister who has to deal with a large number of donors every day will probably be distracted from core business. The introduction of 'silent periods' in a number of partner countries (such as Rwanda, when the national budget is being prepared) hints at this challenge.

Similarly, partner countries cannot absorb any number of aid activities without losses in terms of effectiveness. Furthermore, to be aligned with partner country systems coordination is again an important requirement. Harmonisation is a precondition for and the use of partner country processes the starting point of alignment.

Lack of coordination may negatively impact a country's allocation patterns. Aid is often allocated to sectors and regions based on political motivations of decision makers in the partner country.

Coordination is also required for alignment at the *implementation level*. Aid instruments in line with partner country systems, such as programme-based approaches (PBAs), must be based on donor consensus. Budget support operations, for instance, rely on coordinated and harmonized approaches to engage with the partner country government. Lack of donor coordination may result in 'bad practices' or perverse incentives such as poaching qualified public servants. Finally, if the requirements for monitoring and evaluation (M&E) are not coordinated and aligned with national systems—like the statistical office, M&E cannot effectively guide policies.

Donor Coordination Trade-Offs

Increased coordination could provide efficiency gains but might also have negative side effects. This means that there may sometimes be a trade-off between efficiency and effectiveness gains.

We identify three main aspects. First, coordination might create additional transaction costs without clear value added. If coordination is mainly related to the number of donor meetings, transaction costs may be increased but no relevant benefits reaped. Coordination must be driven by outcomes (e.g., increased use of pooling arrangements) not input-related activities (meeting structures, etc.).

Second, coordination may also lead to time-consuming processes and delays, requiring trade-offs to be made between the benefits of potential coordination and the need for quick results, such as in a post-conflict scenario. In such cases, coordination may be seen as less important than 'tangible results'.

Finally, from the recipient's perspective, greater donor coordination may lead to the formation of a unified position for the whole donor group—which can reduce the partner country's room for manoeuvre. For example, it is probably not in the partner country's interest to be exposed to a single approach by the donor group and rather enjoy some sort of 'pluralism' in approaches. 'Little donor coordination' in this regard could be part of a 'risk sharing' approach.

Benefits and Costs of EU Donor Coordination[5]

The main potential benefits of increased EU coordination are better outcomes, longer-term development impacts, increased alignment with partner countries and reduced transaction costs. Much of this could be obtained from the positive impacts a coordinated donor community could have in a given recipient, not only through concrete projects or programmes, but also by helping to develop the recipient country government's institutional capacity and ownership of the interaction and development process. The latter is key to sustainably pursuing developmental objectives.

Quantitative estimations of the potential gains of increased EU donor coordination are added at the end of sections when available. Our estimations are based on re-assessing the figures of Bigsten et al. (2011),[6] the most comprehensive quantitative assessments to date. We show herein that, given their large intervals of confidence, these must be carefully interpreted as estimates of the order of magnitude of potential savings rather than as indications of probable values. This notwithstanding, it may be helpful to indicate the relative importance of a number of potentially positive outcomes of better coordination.

Policy Level

At this level, we identify two main areas of EU coordination, i.e. policy coordination in international forums and what can be generally described as 'allocation patterns'. We consider that the latter includes policy coordination for joint decision-making processes regarding the cross-country division of labour and whole-of-EU aid allocation patterns.

EU Development Cooperation Coordination in International Forums

There are two main benefits to having a single EU voice in international forums. Externally, it would probably help to push the aid/development effectiveness agenda at the international level (Carbone 2008), which could invigorate international efforts to adopt the PD principles.

Internally, the EU could benefit from member states (MS) mounting 'peer pressure' to respect EU commitments—thus strengthening internal coordination. Given the EU's importance in development cooperation, this could serve to reduce fragmentation.

Nevertheless, there are also some implied costs. Keijzer and Fejerskov (2013) find that detailed agreements require substantial investments in time and may potentially introduce weaknesses in the EU's manoeuvring capacity in international forums if other actors learn of the EU's positions and 'redlines' in advance.

Aid Allocation

The only fully functioning coordination in this area occurs through the EU's development cooperation instruments, where the MS, the European

External Action Service (EEAS), the European Commission (EC) and the European Parliament jointly decide aid allocations—with the notable exception of the European Development Fund which remains outside of the Union's general budget.

The potential qualitative benefits of coordination in this area can hardly be understated. A substantial division of labour across partner countries would reduce donor duplication costs and recipient transaction costs because there would be less need for interaction with donor agencies and thus fewer donor representatives, and so forth. Efficiency gains would in turn allow partner countries to increase their capacity to absorb aid resources.

Bigsten et al. (2011) find that reducing the average number of recipients per EU donor could yield substantial savings for donors. Their estimations provide an indication of the magnitude of savings in transaction costs to be obtained through better coordination. The authors also include estimations that highly depend on the chosen degree and modality of coordination, as well as the type of support for the partner countries.

Bigsten et al. (2011) consider a model that relates the Country Programmable Aid (CPA) administrative costs of donors to the number of partner countries they have. Applying an ordinary least squares (OLS) estimation to the whole set of Development Assistance Committee (DAC) donor countries plus the EC, they find that the log of administrative costs increases by 0.0054 for each additional recipient country. This allows them to estimate the potential savings of reducing the number of recipients. As is tradition in economics, they then test the effect of a reduction in the average number of recipients, 100, by one standard deviation, in this case 37%, or 37 countries. The exercise carried out by Bigsten et al. (2011) is thus a test using an arbitrary choice for the degree of concentration in fewer recipients.

Alternatively, we apply the two restrictions in the EU Code of Conduct on Complementarity and the Division of Labour in Development Policy (EU Code of Conduct): (i) no more than five EU donors should be involved in the same sector and recipient (restriction CoC1) and (ii) each donor should work in a maximum of three sectors per partner (restriction CoC2). If we take the OECD's list of 12 sectors per recipient, we find that CoC2 is more restrictive than CoC1. This allows us to re-estimate savings in administrative costs based on a European commitment, which eliminates the need for using an arbitrary reduction to test for the magnitude of change. The underlying assumption is that coordination would be improved if these two most prominent commitments in the EU Code of Conduct were more rigorously applied in a scenario of better coordination.

We use 'interactions' to refer to all the involvements of a given donor in a given sector of a given recipient. The OECD's Creditor Reporting System (CRS) data on CPA allow us to determine the total number of donor-sector interactions for each donor and for the EU15[7] plus the EC. The combined ODA of the 12 countries that most recently joined the EU is very small—1.7% (2009)[8] of the EU total—so we exclude it from these calculations and focus instead on the original 15 members (EU15). This is consistent with the imprecision of the estimates, which lies far above this percentage.

Based on CRS data for 2009, we compute a total of 8,855 interactions for the EU15 + EC. This is significantly more than the CoC1 and CoC2 restrictions allow. CoC1 sets a maximum of five EU donors per sector per recipient, limiting the number of possible interactions to the product of 5, the number of sectors (12) and the average number of recipients per donor (100) = 5*12*100 = 6,000. CoC2 limits the number of interactions for the EU15 + EC to three sectors per recipient (100 on average) for all donors (16), i.e. 3*100*16 = 4,800.

The above calculations allow us to derive the number of necessary reductions in the number of interactions to abide by the two restrictions in the EU Code of Conduct—CoC1 and CoC2. We further assume that since we have considered 12 sectors per recipient as per CRS data, each decrease in 12 interactions is equivalent to a reduction of one recipient The percentage reduction in total interactions for CoC1 and CoC1 can be taken as the percentage reduction in the average number of countries required to strictly fulfil the key commitments in the EU Code of Conduct.

Following CoC1 implies a reduction of (8,855–6,000)/8855 or 32% of interactions, a decrease in 32 recipients from the average 100; CoC2 implies a reduction of (8,855–4,800)/8855 or 46% of interactions and 46 recipients. Applying the OLS results of Bigsten et al. (2011), we obtain respective savings of EUR 369 and EUR 507 million; by using the expression for savings (Eq. 19.3) derived in the Annex for 100 recipients ($n = 100$) and EU15 + EC total administrative costs (admin_N) we get the figure of USD 3.215 billion (2009 prices). Since CoC2 is more restrictive and involves a larger reduction in the average number of recipient countries and thus higher savings, we take EUR 507 million as the potential savings. If we apply the EU's Bigsten's (2013) inflation rate to update the 2009 estimates to 2012 prices, we arrive at cost savings of EUR 548 million.

The OLS estimated by Bigsten et al. (2011) produces a 95 % confidence interval of 0.0012–0.0096 for the coefficient relating the average number of recipients to the natural logarithm of CPA administrative costs. If instead we take this interval into account by substituting 0.0054 by the two values in Eq. 19.3 for the reduction of 46 recipients proposed above, we find that the lower and upper limits of this interval translate into cost savings between EUR 134 and EUR 890 million in 2012 prices.

Such an exercise would be very likely to address the 'aid orphan/darling phenomenon' (the situation of relatively underfunded and overfunded countries) so as to increase efficiency and effectiveness. Gains would principally come from exploiting different returns to aid investments and donors' comparative advantages (sectoral, geographical, historical, etc.) vis-à-vis the different typologies of partner countries and, to a certain extent, the various aid modalities. Neglecting good aid investment opportunities in terms of 'underfunded countries', for example, could cause a loss of potential effectiveness gains in the overall aid system (opportunity costs). The same effect could occur in terms of 'overfunding' countries or regions, in which case constraints in absorptive capacity may lead to a decrease in the efficiency of aid contributions and/or impact per aid unit.

In terms of achieving a single global allocation pattern for MS plus EC ODA with optimal efficiency, Bigsten et al. (2011) estimate potential gains of over EUR 8 billion (2012 prices) by using the reallocation of aid exclusively aimed at reducing poverty that Collier and Dollar (2002) propose. This approach, which yields by far the largest savings, is about one order of magnitude larger than the estimate for transaction costs. However, the calculation entails a set of important assumptions that can substantially affect the estimate.

In fact, the poverty efficient aid allocation formula of Collier and Dollar (2002), which Bigsten et al. (2011) use for their calculations, has been widely criticized. First, the robustness of the findings that underlie their allocation model has been called into question by many authors, including Hansen and Tarp (2001), Dalgaard and Hansen (2001), Lensink and White (2001), Easterly (2003), to name but a few. Second, evidence suggesting that aid is particularly effective in contexts of economic vulnerability questions the efficiency of allocations based on institutional performance (Guillaumont 2008) and in post-conflict environments (Collier and Hoeffler 2002b). Third, Collier and Dollar are criticized for implying that allocation patterns should be shifted away from the neediest recipients

(Bourguignon and Platteau 2012, p. 3)—a practice which may raise equity concerns (Cogneau and Naudet 2004; Guillaumont 2008, p. 26).

What is 'optimum' with regard to allocative efficiency is highly debatable. When identifying where aid most effectively reduces poverty, it is important to bear in mind that effectiveness in poverty reduction has no clear, commonly agreed, standard of measurement. Which is more effective for reducing poverty: lifting 10 people whose income is at 90% of the poverty line, or using the same money to lift one person who earns only 10% of the poverty line? Is it more effective to target a small country with a large percentage of poor people or a large country with a low percentage of many poor people? In this regard, the issue of allocation efficiency may not be as straightforward as Bigsten et al. (2011) appear to suggest.

Programming Level

At the programming level, three main vehicles of EU donor coordination can be identified: joint programming (JP), the sectoral division of labour and delegated cooperation or silent partnership (SP). We discuss their qualitative costs and benefits below.

Joint Programming (JP)

First and foremost, this mechanism allows for targeting many aspects of the PD that address increasing effectiveness. In particular, joint programming (JP) aims at improving both alignment and ownership so as to improve aid effectiveness and sustainability. It can also secure greater predictability and less funding volatility for the recipient. JP may contribute to institutional development at the recipient level and may significantly reduce transaction costs for the recipient government by concentrating negotiations in one donor forum, EU-only or otherwise. JP significantly enhances the quality, availability and sharing of information (such as aid mapping). Finally, it can help to better synchronize EU donors with the recipient's budget cycle, thereby reducing transaction costs and creating a more efficient and effective impact on policies and outcomes—because consultations, negotiations and responses will be better timed in relation to the recipient's policy dynamics.

In terms of specific benefits for EU donors, JP can increase leverage and the impact of 'one voice approaches'—allowing donors to pursue a unified approach in terms of conditionalities, disbursement triggers, good governance requirements, and so forth. Partner countries would benefit from a reduction in the conceptual contradictions that often materialize when many donor-funded experts push specific sector policies, as typically happens in a fragmented donor landscape.

Using a 2008 study by Kharas (2008), Bigsten et al. (2011) quantitatively assess the benefits of eliminating aid flow volatility. Although it is generally accepted that greater coordination implies less volatility and more predictability, the extent is not clear. The Bigsten et al. (2011) estimates for reduced volatility cannot be taken as automatic savings from greater EU coordination, as Prizzon and Greenhill (2012) emphasize.

Sectoral Division of Labour

We view the sectoral division of labour (DoL) as a form of coordination, including cases that need no further coordination because donors have exited the sector as a result of cross-country DoL. The main advantages of sectoral DoL are the reduced number of donors per sector and the increase in significant activity per sector and donor. Sectoral DoL can help to boost efficiency by reducing duplication, competition and general transaction costs, and also exploit the MS' comparative advantages and increasing complementarity to achieve greater effectiveness.

Sectoral DoL also helps to clarify the distribution of roles, which permits better programming and implementation. It similarly helps to tackle the over-/under-funding of specific sectors or subsectors that results from poorly coordinated set-ups.

Delegated Cooperation: Silent Partnership (SP)

This method of coordination whereby one donor provides the funding and another implements it brings benefits like those of sectoral DoL but saves more transaction costs as funding increases for the same number of interventions and, in some cases, reduces the need for on-the-ground staff and management. It also provides donors with the opportunity to cooperate with countries where they do not have an office or in sectors where they have limited expertise.

This increases the visibility and leverage in negotiations for lead donors and helps to establish their comparative advantage and complementarity within the donor community.

Implementation Level

The main vehicles that are relevant for EU donor coordination at the implementation level are programme-based approaches and multi-donor budget support. Although they may not be coordination mechanisms *per se*, they enable EU donor coordination at the implementation level.

Programme-Based Approaches (PBAs)
Programme-based approaches (PBAs) can be implemented through various aid modalities, which range from pooled (or basket) funding of specific activities or reform programmes to joint support of system-wide approaches (SWAps), and sector and general budget support. These approaches aim to reduce the pernicious effects of fragmentation in recipient countries by harmonizing donor procedures and increasing partner ownership through the use of country systems. Pooling also allows larger programmes to be funded without proportionally increasing costs.

These modalities of aid provision are credited with notably increasing efficiency and effectiveness. They generally offer greater potential for ownership and alignment; a reduced number of interventions and donor competition (in certain areas); simplified and harmonized reporting and M&E systems; and a decreased risk of moral hazard, both in terms of recipients' aid governance and donors' use of tied aid.

Re-estimating the results of Bigsten et al. (2011) using our methodology- based on the EU Code of Conduct commitments- provides a quantitative orientation of the potential gains of shifting from projects to programme-based aid. These authors impose the PD target of 66% of total ODA through PBAs. Using a different reduction in the number of recipients—46 instead of the 37 that Bigsten et al. (2011) apply—and shifting from project aid to PBA, we re-estimate savings of EUR 297 million (2012 prices).

There is, however, an important caveat to these estimations, namely that Bigsten et al. (2011) assume that the CPA administrative costs are twice those of the bilateral ODA not included in CPA—which allows them to calculate the proportion of total administrative costs that can be attributed to CPA. To assess the sensitivity of these results we estimate lower and upper boundaries that overlap with those calculated for savings—by reducing the average number of recipients per donor. Instead of assuming CPA administrative costs being twice those of non-CPA, this factor could actually be lower or higher, say 1.5 or 2.5 times respectively. Using the lowest and highest figures produced by modifying the factor, we obtain respective lower and upper boundaries for our EUR 297 million estimate, EUR 226 and EUR 382 million.[9] Total savings would thus range between EUR 0.2 and 0.4 billion.

Were the total share of PBA to increase, further progress in untying aid could probably be made because it would be more difficult for donors to insist on implementing through their own aid agencies. Such gains, however, should not automatically be attributed to increased EU coordination because some gains depend on policies, which would be implemented to unknown degrees in case of increased coordination. Bigsten et al. (2011) show maximum potential gains of EUR 784 million (EUR 846 million in 2012 prices). They consider the average proportion of increased costs attributed to aid tying to fall between 15 and 30%, which provides an upper and lower boundary. We interpret their results as potential gains around EUR 0.8 billion, perhaps between EUR 0.6 and EUR 1.1 billion.

Multi-Donor Budget Support

Multi-Donor Budget Support (MDBS) is arguably the most comprehensive form of PBA. However, it is also the most demanding in terms of partner capacity and commitment to making the most of resources. Other commonly used PBA modalities, such as pooled funding arrangements, ensure donors greater control but involve higher transaction costs.

Beyond its widely acknowledged benefits in terms of transaction costs reductions, budget support is also credited with addressing cross-cutting government-wide policy, expenditure and institutional priorities that cannot be tackled with stand-alone and sector projects; improving the efficiency and transparency of budget spending; reducing the fragmentation of public expenditure management; and integrating recurrent and capital expenditures (Koeberle and Stavreski 2006). Evaluations of budget support programmes show that this modality increases partner countries' control over aid funds and supports the development of shared frameworks, tools for policy dialogue and shared results-monitoring systems. However, these benefits are subject to agreement on objectives, donor harmonisation and alignment with partner country priorities regarding the implementation of budget support operations (Caputo et al. 2011). Although in principle this modality improves predictability for recipients, since budget support is susceptible to political factors, it increases the risk of donors suddenly withdrawing support.

In terms of quantitative benefits, Bigsten et al. (2011) use an OLS estimation to calculate the indirect growth effects of increasing the share of budget support by one standard deviation. Beyond the intrinsic arbitrariness of this increase, there are important concerns over the robustness of the model that links budget support to growth and the direction of causality, as Prizzon and Greenhill (2012) noted and the authors of the estimation have acknowledged. We concur with Prizzon and Greenhill that this figure is unreliable and take the estimated EUR 2.0 billion as a simple indication of potential substantial gains in this area.

Overall Potential Savings for the EU

Quantitatively, our re-estimation can be summarized as follows (Table 19.1):

Table 19.1 Summary of effects of better EU implementation of the Paris Declaration (€ billions; 2012 prices)

Type of effects	*Bigsten (2013)*	*Authors' re-estimation*
I. Savings from reducing number of partner countries	0.5	0.1–0.9[a]
II. Savings from shifting aid modalities	0.3	0.2–0.4[a]
Savings on transaction costs (I + II)	**0.8**	**0.3 ± 1.3**[a]
III. Gains through untying aid	0.9	0.8 ± 0.3[b]
IV. Gains from reducing aid volatility	1.8	Excluded[c]
V. Growth indirect effects of increased budget support	2.0	Excluded[c]
VI. Gains from coordinating country allocation	8.4	Excluded[c]

Source: Authors

[a]Own estimates, based on Bigsten et al. (2011)

[b]Bigsten et al.'s (2011) interval of confidence

[c]Because they require key assumptions beyond coordination

In sum, Table 19.1 shows that our partial re-estimations do not substantially differ from those of Bigsten et al. (2011). There are, however, two main differences. First, we re-estimate the reduction in the average number of recipients per EU donor by fully applying the EU Code of Conduct's two key commitments instead of arbitrarily reducing it by one standard deviation. Second, we provide the confidence intervals for the most reliable estimates. Because of the considerable uncertainties, key European policy discussions that use these figures should take note of these important nuances. Overall, the quantifiable gains of improved EU development coordination could be in the order of EUR 0.8–2.4 billion. Gains from reduced aid volatility and growth indirect effects of increased budget support could reach similar magnitudes depending on how increased coordination would be implemented.

Conclusions

The costs/benefits assessment carried out here indicates unambiguous and potentially significant efficiency and effectiveness gains through improved EU donor coordination. The benefits of closer coordination between MS, and between MS and EU institutions are of a variety of natures.

Some of these costs and benefits can be quantified whilst others cannot because they correspond to non-quantifiable changes in certain actors' abilities to pursue specific objectives. Of the benefits that could be quantitatively estimated, many are in fact non-measurable or lack the data needed to measure them accurately. In practice, this means that attempts to quantitatively assess potential cost savings can only provide a partial picture. This is particularly true because the trade-offs to greater coordination, such as increased transaction costs, delays in implementation and the potential weakening of the recipient's position vis-à-vis the donor community, must be taken into account.

In line with previous research, the quantitative assessment presents a strong case that the savings from increased EU coordination in the area of development cooperation at the policy, programming and implementation levels would be substantial—around several billion euros annually. This could be achieved by fully applying the EU Code of Conduct's two key commitments regarding the number of 'sectors per donor' and 'donors per sector'—without any additional legislation. However, beyond the methodological difficulties resulting from general limitations in data availability, particularly at adequate disaggregation levels that identify costs, large margins of error mean that the estimates should be used with great caution.

As the word's largest provider of aid, the EU could greatly increase aid effectiveness globally by improving its own coordination. Any such effort in line with the current expansion of joint programming exercises and the revitalisation of other existing tools, such as cross-country and sectoral division of labour, could yield very substantial benefits to the entire development community.

Annex: Estimation of Savings and Confidence Interval from a Reduction of Recipients

Bigsten et al. (2011) report a 0.0054 increase in the natural logarithm (ln) of administrative costs (admin) for each additional recipient in 2009 USD. For the general case of a decrease of n in the total number of recipients (N), this can be expressed as:

$$\ln admin_{N-n} - \ln admin_N = -0.0054 * n, \tag{19.1}$$

Using logarithm's properties this can be rewritten as:

$$admin_{N-n} = admin_N * e^{-0.0054*n} \tag{19.2}$$

Thus, the savings in administrative costs for a reduction of n recipients is given by:

$$Savings = admin_{N-n} - admin_N = admin_N * \left(e^{-0.0054*n} - 1\right) \tag{19.3}$$

Notes

1. We use 'partner' and 'recipient' country interchangeably.
2. The definition uses parts of those given by Lister and Stevens (1992) and Eriksson (2011); however, for this study we do not consider resource mobilisation to be part of aid coordination.
3. We use 'harmonisation' to refer to the efforts of donors and development partners to use similar procedures, standards, and so forth, to reduce transactions costs for the recipients.
4. See Bigsten (2013).
5. We understand the 'EU' as the Member States plus the European Commission.
6. This was updated in Bigsten (2013) to account for inflation (8%), thus providing results in 2012 prices.
7. EU15 are the 15 MS that composed the European Union as of 1 January 1995: Austria, Belgium, Denmark, Finland, France, Germany, Greece,

Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom.

8. OECD Creditor Reporting System.
9. These boundaries are obtained by choosing the lowest and highest values of the re-estimation of the confidence interval for the savings by shifting from project aid to PBA (EUR 297 million) for values of the CPA-to-non-CPA administrative costs factor equal to 1.5 and 2.5.

CHAPTER 20

Aid Fragmentation and Coherence: Is a More Integrated Approach the Answer to Canadian Aid Effectiveness?

Rachael Calleja, David Carment, and Yiagadeesen Samy

Introduction

Aid flows in the Canadian context have traditionally tended to be quite diffuse across a large number of recipients, and mostly project-based. Between 2000 and 2011, the number of countries receiving Canadian aid ranged from 120 to 144. The average aid budget was a little over US$3.4 billion over that period, with aid to the top 20 recipients peaking at 47% of Canadian Official Development Assistance (ODA) in 2010.[1] In a 2007 peer review of Canada's development program, the DAC noted that Canada should focus its aid on fewer partner countries and be more predictable about its aid flows to them in order to generate more impact. The most recent peer review in 2012 was quite positive regarding concentration of aid to partner countries; however, it also recommended that Canada continue to focus its ODA on thematic and geographical priorities while at the same time disengaging from those activities and programs that are no longer considered important.

To counteract excessive fragmentation across recipients, there have been attempts in recent years to be more focused by allocating a predetermined percentage of aid to a group of priority countries based on well-defined criteria. This includes a focus on fragile states such as Afghanistan, Ethiopia, Pakistan, Sudan/South Sudan and Haiti, with

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_20

Afghanistan and Haiti being the two largest recipients of Canadian aid in the past decade. In fact, the list of focus countries was reduced from 25 to 20 in 2009; focus countries were chosen based on their real needs, their ability to benefit from aid, and the extent to which they aligned with Canadian foreign policy priorities. Using the same criteria, the list of focus countries was increased back to 25 in 2014.

The announcement by the Canadian government in its March 2013 Federal Budget that the Canadian International Development Agency (CIDA), which was created in 1968 to administer Canada's aid programs, will be part of a 'mega bureaucracy' called the Department of Foreign Affairs, Trade and Development (DFATD) caught many by surprise and has created a lot of uncertainty and speculation regarding the future direction of Canadian aid programs. The government has claimed the move was justified because it would improve policy coherence across the three policy areas of diplomacy, commerce and development.

However, many see this change as a move away from developmental objectives specified by Canada's ODA Accountability Act to one that will favour Canadian private sector interests. There has not been any serious analysis of what this change will actually mean for Canadian aid effectiveness as it relates to aid fragmentation and coherence—both across levels of the Canadian government and with other donors. This chapter will examine how and whether the CIDA transition will create greater coherence in Canadian aid policies through a comparative context.

In the first section, we identify the fragmentation and coherence problematic through an exploration of the contending issues in both theory and policy. We then identify the implications for addressing state fragility in particular. In many ways state fragility is the litmus test for aid coherence across individual donor activities because no other environment requires such a high degree of coordination and concentration of resources in specifically targeted areas.

Second, drawing on other donor experiences, we will compare this so-called hybrid arrangement represented by DFATD with two other approaches against which the CIDA change is now being compared—namely the DFID type model, and the Norwegian model. In particular, we examine the ways in which the CIDA transition is similar to and distinct from others that preceded it, and how its transformation will create opportunities and constraints for international cooperation coherence and policy integration.

Third, we evaluate the claims that are being made regarding efficiencies and effectiveness in the Canadian context by giving consideration to recent prior experiences based on the aforementioned big task forces or the so called 'whole of government'/'3D initiatives' in priority countries and sectoral competencies (for example, Afghanistan, Sudan and Haiti which fell under the purview of the Prime Minister's Office and sidestepped both CIDA and the Department of Foreign Affairs and International Trade (DFAIT)). The question here is whether the more recent transformation is likely to achieve greater coherence, and whether coherence will translate into enhanced effectiveness.

Fragmentation and Coherence: Issues and Debates

For governments and multilateral institutions, policy coordination, coherence and fragmentation have emerged as key obstacles to creating an effective international aid architecture. To address these issues, the Paris Principles were developed and agreed to by the OECD/DAC, UNDP, World Bank, European Commission and several bilateral aid agencies working collaboratively. This unprecedented interagency collaboration represented a concerted effort by a large part of the development community to coordinate problem-solving efforts and combine research programs rather than focusing on independent agendas.[2]

This was a positive development regarding problems such as development harmonisation and alignment as consensus, and therefore coordination, which are achieved during the research and analysis phases rather than negotiated afterward. Unfortunately, such coordination represents only one facet of a much larger long-term problem of aid effectiveness, one that cannot be addressed completely, or even primarily, within the confines of the international donor community.

Regarding fragile states, Picciotto et al. (2005) identify four different levels of coordination. The first, intradepartmental rationalisation, calls for coordination of all development programs targeting a given nation within each donor department, ensuring that all projects share complementary objectives and methods; the second, known as whole-of government coordination, denotes coordination between aid and non-aid agencies within individual donor governments; the third, inter-donor harmonisation, refers to coordination between both aid and non-aid agencies across donor governments; and the fourth, donor-partner alignment, describes efforts to coordinate the efforts of various external actors with the needs and priorities of the recipient government. Each of these levels has both national and international dimensions.

In alignment with Piccioto et al's (2005) coordination levels of analysis, the policy coherence literature has similarly identified four types of policy coherence, each of which occupies a distinct space within international discourses on aid effectiveness. Of the four forms of policy coherence, 'internal' or 'vertical' coherence refers to interactions between donor aid policies, modalities, goals, and implementing agencies, and 'intra-country' or 'horizontal' coherence describes policy coordination at the national level (Bulles and Kindornay 2013).

In terms of aid effectiveness, a large portion of the recent literature has focused on the challenges associated with poor policy coherence between donors, specifically related to donor 'fragmentation'. Based on the understanding that recipient countries have been faced with an increasing number of donors, each delivering aid through various channels and sectors, the proliferation of multiple projects from multiple donors has sparked serious concerns surrounding the potential challenges associated with fragmentation and donor policy coherence (Easterly and Pfutze 2008).

Notably, donor proliferation and fragmentation in aid activities are said to increase the transaction costs associated with aid programming for both donors and recipients alike (Acharya et al. 2006). On the donor side, Anderson (2012) finds that fragmentation in bilateral aid tends to raise the administration costs associated with aid spending. However, the greater concern is that donor proliferation will impose additional costs on aid recipient countries. According to Knack and Rahman (2007), fragmentation has a direct effect on the quality of bureaucracy in recipient countries. By hiring skilled public servants in efforts to improve project success, donors can undermine and diminish recipient government capacity.

Regarding state fragility, a primary issue concerning fragmentation relates to policy priorities and conceptual differences among aid donors and across departments and agencies. Clearly, interdepartmental policies require close coordination to ensure that the pursuit of one does not undermine the efforts of the other.[3] Efforts to synthesise or reconcile these streams have thus far made limited progress; despite rhetoric to the contrary, they remain marked by a reluctance to cross departmental boundaries. For instance, though the document, 'Principles for Good International Engagement in Fragile States' produced as part of the OECD Learning Advisory Process (LAP) acknowledges that a secure environment is a necessary prerequisite of effective aid, the document gives very little indication of how this might be achieved (OECD-DAC 2005).

Further, while the LAP process has made some progress towards harmonising and aligning donor agency actions in failed and fragile state environments, there is no similar global process in place to enhance coordination between development agencies and security forces operating in the same theatre. All such efforts are left to individual governments, with inconsistent results. Interagency cooperation depends on agreement between the various arms of government in a number of different areas; if the relevant departments of a given international partner do not take the initiative to coordinate activities in theatre, it simply does not occur.

Clearly, no country has yet demonstrated the ability to sustain such a high level of coordination over an extended period of time (Kaplan 2008). As Châtaigner and Gaulme (2005) suggest, coordination, coherence and whole of government approaches will not be possible until disparate and often contending analytical approaches are reconciled, and this reconciliation is internalised at the level of analysis and policy formation, rather than through some process of horse-trading, whether *ad hoc* or institutionalised, among departments on the basis of independent analyses.

The following sections examine recent changes to the organisational structures of three donor agencies and the implication for the coherence of development policy. The donor cases were selected using the OECD's identification of four organisational models for aid agency structure—autonomous aid agency, policy ministry with separate implementing agency, semi-autonomous agency within foreign affairs, and integrated within foreign affairs (OECD 2009b). Each agency included in the study represents a separate organisational model. By examining three instances of organisational change from different donor models, we hope to systematically compare the challenges of fragmentation across the spectrum of donor forms and organisational relationships.

CIDA and Policy Coherence

In recent years, CIDA has been cited as one of the *poorest* international performers in fragmentation and policy coherence. According to Acharya et al. (2006), who ranked bilateral donors by the level of proliferation in aid activities, Canada ranked as the second worst bilateral donor (following Germany) in terms of fragmentation in aid programming. Canada's poor performance on aid fragmentation was reaffirmed by Easterly and Pfutze (2008) who placed Canada in the bottom 20th percentile for aid fragmentation amongst the largest 40 bilateral and multilateral donors.[4]

One of the key challenges that historically threatened the coherence of Canadian aid policy was the inability of CIDA to focus on specific priority countries and sectors. Over the past decade, Canada has shown some improvements towards focusing aid spending. In 2005, the Martin government announced plans to focus aid to 25 priority countries, with the concentration of aid allocated to the stated priority recipients averaging 21% (as a percentage of total bilateral aid) from 2005 to 2009 (CIDA 2005). In 2010, following a 2009 announcement that listed a new set of 20 priority countries, the concentration of aid to Canada's priority recipients increased to 47% and then fell to 39% in 2011 (both as a percentage of total bilateral aid).[5]

The remaining funds continued to be spread among more than one hundred additional bilateral recipients, suggesting that efforts to reduce fragmentation through channelling more aid to fewer priority recipients have been limited by CIDA's continued allocation of a large proportion of aid funds beyond the stated priority recipients.

Part of the challenge may be linked to a lack of clarity around Canada's concentration priorities. While government statements promised to enhance aid concentration by allocating 80% of bilateral aid to priority recipients, this target only applied to aid allocated through CIDA's geographic country program. Since CIDA's geographic country program accounts for less than 40% of Canada's bilateral aid budget, and assuming the government's target was met, it would thus have included a small fraction of the overall bilateral funding. With a new target promising to allocate 90% of aid to priority recipients announced in June 2014, clarifying the specifics of target goals is a first step towards improving fragmentation.

Similarly, the coherence of CIDA policies has also been hindered by too many sectoral priorities (Carin and Smith 2010). In 2008, the Canadian government sought to improve policy coherence through articulating sectoral priority areas in the ODA Accountability Act. The Act stated that Canadian aid programs would aim to support four key developmental priorities—poverty reduction, democracy promotion, sustainable development, and international standards for human rights—to be pursued through programmatic efforts in seven priority sectors: health, basic education, private sector development, poverty reduction, democratic governance, gender equality, and environmental sustainability (Carin and Smith 2010). While some have argued that the broad nature of the outlined policy priorities will provide the legislation with a long shelf-life and allow Canadian aid policy to remain relevant to fluctuating international aid paradigms, the wide scope of Canadian aid policy increases the potential for continued policy incoherence and fragmentation (Carin and Smith 2010).

Essentially, the challenges facing the coherence of Canadian aid extend beyond any single determinant of fragmentation. While reducing the number of priority recipients and sectors promises to lessen fragmentation through improving the concentration of aid (which has, to a certain extent, taken place already), problems associated with fragmentation remain grounded in larger government priorities and broader policy incoherence. The question going forward is whether Canada's foreign, commercial and development interests can be considered to be reasonably compatible in the first place, and to what degree reducing the number of sectoral and country priorities is able to contribute to policy alignment.

The next section of this chapter will examine the folding of CIDA into DFAIT, comparing the new 'super-ministry' model of Canadian aid to the institutional arrangements used by DFID and Norwegian NORAD.

The Merging of CIDA and DFAIT: DFATD

In March 2013, the Canadian government announced its plans to fold CIDA into the DFAIT, creating a new 'super-ministry' under the name of DFATD (CBC 2013).[6] According to Bill C-60, which was passed on 26 June 2013, formalizing the merger and creation of DFATD, the former CIDA would maintain the same primary functions—designing and implementing policies that focus on poverty alleviation and the provision of humanitarian assistance (CCIC 2013a).

The most significant institutional change accompanying the merger is perhaps the creation of the position of Minister for International Development, which will replace the previous Minister for International Cooperation and will operate parallel to the Minister for International Trade. Reporting to the Minister of Foreign Affairs, the new Minister for International Development is legislatively charged with ensuring the effectiveness of development and humanitarian assistance programs and fostering aid relations with other countries and organisations that are aligned with Canadian values (CCIC 2013b).

The merger locates Canadian development assistance within a hybrid governance model. Formally situated within the Foreign Ministry, the former CIDA still retains its own minister, and will maintain its funding separate from Foreign Affairs. However, how the new arrangement will unfold remains unclear.

Many within the development community have expressed concern that the new institutional arrangement may subordinate development priorities to foreign policy and trade concerns (CBC News 2013; Smillie 2013; Brown 2013). Alternatively, others have heralded the merger for its potential to raise the profile of development issues within broader Canadian foreign policies (Westhead 2013; Chapin 2013). While the government framed the merger as a way to improve the coordination of international assistance with trade and diplomacy (Fantino 2013), suggesting that policy coherence was a clear motivational factor behind the organisational change, the actual degree to which changes will meaningfully contribute to the cohesion of Canadian policy at both the domestic and international level remains open for debate.

Other International Hybrid Models: DFID and NORAD

Over the past two decades, several donor governments have reorganised the governance structure of domestic aid agencies in efforts to improve donor effectiveness and to enhance the coherence of domestic government policies.

DFID

Over the past decade, the UK's Department for International Development (DFID) has earned a reputation as one of the best donor agencies worldwide. Established by the Labour government in 1997, DFID went from an ineffective department hidden under the wing of the Foreign Office, to an independent ministry, headed by a member of Cabinet, and charged with the coordination of all UK aid and development programming (Gulrajani 2010).

Before the formation of DFID, British aid policies were channelled through the Overseas Development Administration. As an arm of the Foreign Office, it was highly susceptible to political interference, resulting in a history of aid and development programs that were largely tied to geopolitical and commercial interests (Barder 2005).

The formation of DFID as a separate government department was seen as a way to disentangle aid from the web of trade and political interests.

At the institutional level, the formation of DFID under the auspices of its own Cabinet minister was a clear attempt to delink aid from broader foreign policy concerns and to more fully pursue aid and development policies that explicitly sought poverty reduction as the main goal—a priority championed by the New Labour regime. In terms of policy, the new DFID was charged not only with responsibility for the UKs bilateral and multilateral development financing, but was also responsible for coordinating development policy across the whole of Government (Barder 2005).

In line with Labour's efforts to 'join-up government', DFID was charged with maintaining and supporting development policy coherence. Importantly, the centrality of policy coherence to the new Government's agenda meant that DFID was afforded a voice in the formulation of government policy in other areas (such as trade, conflict, and foreign relations) that interacted with broader developmental concerns.

NORAD

The reorganisation of the Norwegian Agency for Development Cooperation (NORAD) further embedded development policy within the Norwegian Ministry of Foreign Affairs (MFA). Before 2004, the delivery and allocation of Norwegian aid was overseen by three key actors: the MFA, NORAD, and the Embassies (Gulrajani 2010). Under the guidance of the Minister of Foreign Affairs and a Minister of International Development and Human Rights, the MFA was charged with the legislative responsibility for all development assistance. However, in practice, the MFA tended to exert primary control over multilateral and humanitarian funding. The second actor, NORAD, was a specialised independent agency charged with overseeing bilateral aid spending and providing technical capacity for the implementation of MFA policies and strategies. In addition, several Norwegian embassies were highly involved in development assistance, particularly those in countries where a large portion of Norwegian foreign policy activity was focused on development.

In 2004, NORAD was formally integrated into the MFA, relocating control of bilateral funding firmly within the MFAs mandate. As a result, the new administrative structure served to reduce NORAD's formal responsibilities to technical advisory work, evaluation, and quality assurance while the embassies became responsible for implementing and managing country-led development programs.

The restructuring served to solidify the role of the MFA as the primary actor in Norway's development policy. According to Gulrajani (2010), Norway's position as a small country seeking to identify as a non-member of the European Union, rendered foreign policy a primary domestic concern. The re-organisation of Norway's development institutions reinforced the centrality of the MFA as the bureaucratic power-house for interdepartmental politics, institutionally aligning development policy with broader concerns surrounding foreign policy.

While the reconfiguration of relations between the MFA and NORAD threatened to deepen linkages between foreign and development policy, the extent to which the merging of NORAD led to the alignment of development policy with foreign policy interests is debatable. On one side, Gulrajani (2010) writes that aid has been a way for Norway to cultivate soft power and advance foreign relations, secure commercial contracts for Norwegian companies, and to ensure policy influence within the multilateral system.

At the same time, following the merger, Norway has managed to retain its international reputation as a generous donor, consistently providing aid well above the 0.7% of GNI international target (OECD 2013b). While the institutional reorganisation of NORAD threatened to hinder Norway's donor effectiveness through linking development policy with foreign affairs, rising aid levels and efforts to support overall aid effectiveness have allowed Norway to retain its reputation as an altruistic donor and international 'team player'.

DFATD: Learning from International Experience

The recent folding of CIDA under the wing of DFAIT has not been without controversy. Most of the pundits who see the change as positive have assessed the transition from a foreign policy perspective, citing major gains in policy coherence that arise from a more focused and politically aligned development agenda as the clearest potential opportunity to stem from the merger.

Others, mostly insiders with a background in diplomacy, have made the efficiency argument suggesting that duplication of resources and effort will be eliminated through smaller budgets and staff cuts. A third group supports the transition as part of a process initiated under the previous government of Paul Martin, whose International Policy Statement (IPS) spoke to the need for Canada's engagement in the world through 'whole of government approaches' that targeted capabilities across a range of government departments.

These are all potentially valid arguments but they are also all conjectural; the claims they make are unsubstantiated and potentially untrue. This is because in the absence of transparency about how policy is made by the government and little accountability on how resources are allocated and evaluated, it will be difficult to know if this new 'mega bureaucracy' is having any meaningful impact along the lines its advocates claim.

DFATD: Fostering Policy Coherence?

The evidence we have at our disposal in the Canadian context suggests some fundamental problems with each of the positive arguments for the merger. Consider the most important test cases in favour of coherence, efficiency and complementarity, namely in terms of how we deal with failed and fragile states. Over the last 7 years, DFAIT and CIDA have been bypassed by the Prime Ministers' Office on some of the most important foreign policy files, through the creation of 'Task Forces' answerable directly to Cabinet. For example, the Afghanistan Task Force gobbled up billions of aid money over an entire decade without any clear sense that these funds were being effectively allocated and accounted for.

In some ways the merger is a continuation of Paul Martin's vision for coherence as reflected in the IPS of 2005. In that document, the Canadian government argued that a pooling of resources and capabilities served as the best and most cost effective approach in tackling the complex and interrelated problems facing the world.

There was also agreement to better use the intelligence that underpins efforts to engage failed and fragile states in addition to providing a more flexible operational capacity for emerging crises through prevention and diplomacy. In straightforward terms, it was assumed that departments would share a common analysis of problems, coordinate their efforts and decide who would take the lead in mounting a response. With coordination would come a clear understanding of where Canada should engage and where it was best to let others lead.

With the merger, that idea may bear fruit. For example, the chronically underfunded DFAIT was saddled with the task of creating a new structure without a clear mandate and no funding. That entity known as the Stabilization and Reconstruction Task Force (START), like its US counterpart the Office of the Coordinator for Reconstruction and Stabilization (S/CRS), has not fared well. The organisation has not been able to withstand irrepressible stove piping within the Canadian government on three of its largest files, namely Afghanistan, Haiti and Sudan, all of which had, at one time or another, dedicated task forces answering directly to Cabinet, taking responsibility for most of the important strategic and operational decisions including budgetary matters.

Larger questions remain. Chief among these is whether 'whole of government' approaches have been met with any success and whether a more focused and rationalised aid program is proving to be more effective and cheaper. In theory, Canada was to move from a reactive stance to a more preventive one through a pooling of resources and a deeper understanding, which was supposed to save money and help stabilise countries before they collapsed into violence.

Unfortunately, considerable resources and lives are still being invested in rebuilding failed states without clear and tangible results. Indeed, continued aid to Haiti shows only minor success despite all the international attention it has received since the earthquake. Given the billions of dollars at stake, key questions must be asked.

In this respect, the cases highlighted above, namely DFID and NORAD, offer several valuable insights into the new hybrid model for the governance of Canadian development assistance. In particular, parallels between the CIDA merger and the aforementioned cases raise two key themes, each of which appears to contribute to the likelihood that donor policy coherence can be improved through the reorganisation of governance structures.

Policy Coherence Without a Coherent Policy?

The most significant differences between the CIDA merger and the transitions undertaken by the aforementioned cases are the absence of a clear, transparent and coherent political vision for development programs from the Canadian government. In the case of both DFID and NORAD, the relative success of each institutional arrangement, and the ability for each agency to transition without subordinating development objectives to the Foreign Office and MFA respectively, was grounded in a strong and clearly articulated development vision from the respective governments.

For DFID, the strong emphasis on poverty reduction taken by the Labour government raised the profile of development priorities and ensured that the Foreign Office supported development efforts within their policies. Similarly, Norway's explicit attempt to politicise aid to support foreign policy priorities clearly subordinated development policy to foreign policy interests.

Historically, the Canadian Government has failed to clearly define a strategic focus for Canadian aid, opting instead to forward an ever-changing list of priority sectors and preferred recipients for Canadian development resources (Carin and Smith 2010). While the formation of the 2008 ODA Accountability Act can be construed as the government's attempt to forward a clear agenda for development, the broad nature of the Act did little to meaningfully focus development priorities and has made it difficult for observers to determine government objectives related to development.

By failing to provide a specific and clearly defined strategic focus for CIDA policies, the ability for CIDA to navigate institutional changes at the policy level was hampered. In terms of policy, the absence of a clear mandate for development policy objectives leaves the development agenda vulnerable to usurpation by the stronger, larger, and presumably more clearly oriented Foreign Affairs. Perhaps even more troubling is the understanding that based on philosophically different mandates between CIDA and DFAIT, the merger may actively deepen fragmentation in Canadian aid by expanding the list of potential partner countries to mirror those of strategic and commercial importance.

The Importance of Leadership

A further difference between CIDA and other transitory examples is the absence of strong political leadership and a clear institutional vision supporting the merger from within the Canadian government. For DFID, Robin Cook and Claire Short pushed for institutional change and lobbied the government to grant development a larger and more significant function and space within the domestic institutional environment (Barder 2005). Following the reform, the new DFID was afforded leadership by a Cabinet level minister, providing development with a strong leadership voice within the broader government structure. Similarly, in Norway, the then Minister of Development Hilde Frafjord Johnson pushed for the integration of NORAD into the MFA (Gulrajani 2010).

Interestingly, the merger of CIDA with DFAIT appears to have been curiously devoid of any real leadership. With the announcement of the merger hidden in the 2013 Budget Bill, there was little political ownership associated with the government's plans to unite CIDA with DFAIT. Moreover, the merger resulted in a reduced role for the Development Minister, who now falls under the purview of the Minister of Foreign Affairs. The lack of clear leadership behind the merger raises questions for the effectiveness of the change, particularly concerning the ability for (what was) CIDA to retain ownership over development programming within the larger ministry structure.

Conclusion

It is far from clear that the folding of CIDA into DFAIT will lead to greater coherence across diplomacy, commerce and development, and allow Canada to engage the world more effectively. Drawing on the British and Norwegian cases, we see that what matters is not whether there is an integration or separation of aid and foreign and commercial policy objectives. Instead, a clearly articulated vision for what aid is meant to accomplish complemented by political leadership to ensure that such a vision is translated into concrete policy actions is what seems to have made the difference in these cases. While DFID provides us with an example of a strongly independent development agency, NORAD has been able to successfully integrate its development policy and foreign policy within its Ministry of Foreign Affairs. In brief, there is no such thing as a "perfect" model.

In trying to make sense of the Canadian government's decision to create a mega-ministry for foreign affairs, trade and development, some have argued that it is more about political control to ensure that development aid can serve Canada's economic interests. For example, in 2011 CIDA's then junior minister Julian Fantino announced the government's intention to co-fund a project in Peru with Barrick Gold, with both parties contributing half a million dollars to 'increase the income and standard of living of 1,000 families affected by mining operations' (Carment and Prest 2013). Other similar partnerships were announced concurrently in Burkina Faso and Ghana with IAMGOLD and Rio Tinto, respectively, and more recently the disbursement of 25 million dollars to a UBC-led University consortium that will direct its efforts at CSR initiatives in developing countries (Carment and Prest 2013).

While sensible from a corporatist/extractive perspective, these new partnership approaches are at odds with Canada's ODA Accountability Act, whose primary focus is poverty reduction. They also mean that the Canadian government is prepared to accept that Canadian companies may have negative impacts on local communities in developing countries and that it will intervene to rectify any potential damages. Finally, it is very likely that fragile states, where Canada's commercial interests are non-existent, will be left behind.

In our view, while a private-sector approach to development may leverage more private investment for development, there is a risk that Canadian aid will secure Canadian interests rather than align with and support the wider aid effectiveness agenda.

Notes

1. Our calculations using ODA disbursement data taken from the OECD DAC.
2. The Principles for Good International Engagement in Fragile States and Situations (OECD 2007), which are meant to complement the Paris Principles, also emphasized the need for a 'whole of government' approach, better coordination between international actors and alignment with local priorities, while being sensitive to different contexts.
3. To cite just one example, efforts to suppress terrorism and crime in Afghanistan included campaigns to eradicate poppies, thereby removing a source of income for transnational criminals and terrorists alike. Unfortunately, the poppies also provided much of the income for Afghanis in the poorest parts of the country. The UN's 'Afghanistan Opium Survey 2004' estimates that the opium economy is worth 60% of the nation's total licit GDP, making opium production the dominant engine of growth in the country. Clearly, this is a complicated issue, in which efforts to combat drug production will inevitably have drastic consequences for economic development over a significant area of the country—see UNODC (2004).
4. The data from both Acharya et al. (2006) and Easterly and Pfutze (2008) is somewhat dated (prior to 2004), suggesting that these results may not capture the current state of fragmentation within Canadian aid. Indeed, recent changes to reduce the number of focus countries from 25 to 20 may have improved Canada's relative standing for a time (see next few paragraphs for more recent data). However, a new list of priority countries announced in June 2014 increased the number of countries of focus back to 25.
5. Our calculations using OECD DAC data.
6. DFATD was renamed Global Affairs Canada in 2015 (this note refers to page 341, line 235).

CHAPTER 21

Afterword—Fragmentation: A Challenge of Leadership

Erik Solheim

The halving of extreme poverty and enormous development progress seen over the past decades is an unprecedented success. People worldwide can now expect to live for 70 years on average and are taller, healthier and better educated than ever before. The days are long gone when a small number of rich countries were providing development aid to a large number of poor countries. The number of poor and aid-dependent countries is steadily decreasing and the vast majority of countries will in the coming decades provide, as well as receive, some kind of support from other countries. This is a much better world – but also a much more fragmented and complex world.

The rise of the South, as exemplified by the Chinese 10% annual economic growth over several decades, is the reason behind much of this fantastic progress. More than 600 million Chinese have been brought out of poverty since Deng Xiaoping set China on a path to becoming the largest manufacturer, leading exporter, and biggest economy in the world measured in purchasing power parity. As countries grow richer, they require less aid and in turn contribute more and more to global development. Japan and European countries quickly became aid donors after they had rebuilt their own cities and economies after the Second World War. South Korea went from being one of the poorest countries in the world to one of the richest, increased average incomes by 390 times and finally became a development aid provider in 2009. China is now a major donor with global reach. The United Arab Emirates is now the most generous country

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7_21

in the world, giving 1.17% of national income to development assistance. Turkey increased aid by 8% in 2014 to assist Syrian refugees and is above the average in OECD countries. Brazil's foreign aid budget has increased fivefold since 2005. India, Indonesia and South Africa are mainly receiving aid, but also contribute with development assistance to others.

This is a much better world. Developing countries now have more sources of development assistance. They can learn from South-South providers that have recently transitioned out of poverty, industrialised, and reformed their agricultural systems. But this fragmentation of donors requires better global coordination. The new Chinese-led Asian Infrastructure Investment Bank joined by more than 50 countries is a great start. Joint analytical work in the China-OECD development assistance study group is contributing to work on aid statistics and better policies for poverty reduction. More and more countries are joining the OECD's Development Assistance Committee—the United Arab Emirates is the latest to participate and reports all aid flows openly. There are many ways of working together. The most important thing is that collaboration and information-sharing contribute to more and better development assistance and improve people's lives.

Global aid was at US$ 135 billion in 2014 and remained stable at record high levels. But development assistance to the least developed countries has been decreasing and is distributed unevenly. Aid fragmentation and individual funding decisions by donors vary greatly and cannot be explained by countries' differing needs or institutional performance. Lack of donor coordination results in many so-called aid orphans. These are chronically under-aided countries, such as Guinea, Madagascar and Nepal. Madagascar receives five times less aid than other countries in very similar situations. Guinea has been underfunded for almost 10 years and was badly affected by the 2014 Ebola outbreak. Such skewed allocation of aid is counter to what donors have committed to do under the Busan Partnership for Effective Development Co-operation.

The good news is that the 29 member countries of the OECD's Development Assistance Committee have committed to reversing the decline in aid to the world's poorest countries and recalling the United Nations target of spending at least 0.15% of gross national income on development assistance to the least-developed countries. Forward aid spending surveys also indicate that aid to the poorest countries will recover over the next few years, in line with a pledge by OECD donors in December 2014 to reverse the fall in aid to countries most in need.

We have to make sure that this happens. Presidents and prime ministers, bishops and imams, activists and business leaders should do what they can to hold donors accountable to the aid targets and the Busan principles of improved aid allocation to address the issue of under-aided countries. It is important that more and better development aid goes to the people and countries where it is most needed.

Too many donors still do their own thing instead of aligning behind the priorities of developing countries and using local country systems to deliver healthcare and education. I was in Sri Lanka in the aftermath of the terrible 2004 Indian Ocean Tsunami that killed tens of thousands of people and destroyed houses and farmland. International aid streamed into Sri Lanka but there was little coordination. All the donors came with their own priorities and ideas of what needed to be done. Immediate results were demanded to provide photo opportunities for the stream of presidents and ministers coming to evaluate recovery from the human and economic disaster. The result was arguably that aid provided then contributed little to long-term development in Sri Lanka. International assistance even damaged the fragile peace process as aid became just another resource to compete over. Aceh in Indonesia was even harder struck by the same Tsunami. But the recovery work was handled very differently there. The Indonesian government took full control of the situation. Every country and organisation was welcome to contribute, but firmly told exactly what the Indonesian government expected them to do. Those countries and organizations running around and doing their own thing were told to get in line or leave. The rebuilding of Aceh has been a huge success and even led to peace and the end of three decades of bloody conflict. Aceh is a textbook example of how disaster recovery and development assistance should be provided: a fast and generous response from the international community, aligned behind the firm leadership and priorities of the national government.

Leadership is perhaps the most crucial factor in dealing with issues of fragmentation. First, the world's main donors in the OECD's Development Assistance Committee, recipient countries, South-South providers and private foundations must come together to identify policies that work and to develop common, open and transparent standards and definitions to make sure developing countries can more easily locate all available sources of development finance. Second, political, religious, business and civil society leaders must demand stricter adherence to the Busan principles of effective development cooperation, along with more funding for aid orphans and the least developed countries. Last, but most important, is leadership from developing country governments: developing countries should be in charge of their own development and are best placed to coordinate donor efforts; presidents and ministers must set the priorities and lead.

Our new and exciting world is a much better place to live than at any other point in human history. For the first time, humanity has all the knowledge and all the required resources it needs to eradicate extreme poverty from the face of the planet. All we need is to come together and just do it!

Bibliography

AA, BMVg and BMZ (Auswärtiges Amt, Bundesministerium der Verteidigung and Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung). 2012. *Für eine kohärente Politik der Bundesregierung gegenüber fragilen Staaten – Ressortübergreifende Leitlinien*. Berlin: German Federal Government.

Abbott, W.K., and D. Snidal. 1998. Why states act through formal international organizations. *The Journal of Conflict Resolution* 42(1): 3–32.

Abbott, W.K., and T. Hale. 2014. Orchestrating global solution networks. A guide for organizational entrepreneurs. http://ssrn.com/abstract=2431956. Accessed 20 Feb 2015.

Accra Agenda for Action (AAA). (2008). Endorsed at the third high-level forum on aid effectiveness, Accra, Ghana, 2–4 September 2008. www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm

Acharya, A., A.T. Fuzzo de Lima, and M. Moore. 2006. Proliferation and fragmentation: Transactions costs and the value of aid. *Journal of Development Studies* 42(1): 1–21.

ADB (Asian Development Bank). 2013. *Energy outlook for Asia and the Pacific*. Manila: Asian Development Bank.

Adugna, A., R. Castro, B. Gamarra, and S. Migliorisi. 2011. *Finance for development. Trends and opportunities in a changing landscape*. CFP Working Paper No 8. Washington, DC: World Bank.

AfDB (African Development Bank), et al. 2011. *Joint assistance strategy for Zambia II 2011–2015*. Lusaka: Joint Donor Group.

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7

Afrodad (African Network on Debt and Development). 2011. *Mapping Chinese development assistance in Africa: An analysis of the experiences of Ethiopia*. Harare: Afrodad.

AidData. 2014. AidData BETA. Open data for international development. Washington, DC. http://aiddata.org/. Accessed 30 Mar 2015.

Aldasoro, I., P. Nunnenkamp, and R. Thiele. 2010. Less aid proliferation and more donor coordination? The wide gap between words and deeds. *Journal of International Development* 22(7): 920–940.

Alden, C., and D. Large. 2011. China's exceptionalism and the challenges of delivering difference in Africa. *Journal of Contemporary China* 20(68): 21–38.

Allouche, J., and J. Lind. 2013. *A new deal? Development and security in a changing world*. Brighton: Institute of Development Studies.

Amis, P., L. Green, and M. Hubbard. 2005. Measuring aid costs: What has been learnt and what still needs to be done. *Public Administration and Development* 25(5): 373–378.

Anderson, E. 2012. Aid fragmentation and donor transaction costs. *Economic Letters* 117(3): 799–802. doi:10.1016/j.econlet.2012.08.034.

Andrews, M. 2013. *The limits of institutional reform in development: Changing rules for realistic situations*. New York: Cambridge University Press.

Arellano, M., and S. Bond. 1991. Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *Review of Economic Studies* 58: 277–297.

Arellano, M., and O. Bover. 1995. Another look at the instrumental variable estimation of error-components models. *Journal of Econometrics* 68: 29–51.

Ashoff, G. 2004. *Geberkoordinierung. Eine wesentliche Voraussetzung für eine effizientere und wirksamere Entwicklungszusammenarbeit*. Analysen und Stellungnahmen. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Ashoff, G., and S. Klingelbiel. 2014. *Transformation of a policy area: Development policy is in a systemic crisis and faces the challenge of a more complex system environment*. Discussion Paper 9/2014. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Baez-Camargo, Claudia, and Eelco Jacobs. 2011. *A framework to assess governance of health systems in low income countries*. Basel Institute on Governance, Working Paper Series No 11.

Bagayoko, N., and M. Gibert. 2009. The linkage between security, governance and development: The European Union in Africa. *Journal of Development Studies* 45(5): 789–814.

Balding, C., and D. Wehrenfennig. 2011. Theorizing international organizations. An organizational theory of international institutions. *Journal of International Organizations Studies* 2(1): 7–27.

Baltagi, Badi H. 2005. *Econometric analysis panel data*. New York: Wiley.

Bantekas, I. 2012. *Trust funds under international law. Trustee obligations of the United Nations and International Development Banks*. The Hague: TMC Asser Press.

Barakat, S. 2009. The failed promise of multi-donor trust funds: Aid financing as an impediment to effective state-building in post-conflict contexts. *Policy Studies* 30(2): 107–126.

Barder, O. 2005. *Reforming development assistance: Lessons from the UK experience*. Center for Global Development Working Paper Number 70. Washington, DC: Center for Global Development.

Barnett, M.N., and M. Finnemore. 1999. The politics, power, and pathologies of international organizations. *International Organization* 53(4): 699–732.

Bermeo, S. 2008. *Donors and development: Sector allocation in foreign aid*. New Haven: Yale University.

Bertens, M., U. Mummert, P. Murrell, and P. Seabright. 2001. *The institutional economics and foreign Aid*. Cambridge: Cambridge University Press.

Berthélemy, J.C., and A. Tichit. 2004. Bilateral donors' aid allocation decisions—A three-dimensional panel analysis. *International Review of Economics and Finance* 13(3): 253–274.

Biermann, F., P. Pattberg, F. Zelli, H. van Asselt, I. Boas, C. Flachsland, N. Goel, A. Hof, A. Jerneck, E. Massey, L. Olsson, and J. Stripple. 2009a. Global climate governance after 2012: Architecture, agency and adaptation. In *Making climate change work for us*, ed. M. Hulme and H. Neufeldt, 263–290. Cambridge, UK: Cambridge University Press.

Biermann, F., P. Pattberg, H. van Asselt, and F. Zelli. 2009b. The fragmentation of global governance architectures: A framework for analysis. *Global Environmental Politics* 9(4): 14–40.

Bigsten, A. 2006. *Donor coordination and the uses of aid*. Göteborg: Department of Economics, Göteborg University.

Bigsten, A. 2013. *Quantifying the economic benefits of increased EU donor coordination*. Strasbourg: European Parliament.

Bigsten, A., and S. Tengstam. 2012. *International coordination and the effectiveness of aid*. Working Paper 2012/32. Helsinki: UNU-WIDER.

Bigsten, A., J.P. Platteau, and S. Tengstam. 2011. *The aid effectiveness agenda: The benefits of going ahead*. Final Report. Brussels: Soges.

Birdsall, N. 2005. *Seven deadly sins: Reflections on donor failings*. Working Paper Number 50. Washington, DC: Center for Global Development.

Birdsall, N., and H. Kharas. 2010. *Quality of official development assistance assessment*. Washington, DC: Brookings Institution/Center for Global Development.

Blundell, R., and S. Bond. 1998. Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics* 87: 115–143.

Böhnke, H.-W. 1992. *Opening the PV market: The development of a rural photovoltaic electrification model in the Philippines*. Eschborn: Deutsche Gesellschaft für Technische Zusammenarbeit.

Bold, T., P. Collier, and A. Zeitlin. 2009. *The provision of social services in fragile states: Independent service authorities as a new modality*. Oxford: University of Oxford Centre for the Study of African Economies.

Borbolla Compean, D. 2014. La Construcción Institucional de la Agencia Mexicana de Cooperación para el Desarrollo. *Revista Mexicana de Política Exterior* 102: 55–71.

Bourguignon, F., and J.P. Platteau. 2011. *Aid effectiveness revisited: The trade-off between needs and governance*. Working Paper. Paris/Namur: School of Economics and Centre for Research in the Economics of Development (CRED)/University of Namur.

Bourguignon, F., and J.P. Platteau. 2012. *Does aid availability affect effectiveness in reducing poverty?*. Working Paper 2012/54. Helsinki: UNU-WIDER.

BP Solar. 2004. Remote rural development: Municipal solar infrastructure project the Philippines. British Petrol Australia. http://www.bp.com/liveassets/bp_internet/australia/corporate_australia/STAGING/local_assets/downloads_pdfs/a/Aust_ps_solar_MSIP.pdf. Accessed 30 Aug 2013.

Bracho, G. 2015. *In search of a narrative for Southern providers: The challenge of the emerging economies to the development cooperation agenda*. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Bracho, G., and A. García-López. 2009. *La Reforma de la cooperación mexicana en el contexto internacional: los donantes emergentes y el Comité de Asistencia al Desarrollo de la OCDE*. Mexico DF: Secretaría de Relaciones Exteriores, Instituto Matías Romero.

Bracho, G., and J. Pérez Pineda. 2015. Developing agencies in emerging powers: The Mexican case. In *Institutional architecture and development: Response from emerging powers*, eds. J. Pérez, S. Chaturverdi, E. Sidiropoulus, and T. Fues, 211–231. Johannesburg: South African Institute of International Affairs (SAIIA).

Brinkerhoff, D. 2009. Developing capacity in fragile states. *Public Administration and Development* 30(1): 66–78.

Brinkman, A.M. 2013. *Embracing pluralism – Tackling fragmentation*. Paper presented at the conference "Fragmentation or pluralism?". Bonn, German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE), 10–13 Oct 2013.

Brombacher, D. 2009. *Geberstrukturen in der Entwicklungspolitik SWP-Studie*. Berlin: Stiftiung Wissenschaft und Politik.

Brown, S. 2013. *Killing CIDA: The wrong solution to real problems*. CIPS Blog. 25 Mar 2013. http://cips.uottawa.ca/killing-cida-the-wrong-solution-to-real-problems. Accessed 15 Feb 2015.

Brown, S., and B. Morton. 2008. *Reforming aid and development cooperation. Accra, Doha and beyond*. Ottawa: North-South Institute, Policy Brief.

Brown, S., and L. Swiss. 2013. The hollow ring of donor commitment: Country concentration and the decoupling of aid effectiveness norms from donor practice. *Development Policy Review* 31(6): 737–755.
Brown, S., and L. Swiss. 2015. The aid orphan myth. *Third World Quarterly* 36(2): 240–256.
Brown, A., T. Conway, A. Fozzard, and F. Naschold. 2000. *Aid transaction costs in Vietnam*. London: Centre for Aid and Public Expenditure, ODI.
Browne, S. 2011. *The United Nations Development Programme and system*. London: Routledge.
Browne, S., and T.G. Weiss. 2012. *Making change happen: Enhancing the UN's contributions to development*. FUNDS report. New York: UN.
Browne, S., and T.G. Weiss. 2013. *Is the UN development system becoming Irrelevant?*. Development Dialogue Paper No.4. Uppsala: Dag Hammarskjöld Foundation.
Browne, S., and T.G. Weiss (eds.). 2014. *Post-2015 UN development: Making change happen?* London: Routledge.
BTI. 2012a. Bertelsmann transformation index, Rwanda country report. http://www.bti-project.org/reports/country-reports/esa/rwa/2012/index.nc. Accessed 29 Mar 2015.
BTI. 2012b. Bertelsmann transformation index, Sierra Leone country report. http://www.bti-project.org/reports/country-reports/wca/sle/2012/index.nc. Accessed 29 Mar 2015.
Buchner, B., A. Falconer, M. Hervé-Mignucci, C. Trabacchi, and M. Brinkman. 2011. *The Landscape of Climate Finance. A CPI Report*. Venice: Climate Policy Initiative. Available from: http://climatepolicyinitiative.org/europe/publication/the-landscape-of-climate-finance/
Buiter, W.H. 2010. Country ownership. A term whose time has gone. In *Deconstructing development discourse. Buzzwords and Fuzzwords*, ed. A. Cornwall and D. Eade, 224–229. Oxford: Oxfam GB.
Bulles, A.C., and S. Kindornay. 2013. *Beyond aid: A plan for Canada's international cooperation*. Ottawa: North-South Institute.
Bun, Maurice, and Frank Windmeijer. 2010. The weak instrument problem of the system GMM estimator in dynamic panel data models. *Econometrics Journal* 13: 95–126.
Bürcky, U. 2011. *Trends in in-country aid fragmentation and donor proliferation. An analysis of changes in aid allocation patterns between 2005 and 2009*. Report on behalf of the OECD Task Team on Division of Labour and Complementarity. Paris: OECD/DAC.
Burnside, C., and D. Dollar. 2000. Aid, policies, and growth. *American Economic Review* 90(4): 847–868.

Buscaglia, D., A. Garg, C. Goodwich, L. Orfei. 2014. *JRC technical report Aid Fragmentation Index*. Joint Research Centre internal technical report JRC93206.

Caputo, E., A. de Kemp, and A. Lawson. 2011. *Assessing the impacts of budget support: Case studies in Mali, Tunisia and Zambia evaluation insights*. Paris: OECD DAC Network on Development Evaluation.

Carbone, M. 2008. Mission impossible: The European Union and policy coherence for development. *Journal of European Integration* 30(3): 323–342. doi:10.1080/07036330802144992.

Carbone, M. 2010. The European Union, good governance and aid coordination. *Third Word Quarterly* 31(1): 13–29. doi:10.1080/01436590903557306.

Carbone, M. 2012. *Between EU actorness and aid effectiveness: The logics of EU aid to Sub-Saharan Africa*. Paper presented at the annual meeting of the Società Italiana di Scienza Politica (SISP), University of Rome III, 13–15 September 2012.

Carin, B., and G. Smith. 2010. *Reinventing CIDA*. Ottawa: Canadian Defence and Foreign Affairs Institute.

Carlsson, J. 2007. Multilateral development cooperation in perspective. *Center for African Studies Perspectives* 6: 1–67.

Carlsson, B.T., C.B. Schubert, and S. Robinson. 2009. *The aid effectiveness agenda: Benefits of a European approach*. Hemel Hempstead/Brussels: HTSPE/European Commission.

Carment, D., and S. Prest. 2013. Canada's new aid policy: Responsibility to reimburse. *iPolitics*, 16 April 2013. http://www.ipolitics.ca/2013/04/16/canadas-new-aid-policy-responsibility-to-reimburse/. Accessed 18 June 2014.

Carment, D., Y. Samy, and J. Landry. 2013. Transitioning fragile states: A sequencing approach. *The Fletcher Forum of World Affairs* 37(2): 125–151.

Carothers, T., and D. De Gramont. 2013. *Development confronts politics: The almost revolution*. Washington, DC: Carnegie Endowment for International Peace.

Cassen, R., and Associates. 1994. *Does aid work?*. 2nd ed. Oxford: Clarendon Press. (The Japanese title for the first edition published in 1986 is '*Enjo wa yaku ni tatte iruka*?' translated by the Japan Society for Development Aid, 1993, published by Japan International Cooperation Agency).

Castro, R., and A. van Trotsenburg. 2012. *Overview of the development finance architecture*. http://siteresources.worldbank.org/CFPEXT/Resources/SIIS_Global_Review_Jounal_Article_Overview-of-the-Development-Finance-Architecture.pdf. Accessed 8 Jan 2015.

CBC (Canadian Broadcasting Corporation). 2013. *Federal budget folds CIDA into foreign affairs: Aid organizations informed before CIDA*, 21 March 2013. http://www.cbc.ca/news/politics/story/2013/03/21/pol-cida-dfait-merger-advancer.html. Accessed 02 Dec 2014.

CCIC (Canadian Council for International Co-Operation). 2013a. *Creating the department of foreign affairs, trade and development: Benchmarks for more effective and coherent international development and humanitarian assistance.* http://www.ccic.ca/_files/en/what_we_do/2013-04-29_Benchmarks_for_development_and_HA.pdf. Accessed 20 Nov 2014.

CCIC (Canadian Council for International Co-Operation). 2013b. *News release: National platform welcomes CIDA/DFAIT merger legislation and looks forward to a strong Canadian commitment to poverty reduction.* http://www.ccic.ca/_files/en/what_we_do/2013-04-30_Press_release_Bill_C_60.pdf. Accessed 2 Mar 2015.

CESM (Center for Environmental Studies and Management). 2011. *Final evaluation of the GEF/UNDP/DOE "Philippines: Capacity Building to Remove Barriers to Renewable Energy Development (CBRED) project".* Manila: CESM.

Chapin, P.H. 2013, March 25. Why CIDA has to be brought back into the Foldv. *Ottawa Citizen.* http://www.ottawacitizen.com/business/CIDA+brought+back+into+fold/8149921/story.html#ixzz2Ofvxhz8l. Accessed 5 Sept 2014.

Châtaigner, J.-M., and F. Gaulme. 2005. *Beyond the fragile state – Taking action to assist fragile actors and societies.* Agence Française de Développement Working Paper Series, No. 4, 17.

Chaturvedi, S. 2014. Growing dynamism in South-South co-operation. In *Development co-operation report 2014: Mobilising resources for sustainable development*, ed. OECD. Paris: OECD.

Chaturvedi, S., T. Fues, and E. Sidiropoulos. 2012. *Development cooperation and emerging powers: New partners or old patterns?* Zed Books: London.

Chea, S., J. Mangahas, P. Thanh An, and B. Wood. 2008. *Cambodia evaluation of aid effectiveness.* Phnom Penh: CDRI.

Chen, Z., and J. Jian. 2009. *Chinese provinces as foreign policy actors in Africa.* SAIIA Occasional Paper No. 22, February 2009. Johannesburg: South African Institute of International Affairs. http://www.saiia.org.za/occasional-papers/128-chinese-provinces-as-foreign-policy-actors-in-africa/file

CIDA (Canadian International Development Agency). 2005, April 19. *CIDA announces new development partners: Developing countries where Canada can make a difference. New release.* http://news.gc.ca/web/article-en.do?crtr.sj1D=&mthd=advSrch&crtr.mnthndVl=&nid=139589&crtr.dpt1D=&crtr.tp1D=&crtr.lc1D=&crtr.yrStrtVl=&crtr.kw=Pakistan&crtr.dyStrtVl=&crtr.aud1D=&crtr.mnthStrtVl=&crtr.yrndVl=&crtr.dyndVl=. Accessed 08 Oct 2014.

Clay, E.J., M. Geddes, L. Natali, and D. Willem te Velde. 2008. *The development effectiveness of untied aid: Evaluation of the Paris Declaration.* Copenhagen: Danish Ministry of Foreign Affairs.

Climate Funds Update. 2012. *The latest information on climate fund.* http://www.climatefundsupdate.org/. Accessed 12 Mar 2012.

Cogneau, D., and J.D. Naudet. 2004. *Qui Mérite l'Aide: Égalité des Chances, Aide Internationale et Réduction de la Pauvreté*. Série Notes et Documents No. 7. Paris: Agence Française de Developpement.

Collier, P. 2007. *The bottom billion: Why the poorest countries as failing and what can be done about it*. Oxford: Oxford University Press.

Collier, P. 2009. *The political economy of fragile states and implications for European development policy*. Oxford: Oxford University Department of Economics.

Collier, P., and D. Dollar. 2002. Aid allocation and poverty reduction. *European Economic Review* 29(11): 1787–1802.

Collier, P., and A. Hoeffler. 2002a. *Aid, policy, and growth in post-conflict societies*. Washington, DC: World Bank.

Collier, P., and A. Hoeffler. 2002b. Aid, policy, and growth in post-conflict societies. *European Economic Review* 48(5): 1125–1145.

Comrey, A.L., and H.B. Lee. 1992. *A first course in factor analysis*. Hillsdale: Erlbaum.

Conte, A. 1965. *Bandoung: tournant de l'Histoire*. Paris: Robert Laffont.

Corre, G., J. Mackie, and S. Trenner. 2008. *Current dilemmas in aid architecture: Actors & instruments, aid orphans, and climate change*. Maastricht: ECDPM.

Cottier, T., and P. Delimatsis (eds.). 2011. *The prospects of international trade regulation: From fragmentation to coherence*. Cambridge/New York: Cambridge University Press.

Dalgaard, C.J., and H. Hansen. 2001. On aid, growth and good policies. *The Journal of Development Studies* 37(6): 17–41.

Davies, P. 2010. *A review of the roles and activities of new development partners*. CFP Working Paper 4. Washington, DC: World Bank.

Davies, P. 2011. *Toward a new development cooperation dynamic Canadian development report 2011*. Ottawa: The North-South Institute.

Davies, R.B., and S. Klasen. 2013. Of donor coordination, free-riding, darlings, and orphans. The dependence of bilateral aid on other bilateral giving. http://econstor.eu/bitstream/10419/48353/1/47_klasen.pdf. Accessed 13 Jan 2014.

Davies, R.B., and S. Klasen. 2015. *Of donor coordination, free-riding, darlings, and orphans: The dependence of bilateral aid on other bilateral giving*. Courant Research Centre: Poverty, Equity and Growth Discussion Papers 168. Goettingen: Georg-August-Universität Göttingen.

De Coning, C., and K. Friis. 2011. Coherence and coordination: The limits of the comprehensive approach. *Journal of International Peacekeeping* 15: 243–272.

De Mello e Souza, A. 2014. The Brazilian Cooperation Agency: Origins, mandates, resources and challenges. In *Institutional architecture and development: Responses from emerging powers*, ed. J. Pérez, S. Chaturvedi, E. Sidiropoulos, and T. Fues, 81–100. Johannesburg: Jacana Media.

De Weijer, F. 2013. A context of multiple institutions: Engaging in fragile settings. *The Broker*. www.thebrokeronline.eu (Homepage). Accessed 4 Nov 2013.

Dearden, S. 2013. *EU aid coordination and aid effectiveness*. Manchester: Manchester Metropolitan University.

Deutscher, E., and S. Fyson. 2008. Improving the effectiveness of aid: A proliferation of donors and projects has made the governance of aid more problematic. *Finance and Development* 45(3): 15–19.

DFID (Department for International Development). 2010. *Working effectively in conflict-affected and fragile situations*. London.

DFID (Department for International Development). 2011a. *Annual report and accounts 2010*. London: DFID.

DFID (Department for International Development). 2011b. Operational plan 2011–2015: Governance and fragile states department. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67560/gov-frag-sts-dept-2011.pdf. Accessed 26 Mar 2015.

DFID (Department for International Development) and UNDP (United Nations Development Programme). 2000. *Aid transaction costs in Vietnam*. London: DFID.

Djankov, S., J.G. Montalvo, and M. Reynal-Querol. 2009. Aid with multiple personalities. *Journal of Comparative Economics* 37(2): 217–229. doi:10.1016/j.jce.2008.09.005.

DOE (Department of Energy). 2006. *Renewable energy based village power system project: Final report*. Manila: Philippine Department of Energy.

DOE (Department of Energy). 2011. *Renewable energy plans and programs (2011–2030)*. Manila: Philippine Department of Energy.

DOE (Department of Energy). 2012a. *2012–2016 Missionary Electrification Development Plan (2012 MEDP)*. Manila: Philippine Department of Energy.

DOE (Department of Energy). 2012b. *Renewable energy donor's forum: Documentation report*. Manila: Philippine Department of Energy.

DOE (Department of Energy). 2013a. Expanded rural electrification program implementation strategies. DOE Energy Situationer. http://www.doe.gov.ph/power-and-electrification/expanded-rural-electrification/375-re-strategies/1725-expanded-rural-electrification-program-implementation-strategies. Accessed 30 Mar 2015.

DOE (Department of Energy). 2013b. Philippine power statistics 2012. Philippine Department of Energy. http://www.doe.gov.ph/electric-power-statistics/philippine-power-statistics. Accessed 30 Mar 2015.

Donahue, J.D., and R.J. Zeckhauser. 2011. *Collaborative governance: Private roles for public goals in turbulent times*. Princeton: Princeton University Press.

Dosi, G., and J. Stiglitz. 2013. *The role of intellectual property rights in the development process, with some lessons from developed countries: An introduction*. LEM Working Paper Series 2013/23. Pisa: Institute of Economics Scuola Superiore Sant'Anna.

Dreher, A., and K. Michaelowa. 2010. *Methodology to measure progress towards in country division of labor*. Study on Behalf of GTZ – Final report. Goettingen/Zürich.

Dreher, A., K. Gehring, K. Michaelowa, and F. Spörri. 2013. *Aid fragmentation, measurement, and incentives for effective development cooperation*. Paper presented at the conference “Fragmentation or Pluralism?”, Bonn, German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE), 10–13 Oct 2013.

Droesse, G. (ed.). 2011. *Funds for development: Multilateral channels of concessional financing*. Manila: Asian Development Bank.

Easterly, W. 2003. Can foreign aid buy growth? *The Journal of Economic Perspectives* 17(1): 23–48.

Easterly, W. 2006. *The white man’s burden: Why the West’s efforts to aid the rest have done so much ill and so little good*. New York: Penguin.

Easterly, W. 2007. Are aid agencies improving? *Economic Policy* 22: 633–678. doi:10.1111/j.1468-0327.2007.00187.x.

Easterly, W., and T. Pfutze. 2008. Where does the money go? Best and worst practices in foreign aid. *Journal of Economic Perspectives* 22: 29–52.

Easterly, W., and C.R. Williamson. 2011. Rhetoric versus reality: The best and worst of aid agency practices. *World Development* 39(11): 1930–1949.

EC (European Commission). 2007a. *EU code of conduct on division of labour in development policy*. Brussels: Commission of the European Communities.

EC (European Commission). 2007b. *EU code of conduct on complementarity and division of labour in development policy*. Council Conclusions, 9558/07. Brussels: General Secretariat of Council.

EC (European Commission). 2011a. *EU accountability report 2011 on financing for development, VOL III, Annex 5: Third monitoring report and progress review of the fast track initiative on division of labour*. SEC(2011)502 final. Brussels: EU.

EC (European Commission). 2011b. *Communication from the Commission: Increasing the impact of EU development policy: An agenda for change*. COM(2011)637 final. Brussels: EU.

EC (European Commission). 2011c. *Increasing the impact of EU development policy: An agenda for change*. COM (2011) 637 final. Brussels: European Commission. Directorate – General for Development and Cooperation. EuropeAid.

EC (European Commission). 2012. *EU accountability report 2012 on financing for development: Review of the progress of the EU and its member states*. SWD(2012)199. Brussels: EU.

EC (European Commission). 2013. *EU accountability report 2013 on financing for development: Review of progress by the EU and its member states*. SWD (2013) 273. Brussels: EU.

EC (European Commission). 2014. *EU accountability report 2014 on financing for development: Review of progress by the EU and its member states*. SWD (2014) 235. Brussels: EU.

EC/EEAS (European External Action Service). 2013. *Addressing conflict prevention, peace-building and security issues under external cooperation instruments.* Guidance Note. Brussels: EC/EEAS.

EC/HR (High Representative of the European Union for Foreign Affairs and Security Policy). 2013. *Joint communication to the European Parliament and the Council: The EU's comprehensive approach to external conflict and crises.* JOIN (2013) 30 final. Brussels: European Commission.

ECA (European Court of Auditors). 2011. *The Commission's management of general budget support in the ACP, Asian and Latin American countries.* Special Report No. 11/2010. Luxembourg: EU.

ECDPM (European Centre for Development Policy Management). 2012. *Differentiation in ACP-EU cooperation: Implications of the EU's agenda for change for the 11th EDF and beyond*. Discussion Paper 134. Maastricht: ECDPM.

ECDPM (European Centre for Development Policy Management), and ActionAid. 2008. *Whither EC aid? Briefing note: The code of conduct on complementarity and division of labour*. Maastricht/Brussels: ECDPM/ActionAid International.

ECORYS. 2009. *Competitiveness of the EU. Aerospace Industry with Focus on: Aeronautics Industry. Within the Framework Contract of Sectotal Competitiveness Studies.* Munich: ENTR/06/054.

EEAS (European External Action Service). 2013. *EEAS review 29 July 2013.* Brussels: EEAS.

Eichenauer, V.Z., and S. Hug. 2015. *The politics of special purpose trust funds.* Paper presented at the PEIO Conference, Berlin, Feb 12–14.

Einhorn, J. 2001. The World Bank's mission creep. *Foreign Affairs* 80(5): 22–35.

EP EAVU (European Parliament – European Value Added Unit). 2013. *The cost of Non-Europe in development policy: Increasing coordination between EU donors.* DG IPOL. Brussels: Secretariat of the European Parliament.

ERD (European Report on Development). 2009. *Overcoming fragility in Africa: Forging a new European approach.* San Domenico di Fiesole: Robert Schuman Centre for Advanced Studies, European University Institute, European Communities.

Eriksson, J. 2001. *The drive to partnership. Aid coordination and the World Bank.* Washington, DC: The World Bank.

Esser, D.E., and K.K. Bench. 2011. *Does global health funding respond to recipients' needs? Comparing public and private donors' allocations in 2005–2007.* Massachusetts: University of Massachusetts Medical School.

EU (European Union). 2007. *EU code of conduct on division of labour.* Brussels: EU.

EU (European Union). 2009a. *EU operational framework on aid effectiveness.* Brussels: EU.

EU (European Union). 2009b. *Monitoring report EU fast track initiative on division of labour and complementarity. Monitoring of the status quo (November*

2008). A product of the EU Technical Seminar on Division of Labour and Complementarity. http://www.dev-practitioners.eu/fileadmin/Redaktion/GroupsFolders/Division_of_Labour/Report_DoL_Monitoring_Update.pdf. Accessed 18 Jan 2015.

EU (European Union). 2009c. *Second monitoring report of the EU fast track initiative on division of labour*. A Product of the EU-Technical Seminar on Aid Effectiveness 30 November 2009. http://www.oecd.org/dac/effectiveness/45488935.pdf. Accessed 13 Mar 2015.

EU (European Union). 2011a. *EU agenda for change*. Brussels: EU.

EU (European Union). 2011b. *EU joint programming*. Brussels: EU.

EU (European Union). 2011c. Third monitoring report and progress review of the EU fast track initiative on division of labour. In *EU accountability report 2011 on financing for development review of progress of the EU and its member states*, ed. European Commission. http://www.oecd.org/dac/effectiveness/47823165.pdf. Accessed 8 Feb 2015.

European Council. 2010. Council decision establishing the organisation and functioning of the European External Action Service (11665/1/10). Brussels: European Council.

European Council. 2012. *Council conclusions on 'Increasing the Impact of EU Development Policy: an Agenda for Change,' 3166th Foreign Affairs Council Meeting*, Brussels. http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/130243.pdf. Accessed 9 Feb 2014.

Fan, S., A. Saurkar, and G. Shields. 2009. How to mobilize public resources to support poverty reduction. In *The poorest and hungry: Assessments, analyses, and actions*, ed. J. von Braun, R.V. Hill, and R. Pandya-Lorch. Washington, DC: IFPRI.

Fantino, J. 2013, March 26. Julian Fantino: Why CIDA merged with foreign affairs. http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/FRA-32816914-RMT. Accessed 22 May 2014.

Faria, F. 2014. *What EU comprehensive approach? Challenges for the EU action plan and beyond*. Briefing Note 71. Maastricht: ECDPM.

Faust, J., and S. Zaija. 2012. *German aid allocation and partner country selection: Development orientation, self-interests and path dependency*. Discussion Paper 7/2012. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Faust, J., J. Grävingholt, and S. Ziaja. 2013. *Foreign aid and the fragile consensus on state fragility*. Discussion Paper 8/2013. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

FDRE (Federal Democratic Republic of Ethiopia). 2010. *Growth and transformation plan 2010/11 – 2014/15*. Addis Ababa: FDRE.

Findley, M., J. Powell, D. Strandow, and J. Tanner. 2011. The localized geography of foreign aid: A new dataset and application to violent armed conflict. *World Development* 39(11): 1995–2009.

Finnemore, M., and K. Sikkink. 1998. International norm dynamics and political change. *International Organization* 52: 887–917.

Fomerand, J. 2003. *Mirror, tool, or linchpin for change? The UN and development*. Academic Council of the UN System (ACUNS), International Relations Studies and the UN Occasional Papers No 2. http://acuns.org/wp-content/uploads/2012/06/MirrorToolorLinchpinforChange.pdf. Accessed 18 Apr 2015.

Forman, S., and D. Segaar. 2006. New coalitions for global governance: The changing dynamics of multilateralism. *Global Governance: A Review of Multilateralism and International Organizations* 12(2): 205–225.

Fraser, A., and L. Whitfield. 2008. *The politics of aid: African strategies for negotiating with donors*. GEG Working Paper 2008/42. Oxford: Global Economic Governance Programme.

Frey, B.S., and F. Schneider. 1986. Competing models of international lending activity. *Journal of Development Economics* 20(2): 225–245.

Frisch, D. 2008. *The European Union's development policy: A personal view of 50 years of international cooperation*. PMR15. Maastricht: ECDPM.

Frot, E. 2010. *Crushed aid: Fragmentation in sectoral aid*. OECD Development Centre Working Paper No. 284. Paris: OECD.

Frot, E., and J. Santiso. 2008. *OECD development aid and portfolio funds: Trends, volatility and fragmentation*. Working Paper No. 275. Paris: OECD.

Frot, Emmanuel, and Javier Santiso. 2010. *Crushed aid fragmentation in sectoral aid*. OECD Development Centre Working Paper No. 284.

Furness, M., and F. Vollmer. 2013. *EU joint programming: Lessons from South Sudan for EU aid coordination*. Briefing Paper 18/2013. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Furtado, X., and J. Smith. 2009. Ethiopia: Retaining sovereignty in the face of aid. In *The politics of aid African strategies for dealing with donors*, ed. L. Whitfield. Oxford: Oxford University Press.

Furukawa, M., and J. Takahata. 2013. *Is GBS still a preferable aid modality?*. JICA Research Institute Working Paper 50. Tokyo: JICA Research Center.

Galeazzi, G., D. Helly, and F. Krätke. 2013. *All for one or free for all: Early experiences in EU joint programming*. ECDPM Briefing Note No 50. Maastricht: ECDPM.

GAVI. 2015. GAVI Homepage. http://www.gavi.org/about/governance. Accessed 30 Mar 2015.

Gibson, C., et al. 2005. *The Samaritan's dilemma*. Oxford: Oxford University Press.

GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit). 2013a. *Manual for interconnection. Report for supporting the interconnection of rooftop-PV systems in the Philippines*. Berlin: GIZ.

GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit). 2013b. *Support to the Philippine Climate Change Commission*. http://www.giz.de/themen/en/37763.htm. Accessed 30 Aug 2013.

Global Partnership for Effective Development Co-operation. 2014. *Mexico high level meeting communiqué*. http://effectivecooperation.org/wordpress/wp-content/uploads/2014/07/ENG_Final-ConsensusMexicoHLMCommunique.pdf. Accessed 6 July 2015.

Global Witness. 2012. *Signing their lives away: Liberia's private use permits and the destruction of community-owned rainforest*. www.globalwitness.org (Homepage). Accessed 3 Jan 2015.

Gopalan, R. 2011. *Statement at the joint ministerial committee of the boards of governors of the bank and the fund on the transfer of real resources to developing countries*. September 24th. Washington, DC: World Bank.

Government of Bangladesh. 2011. *Aid management in Bangladesh. A review of policies and procedures*. Dhaka: Ministry of Finance.

Government of China. 2011. *China's foreign aid* (Beijing: Information Office of the State Council, The People's Republic of China). http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm. Accessed 25 Mar 2015.

Government of the Philippines. 2001. *Republic Act No. 9136: Electric Power Industry Reform Act*. Manila.

Government of the Philippines. 2008. *Republic Act No. 9513: Renewable Energy Act of 2008*. Manila.

GPE (Global Partnership on Education). 2011. *Pledges to the Global Partnership for Education*, November 8th. Copenhagen.

Graham, E.R. 2015. Money and multilateralism: How funding rules constitute IO governance. *International Theory* 7(1): 162–194.

Greenhill, R., A. Prizzon, and A. Rogerson. 2013a. *The age of choice: Developing countries in the new aid landscape: A synthesis report*. London: Overseas Development Institute.

Greenhill, R., A. Prizzon, and A. Rogerson. 2013b. *The age of choice – How are developing countries managing the new aid landscape?* London: Overseas Development Institute.

Grimm, S. 2011a. *Transparency of Chinese aid: An analysis of the published information on Chinese external financial flows*. Research Report with R. Rank, M. McDonald and E. Schickerling. Stellenbosch: PublishWhatYouFund/Centre for Chinese Studies. http://www.ccs.org.za/wp-content/uploads/2011/09/Transparency-of-Chinese-Aid_final.pdf. Accessed 1 Apr 2015.

Grimm, S. 2011b. *China as Africa's ambiguous ally – Why China has a responsibility for Africa's development*. CCS Discussion Paper 1/2011. Stellenbosch: Centre for Chinese Studies. http://www.ccs.org.za/wp-content/uploads/2011/06/DS-1-2011.pdf. Accessed 1 Apr 2015.

Grimm, S. 2011c. *South Africa as a development partner in Africa*. EDC2020 Policy Brief No 11. Bonn: European Association of Development Research and Training Institutes. http://www.edc2020.eu/fileadmin/publications/

EDC2020_Policy_Brief_No_11_-_South_Africa_as_a_Development_Partner_in_Africa_v3.pdf. Accessed 9 Apr 2015.
Grimm, S. 2013. Aid dependency as a limitation to national development policy? The case of Rwanda. In *African agency in international politics*, ed. W. Brown and S. Harman, 81–96. London/New York: Routledge.
Grimm, S. 2014a. China-Africa cooperation: Promises, practice and prospects. *Journal for Contemporary China* 23(90): 993–1011.
Grimm, S. 2014b. The European Union's ambiguous concept of 'state fragility'. *Third World Quarterly* 35(2): 252–267.
Grimm, S., and J. Leininger. 2012. Not all good things go together: Conflicting objectives in democracy promotion. *Democratization* 19(3): 391–414.
Grimm, S., and N.-S. Schulz. 2009. *International division of labour – Towards a criteria-led process?* Bonn: DIE and FRIDE.
Grimm, S., H. Höß, K. Knappe, M. Siebold, and J. Sperrfechter. 2011. *Coordinating China and DAC development partners: Challenges to the aid architecture in Rwanda*. Studies 56. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).
GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit). 2010. *Erfahrungen der deutschen EZ aus der Umsetzung eines EU-Pilotierungsprozesses in Sierra Leone. Das EU-Engagement in Sierra Leone auf dem Weg zu einer effektiven Antwort auf staatliche Fragilität*. Unpublished manuscript.
Guillaumont, P. 2008. An economic vulnerability index: Its design and use for international development policy. *Oxford Development Studies* 37(3): 193–228.
Gulrajani, N. 2010. *Re-imagining Canadian development cooperation: A comparative examination of Norway and the UK*. Toronto: Walter and Duncan Gordon Foundation.
Haaß, F. 2012. *Frieden und Geld: Die Friedenskonsolidierung der Vereinten Nationen leidet unter ihrem Finanzierungssystem*. www.bretterblog.wordpress.com (Homepage). Accessed 1 Oct 2012.
Hagenaars, J.A. 1990. *Categorical longitudinal data: Log-linear panel, trend, and cohort analysis*. Newbury Park: Sage.
Hailu, D., and R. Tsukada. 2011. *Achieving the millennium development goals: A measure of progress*. Brasilia: UNDP.
Hale, T., D. Held, and K. Young. 2013. *Gridlock. Why cooperation is failing when we need it most*. Cambridge: Polity Press.
Halonen-Akatwijuka, M. 2004. *Coordination failure in foreign aid*. Washington, DC: The World Bank.
Halperin, M.H., P.A. Clapp, and A. Kanter. 2006. *Bureaucratic politics and foreign policy*. Washington, DC: Brookings Institution Press.
Hansen, H., and F. Tarp. 2001. Aid and growth regressions. *Journal of Development Economics* 64(2): 547–570.

Hartmann, S. 2011. *Political constraints on division of labor in development policy across countries. A proposal for a more viable coordination procedure at the EU level*. Vienna: Österreichische Forschungsstiftung für Internationale Entwicklung.

Heimans, J. 2004. *Multiactor global funds: New tools to address urgent global problems*. UNU WIDER Research Paper No. 2004/47. Helsinki: UNO-WIDER.

Helgasson, K., and S. Weinlich. 2015. *Post-2015: Recharging governance of United Nations Development*. Briefing Paper 6/2015. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Herman, B. 2013. *Towards a New Global Partnership for Development: Looking back to look forward*. New York City: United Nations Department of Economic and Social Affairs.

Herrmann, S., C. Kükenshöner, B. Reinsberg, and Y. Tesfaye. 2014. *Analysis of the German trust fund portfolio at the World Bank and guidance on reforms*. BMZ/GIZ report. Berlin: GIZ.

Hill, C. 2003. *The changing politics of foreign policy*. Hampshire: Palgrave Macmillan.

HLF (High Level Forum on Aid Effectiveness). 2011. *Busan partnership for effective development cooperation*. 4th HLF Final Outcome Document. Paris: HLF.

Hoebink, P. (ed.). 2004. *The Treaty of Maastricht and Europe's Development Co-Operation*. Studies in European Development Co-operation Evaluation No 1. Brussels, Belgium: EU.

Holtz-Eakin, D., W. Newey, and H.S. Rosen. 1988. Estimating vector autoregressions with panel data. *Econometrica* 56(6): 1371–1395.

Hong, Z. 2012. China's evolving aid landscape: Crossing the river by feeling the stones. In *Development cooperation and emerging powers: New partners or old patterns*, ed. S. Chaturvedi, T. Fues, and E. Sidiropoulos, 134–168. London: Zed Books.

Hout, W. 2010. Between development and security: The European Union, governance and fragile states. *Third World Quarterly* 31(1): 141–157.

Hudson, John. 2012. *Consequences of aid volatility for macroeconomic management and aid effectiveness*. UNU-WIDER Working Paper No. 2012/35.

ICF International. 2014. *Independent evaluation of the climate investment funds*. Washington, DC: World Bank.

ICG (International Crisis Group). 2014. *South Sudan: A civil war by any other name*. Africa Report 217.

IEA (International Energy Agency). 2015. *IEA non-member countries: Philippines*. International Energy Agency Statistics. http://www.iea.org/countries/non-membercountries/philippines/date. Accessed 12 Mar 2015.

IEG (Independent Evaluation Group). 2011. *An evaluation of the World Bank's trust fund portfolio: Trust fund support for development*. Washington DC: World Bank.

IEO (Independent Evaluation Office). 2011. *IMF performance in the run up to the financial and economic crisis: IMF surveillance in 2004–2007*. Independent Evaluation of the International Monetary Fund. Washington, DC: International Monetary Fund.

International Task Force on Global Public Goods. 2006. *Meeting global challenges: International cooperation in the national interest. Final report*. Stockholm: International Task Force on Global Public Goods.

Isenman, P., and A. Shakow. 2010. *Donor schizophrenia and aid effectiveness: The role of global funds*. IDS Practice Paper No. 5. Brighton: IDS.

Jabines, A., and J. Inventor. 2007. *The Philippines: A climate hotspot. Climate change impacts and the Philippines*. Quezon City: Greenpeace Southeast Asia.

Jackson, R. 1969. *Study of the capacity of the UN development system*. Geneva: United Nations.

Janus, H., S. Klingebiel, and S. Paulo. 2015. Beyond aid: A conceptual perspective on the transformation of development cooperation. *Journal of International Development* 27: 155–169. doi:10.1002/jid.3045.

Jenks,B. 2013. *UN development at a crossroads*. Development Dialogue Paper Series No. 3. Uppsala: Dag Hammarskjöld Foundation.

Jenks, B., and B. Jones. 2013. *UN development at a crossroads*. New York: NYU Center on International Cooperation.

JGA (Joint Governance Assessment). 2008. *Rwanda joint governance assessment report*. Kigali: Republic of Rwanda.

Johannsen, J. 2011. *The EU's comprehensive approach to crisis management: Premises, ambitions, limits*. Baden-Baden: Nomos.

Jolly, R., L. Emmerij, and T.G. Weiss. 2009. *UN ideas that changed the world*. Bloomington: Indiana University Press.

JRC. 2015. *Composite indicators*. Research Group of the Joint Research Centre of the European Commission. https://ec.europa.eu/jrc/en/coin (Home page). Accessed 31 Mar 2015.

Jung, J. 2012. Power-sharing and democracy promotion in post-civil war peace-building. *Democratization* 19(3): 486–506.

Kanbur, R. 2006. The economics of international aid. In *Handbook on the economics of giving, reciprocity, and altruism*, ed. S. Kolm and J. Mercier-Ythierm. Amsterdam: Elsevier.

Kaplan, S. 2008. *Fixing Fragile States: A new paradigm for development*. New York: Praeger.

Kapur, D. 2002. The changing anatomy of governance of the World Bank. In *Reinventing the World Bank*, ed. J. Pincus and J.A. Winters. Ithaca: Cornell University Press.

Kasten, T. 2013. *Entwicklungszusammenarbeit und Peacebuilding – Mehr Wirkung durch Harmonisierung? Geberabstimmung und Friedenskonsolidierung in Ruanda und Sierra Leone*. Baden-Baden: Nomos.

Kaufmann, D., A. Kraay, and M. Mastruzzi. 2006. Measuring governance using cross-country perceptions data. In *International handbook on the economics of corruption*, ed. S. Rose-Ackermann. Cheltenham: Edward Elgar Publishing.

Kaufmann, D., A. Kraay, and M. Massimo. 2008. *Governance matters VII: Governance indicators for 1996–2007*. World Bank Policy Research Working Paper No. 4654. Washington, DC: Word Bank.

Kaufmann, D., A. Kraay, and M. Massimo. 2010. *The worldwide governance indicators: A summary of methodology, data and analytical issues*. World Bank Policy Research Working Paper 5430. Washington, DC: Word Bank.

Kaul, I. 2013. *Global public goods: A concept for framing the post-2015 agenda?*. Discussion Paper 2/2013. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Keen, D. 2005. *Conflict and collusion in Sierra Leone*. Oxford/New York: James Currey/International Peace Academy.

Keijzer, N. 2013. *Unfinished agenda or overtaken by events? Applying aid- and development effectiveness principles to capacity development support*. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Keijzer,N., and A.M. Fejerskov. 2013. *Practice makes perfect?*. Dansk Institut for Internationale Studier 2013:03. Copenhagen: Danish Institute for International Studies.

Keijzer, N., and J. Oppewal. 2012. *Learn to walk before you can run? Review of methodological approaches for evaluating coherence in the field of international cooperation*. ECDPM Discussion Paper. Maastricht: European Centre for Policy Analysis and Management.

Keukelaire, S., and K. Rauabe. 2013. The security–development nexus and securitization in the EU's policies towards developing countries. *Cambridge Review of International Affairs* 26(3): 556–572.

Kharas, H. 2007. *The new reality of aid*. Washington, DC: The Brookings Institution.

Kharas, H. 2008. *Measuring the cost of aid volatility*. Washington, DC: Wolfensohn Center for Development, Brookings.

Kharas, H., and A. Rogerson. 2012. *Horizon 2025: Creative destruction in the aid industry*. London: Overseas Development Institute. http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7723.pdf. Accessed 1 Apr 2015.

Kharas, H., and J.F. Linn. 2008. *Better aid: Responding to gaps in effectiveness.* Policy Brief 2008–06. Washington, DC: The Brookings Institution.

Kihara, T. 2012. *Effective development aid: Selectivity, proliferation and fragmentation, and the growth impact of development assistance*. ADBI Working Paper 342. Tokyo: Asian Development Bank Institute.

Kilby, C. 2011. What determines the size of aid projects? *World Development* 39(11): 1981–1994.

Kilnes, U., N. Keijzer, J. van Seters, and A. Sherriff. 2012. *More or less? A financial analysis of the 11th European Development Fund*. Briefing Note No. 29. Maastricht: ECDPM.

Kimura, H., Y. Mori, and Y. Sawada. 2012. Aid fragmentation and economic growth: A cross-country analysis. *World Development* 40(1): 1–10. doi:10.1016/j.worlddev.2011.05.010.

Kindornay, S. 2011. *From aid to development effectiveness: A working paper*. Ottawa: The North-South Institute.

Kitamura, Y. 2005. *Panel data analysis*. Tokyo: Iwanami Shoten, Publishers. in Japanese.

Kitchen, H., and E. Slack. 2006. Providing public services in remote areas. In *Perspectives on fiscal federalism*, ed. R. Bird and F. Vaillancourt, 121–139. Washington, DC: The World Bank.

Klingebiel, S. 2013. *Multilateral aid: Structural change and donor preferences*. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Klingebiel, S. 2014. *The future of the ODA concept: The political dimensions of a seemingly technical discussion*. Briefing Paper 8/2014. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Klingebiel, S., and H. Ogbamichael. 2004. Poor performers in Sub-Saharan Africa. *African Security Review* 13: 13–19.

Klingebiel, S., P. Morazán, and M. Negre. 2013a. *Cost of non-Europe in development policy*. Research Paper CoNE 1/2013. Brussels: European Union.

Klingebiel, S., P. Morazán, and M. Negre. 2013b. The cost of non-EU in development policy. Annex II. European Parliament Added Value Unit. http://bookshop.europa.eu/. Accessed 8 July 2014.

Kloke-Lesch, A. 1998. Funktionale Positionsbestimmung der Entwicklungspolitik. *Internationale Politik und Gesellschaft* 3: 324–332.

Knack, S., and A. Rahman. 2004. *Donor fragmentation and bureaucratic quality in aid recipients*. Policy Research Working Papers. Washington, DC: World Bank.

Knack, S., and N. Eubank. 2009. *Aid and trust in country systems*. Policy Research Working Paper 5005. Washington, DC: The World Bank Development Research Group Human Development and Public Services Team.

Knack, S., and A. Rahman. 2007. Donor fragmentation and bureaucratic quality in aid recipients. *Journal of Development Economics* 83(1): 176–197. doi:10.1016/j.jdeveco.2006.02.002.

Knack, S., and A. Rahman. 2008a. *Donor fragmentation*. Washington, DC: World Bank. Munich Personal RePEc Archive Paper 28043.

Knack, S., and A. Rahman. 2008b. Donor fragmentation. In *Reinventing foreign aid*, ed. W. Easterly, 333–348. Cambridge, MA: MIT Press.

Koch, D.J., A. Dreher, P. Nunnenkamp, and R. Thiele. 2011. Keeping a low profile. What determines the allocation of aid by non-governmental organizations? *World Development* 39(11): 2044–2053.

Koeberle, S., and Z. Stavreski. 2006. Budget support: Concept and issues. In *Budget support as more effective aid? Recent experiences and emerging lessons*, ed. S. Koeberle, Z. Stavreski, and J. Walliser. Washington, DC: World Bank.

Kragelund, P. 2008. The return of non-DAC donors to Africa: New prospects for African development? *Development Policy Review* 26(5): 555–584.

Kurtenbach, S. 2009. *Post-war and post-conflict challenges for development cooperation*. Duisburg: INEF Policy Brief.

Kurtenbach, S., and M. Seifert. 2010. *Development cooperation after war and violent conflict. Debates and challenges*. Duisburg: INEF-Report.

Lacher, W., and D. Tull. 2013. *Mali: Beyond counterterrorism*. SWP Comments 7. Berlin: SWP.

Larano, C. 2013. Philippines economic growth surprises. *Wall Street Journal*. http://online.wsj.com/article/SB1000142412788732441260457851431355880632.html. Accessed 30 Mar 2015.

Larona, F., H. Meller, and J. Marquardt. 2013. *Renewable energies for off-grid power generation in the Philippines. Avenues and examples for private sector participation in the off-grid power sector*. Manila: GIZ.

Lawson, A. 2009. *Evaluating the transaction costs of implementing the Paris Declaration*. Oxford: FISCUS Public Finance Consultants.

Lawson, A. 2013. *Foreign aid: International donor coordination of development assistance*. Washington, DC: Congressional Research Service.

Leiderer, S. 2010. *Budget support as an aid instrument – Neither pandemonium nor panacea*. Briefing Paper 9/2010. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Lensink, R., and H. White. 2001. Are the negative returns to aid? *The Journal of Development Studies* 37(6): 42–65.

Lindores, D. 2012. *Enhancing the functioning of the UN Resident Coordinator system*. A Report prepared for the UN Department of Economic and Social Affairs, May 2012. New York.

Linn, J.F. 2009. *Aid coordination on the ground: Are joint country assistance strategies the answer?* Washington, DC: Wolfensohn Center for Development.

Lippert, S. 2013. Africa is coveted 'last frontier' for China and Japan. *Worldreview Blog*. Published 25 June 2013. http://www.worldreview.info/content/africa-coveted-last-frontier-china-and-japan. Accessed 10 Apr 2015.

Lister, S., and M. Stevens. 1992. *Aid coordination and management*. Washington, DC: The World Bank.

Lister et al. 2006. *Joint evaluation of general budget support 1994–2004*. IDD Associates, DFID on behalf of the Steering Group. London.

Lundsgaarde, E. 2013a. *Bureaucratic pluralism and the transformation of development cooperation*. DIE Discussion Paper 16/2013. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Lundsgaarde, E. 2013b. *The domestic politics of foreign aid*. Abingdon: Routledge.

Lundsgaarde, E., E. Funk, A. Kopyra, J. Richter, and H. Steinfeldt. 2012. *Private foundations and development cooperation: Insights from Tanzania*. Studies 69. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Mackie, J. 2013. *How serious is the EU about its 2007 code of conduct on division of labour?*. Paper presented at the conference "Fragmentation or Pluralism?", Bonn, German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE), 10–11 Oct 2013.

Mackie, J., S. Görtz, and Q. de Roquefeuil. 2011. *Questioning old certainties: Challenges for EU-Africa relations in 2012*. Policy & Management Insights No. 3. Maastricht: ECDPM.

Mahn, T. 2012. *The financing of development cooperation at the United Nations: Why more means less*. DIE Briefing Paper 8/2012. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Mahn, T. 2013. *Country-level aid coordination at the United Nations – Taking the Resident Coordinator system forward*. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Maizels, A., and M.K. Nissanke. 1984. Motivations for aid to developing countries. *World Development* 12(9): 879–900.

Manning, R. 2006. *Will emerging donors change the face of international cooperation?* Paris: OECD DAC.

Manning, R. 2014. *Securing the future of multilateral development finance: Time for Europe to take the initiative*. Policy Brief December. Oxford: University of Oxford/Blavatnik School of Government.

Manuel, M., A. McKechnie, M. King, E. Coppin, and L. Denney. 2012. *Innovative aid instruments and flexible financing: Providing better support to fragile states*. London: Overseas Development Institute.

Mao, X. 2014. *China's proposition and recommendations on the Post-2015 agenda*. CIDRN (China International Development Research Network) Policy Recommendations No. 4. Beijing: CIDRN.

Marquardt, J. 2010. *Think global, act local? Environmental regime effectiveness: Renewable energy projects under the clean development mechanism in the Philippines, India and China*. Saarbrücken: VDM Verlag Dr. Müller.

Marquardt, J. 2014. How sustainable are donor-driven solar power projects in remote areas? *Journal of International Development* 26(6): 915–922.

Marten, R., and J.M. Witte. 2008. *Transforming development? The role of philanthropic foundations in international development cooperation*. Berlin: Global Public Policy Institute.

Martens, J. 2006. *The reform of the UN Economic and Social Council: A never-ending story?*. Global Policy Forum. www.globalpolicy.org/social-and-economic-policy/social-and-economic-policy-at-the-un/reform-of-ecosoc-and-the-social-and-economic-policy-process-at-the-un/47509-the-reform-of-the-un-economic-and-social.html. Accessed 02 May 2015.

Martens, B. 2008. Why do aid agencies exist? In *Reinventing foreign aid*, ed. W. Easterly, 285–310. Cambridge, MA: MIT Press.

McCartan, B. 2011. Cambodia shrugs off aid curb. *Asia Times Online*, 23 August.

McKeehan, R.J. 2012. *Recent innovations and coming challenges for multilateral trust funds.* United States Department of the Treasury, Mimeo

Meller, H., and J. Marquardt. 2013. *Renewable energy in the Philippines: Costly or competitive? Facts and explanations on the price of renewable energies for electricity production.* Manila: GIZ.

Michaelowa, A., and K. Michaelowa. 2011. Climate business for poverty reduction? The role of the World Bank. *The Review of International Organizations* 6(3–4): 259–286.

MINECOFIN (Ministry of Finance and Economic Planning). 2010. *Official Development Assistance (ODA) report. FY 2009/10.* Kigali.

MINECOFIN (Ministry of Finance and Economic Planning). 2012. *Assessment of Sector Wide Approach (SWAP). Final Report.* Kigali.

Missik, B., and E. Romon. 2014. Foundations as development partners. In *Development co-operation report 2014: Mobilising resources for sustainable development*, ed. OECD. Paris: OECD.

Mohan, G., and B. Lampert. 2012. Negotiating China: Reinserting African agency into China-Africa relations. *African Affairs* 112(446): 92–110.

Mold, A., D. Olcer, and A. Prizzon. 2008. *The fallout from the financial crisis. Will aid budgets fall victim of the credit crisis?* Paris: OECD.

Momani, B. 2007. IMF staff: Missing link in fund reform proposals. *The Review of International Organizations* 2(1): 39–57.

Morss, E.R. 1984. Institutional destruction resulting from donor and project fragmentation in Sub-Saharan African countries. *World Development* 12(4): 465–470.

Morton, J. 2013. *How aid fails failed states: A Sudan study in getting it wrong – Twice.* Working Paper presented at the Sudanese programme/Oxford Peace Workshop, University of Oxford, 6 Feb 2013.

Moschella, M., and A. Vetterlein. 2013. International organizations and organizational fields: Explaining policy change in the IMF. *European Political Science Review* 6(1): 143–165.

Mueller, J. 2010. UN system coordination: The challenge of working together. *Journal of International Organization Studies* 1(1): 29–56.

Mukherjee, P. 2011 *Joint ministerial committee of the boards of governors of the bank and the fund on the transfer of real resources to developing countries.* Sept 24th.

Mürle, H. 2007. *Towards a division of labour in European development co-operation: Operational options.* Discussion Paper 6/2007. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Nadoll, J. 2009. *Review of Sierra Leone's aid coordination architecture*. Freetown: UNDP Sierra Leone.

Naím, M. 2007. Rogue aid. *Foreign policy* 159(March/April): 95–96.
Narea, L.A., and M. Christensen. 2004. *Development of Swedish general budget support 1990–2003.* UTV Working Paper 2004:3. Stockholm: SIDA.
Negre, M. 2013. EU: Policy coherence for development and trade?. *Le Monde Diplomatique*, 13 May. http://mondediplo.com/blogs/eu-policy-coherence-for-development-and-trade. Accessed 15 Mar 2015.
Neumayer, E. 2003. The determinants of aid allocation by regional multilateral development banks and United Nations agencies. *International Studies Quarterly* 47(1): 101–122.
Nicholson-Crotty, J., and S.M. Miller. 2012. Bureaucratic effectiveness and influence in the legislature. *Journal of Public Administration Research and Theory* 22(2): 347–371.
Nicoletti, G., S. Scarpetta, and O. Boylaud. 2000. *Summary indicators of product market regulation with an extension to employment protection legislation*. OECD Economics Department Working Papers No. 226, ECO/WKP (99) 18. Paris: OECD.
Nkuzi, R. 2010. *Rwanda – An example of country leadership in division of labour: Presentation at the Regional Workshop on Country-Led Division of Labour*, Anglophone Africa, Uganda, 28–29 Sep 2010.
Nunnenkamp, P., H. Öhler, and R. Thiele. 2011. *Donor coordination and specialization. Did the Paris Declaration make a difference?*. Kiel Institute for the World Economy No. 1748. Kiel: Kiel Institute for the World Economy.
Nunnenkamp, P., H. Öhler, and R. Thiele. 2013. Donor coordination and specialization: Did the Paris Declaration make a difference? *Review of World Economics* 149(3): 537–563.
Nunnenkamp, P., M. Rank, and R. Thiele. 2015. *Aid fragmentation and donor coordination in Uganda: A district-level analysis.* Kiel Working Paper 2001. Kiel: Kiel Institute for the World Economy.
Nunnenkamp, P., A. Sotirova, and R. Thiele. 2016. Do aid donors specialize and coordinate within recipient countries? The case of Malawi. *Development Policy Review*. Forthcoming.
Nwajiaku, K., J. Profos, C. Sangaré, and G. Maria Semeraro. 2014. What place for remittances in the post-2015 framework? In *Development co-operation report 2014: Mobilising resources for sustainable development*, ed. OECD. Paris: OECD.
O'Brien, L. 2015. *China-Africa rhetoric: Lessons from the World Economic Forum*. CCS Commentary of 2 March 2015. http://www.ccs.org.za/wp-content/uploads/2015/03/Commentary_Liam_China-Africa_rhetoric_2015.pdf. Accessed 1 Apr 2015.
O'Connell, S.A., and C.C. Soludo. 2001. Aid intensity in Africa. *World Development* 29(9): 1527–1552.
Oberthür, S., and O. Schram Stokke (eds.). 2011. *Managing institutional complexity: Regime interplay and global environmental change*. Massachusetts: MIT Press.

Odén, B., and L. Wohlgemuth. 2011. *Where is the Paris agenda heading? Changing relations in Tanzania, Zambia and Mozambique*. Maastricht: ECDPM.

ODI (Overseas Development Institute). 2005. *Harmonisation and alignment in fragile states.* Report prepared for the OECD Senior Level Forum on Development Effectiveness in Fragile States, London, 13–14 Jan 2005.

OECD (Organisation for Economic Co-operation and Development). 2005. *The Paris Declaration on aid effectiveness.* Paris: Organisation for Economic Cooperation and Development.

OECD (Organisation for Economic Co-operation and Development). 2006. *Whole of government approaches to fragile states.* Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2007. *Principles for good international engagement in fragile states and situations.* Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2008a. *The Paris Declaration on aid effectiveness and the Accra agenda for action*. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2008b. *Concepts and dilemmas of state building in fragile situations. From Fragility to Resilience*. OECD-DAC Discussion Paper, Off-print of the *Journal on Development* 9(3), Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2008c. *2008 survey on monitoring the Paris Declaration; Making aid more effective by 2010*: Better aid. Paris: OECD

OECD (Organisation for Economic Co-operation and Development). 2008d. *Scaling up: Aid fragmentation, aid allocation and aid predictability. Report of 2008 survey of aid allocation policies and indicative forward spending plans.* Paris: OECD/DAC.

OECD (Organisation for Economic Co-operation and Development). 2008e. *France. Development Assistance Committee (DAC) peer review*. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2008f. *Is it ODA?*. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2008g. *Policy coherence for development–Lessons learned*. OECD Briefing Paper. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2009a. *International good practice principles for country-led division of labour and complementarity.* Paris: OECD Working Party on Aid Effectiveness.

OECD (Organisation for Economic Co-operation and Development). 2009b. *Better aid: Managing aid practices of DAC member countries.* Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2009c. *2009 OECD report on division of labour – Addressing fragmentation and concentration of aid across countries.* Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2009d. *Austria. Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2009e. *Building blocks for policy coherence for development*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2009f. *Managing aid: Practices of DAC member countries*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2009g. *Aid orphans: Whose responsibility?*. Development Brief, Issue 1/2009. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010a. The increasing importance of the South to the South. In *Perspectives on global development 2010: Shifting wealth*, ed. OECD. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010b. Harnessing the winds of change. In *Perspectives on global development 2010: Shifting wealth*, ed. OECD. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010c. *Germany. Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010d. *Japan: Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010e. *Portugal. Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010f. *United Kingdom. Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010g. *Perspectives on global development 2010: Shifting wealth*. OECD Development Centre. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010h. *Monitoring the principles for good international engagement in fragile states and situations. Country report 5. Sierra Leone. Sierra Leone*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2010i. *Getting closer to the core – Measuring country programmable aid*. Paris: OECD. www.oecd.org/dac/aid-architecture/45564447.pdf
OECD (Organisation for Economic Co-operation and Development). 2011a. *2011 OECD report on the division of labour: Addressing cross-country fragmentation of aid*. Report for the Busan 4th High Level Forum on Aid Effectiveness. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011b. *Aid orphans: a collective responsibility? Improving identification and monitoring of under-aided countries* (Paris: OECD).
OECD (Organisation for Economic Co-operation and Development). 2011c. Busan partnership for effective development cooperation. Fourth high level

forum on aid effectiveness. http://effectivecooperation.org/files/OUTCOME_DOCUMENT_-_FINAL_EN2.pdf. Accessed 19 May 2014.
OECD (Organisation for Economic Co-operation and Development). 2011d. *Aid effectiveness 2005-2010: Progress in implementing the Paris Declaration*, Vols. 1 and 2. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011e. *The Netherlands. Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011f. *The United States. Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011g. *2011 DAC report on multilateral aid*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011h. *Supporting statebuilding in situations of conflict and fragility: Policy guidance*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011i. *International engagement in fragile states: Can't we do better?*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011j. *Development cooperation report 2011. 50th Anniversary Edition*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2011k. *Aid effectiveness 2005–10. Progress in implementing the Paris Declaration, country chapter: Rwanda*, Vol. 2. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2012a. *Fragile states 2013: Resource flows and trends in a shifting world*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2012b. *Canada. Development Assistance Committee (DAC) peer review*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2012c. *European Union: Development Assistance Committee (DAC) peer review 2012*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2013a. *Identification and monitoring of potentially under-aided countries*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2013b. *OECD Development Cooperation Peer Review Norway 2013*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2014a. *Fragile states 2014: Domestic revenue mobilisation in fragile states*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2014b. *Development co-operation report 2014: Mobilising resources for sustainable development*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2014c. *The new development finance landscape: Developing countries' perspective*. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development). 2014d. *2014 global outlook on aid: Results of the 2014 DAC survey on donors' spending plans and prospects for improving aid predictability*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2014e. *OECD-DAC development brief: Where do we stand on the aid orphans?* Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2014f. *DAC high level meeting final communiqué*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development). 2015. *Aid to poor countries slips further as governments tighten budgets*. http://www.oecd.org/newsroom/aidtopoorcountriesslipsfurtherasgovernmentstightenbudgets.htm. Accessed 8 Mar 2015.
OECD (Organisation for Economic Co-operation and Development), and DAC. 2011. *Report on multilateral aid, DCD/DAC (2011)21/final*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development), and DAC. 2012. *What do we know about multilateral aid – The 55 billion dollar question*. Consultative Draft. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development), and DAC. 2013a. *Development cooperation peer review France 2013*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development), and DAC. 2013b. *The multilateral aid report 2013–2014*. DCD/DAC(2013)39. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development), and DAC (Development Assistance Committee). 2001. *Poor performers: Basic approaches for supporting development in difficult partnerships*. Paris: OECD.
OECD (Organisation for Economic Co-operation and Development), and UNDP. 2014. *Making development co-operation more effective: 2014 progress report*. Paris: OECD.
OECD-DAC. 2005. *Principles for good international engagement in Fragile States*. DAC Learning and Advisory Process on Difficult Partnerships (LAP) High Level Meeting, March 3, 2005.
Öhler, H. 2013. *Do aid donors coordinate within recipient countries?*. Discussion Paper 539. Heidelberg: University of Heidelberg.
OJ-EU (Official Journal of the European Union). 2006. *The European consensus on development*. 2006/C 46/01. Brussels: OJ-EU.
Olivié, I., A. Pérez, and R. Domínguez. 2013. *The cost of non-EU in development policy: Annex II, case study morocco* (European Parliament Added Value Unit). http://bookshop.europa.eu/. Accessed 5 July 2014.
Olsen, G.R. 2009. The EU and military conflict management in Africa: For the good of Africa or Europe? *International Peacekeeping* 16(2): 245–260.
ONDCP (Office of National Drug Control Policy). 2013. The US office on national drug control policy. http://www.whitehouse.gov/ondcp/research-and-data (Home page). Accessed 31 Mar 2015.

Ostrom, E., C. Gibson, S. Shivakumar, and K. Andersson. 2001. *Aid, incentives and sustainability: An institutional analysis of development cooperation*. Studies in Evaluation 02/01. Stockholm: Sida.

Page, S. 2008. Uncertainty, difficulty and complexity. *Journal of Theoretical Politics* 20(2): 115–149.

Panneels, K., and G. Beringhs. 2005. *Towards a redesign of the UN development architecture*. Discussion Paper DCD/DAC/RD(2005)17/RD6. Paris: OECD

Paris, R. 2009. 'Understanding the, coordination problem' in postwar statebuilding. In *The dilemmas of statebuilding. Confronting the contradictions of postwar peace operations,* eds. R. Paris and T.D. Sisks, 53–78. London: Routledge.

Pascual, M.T.D., and S.M. Macli-ing. 2008. *Evaluation of the community organizing (CO) component of AMORE 2*. Manila: USAID.

Patrick, S., and K. Brown. 2007. *Greater than the sum of its parts? Assessing "whole of government" approaches to fragile states*. CGD Brief. Washington, DC: Center for Global Development.

Peace Security and Development Network. 2009. *The fragile states discourse unveiled*. Working Paper 1. Utrecht: Peace Security and Development Network.

Picciotto, R. 2014. *The UN has lost the aid effectiveness race: What is to be done?*. Future of the United Nations Development System (FUNDS) Briefing Paper 14. http://www.futureun.org/media/archive1/briefings/FUNDS_Brief14_Feb2014_D5.pdf. Accessed 25 Apr 2015.

Picciotto, R., C. Alao, E. Ikpe, M. Kimani, and R. Slade. 2005. *Striking a new balance: Donor policy coherence and development cooperation in difficult environments*. Background Paper for the Senior Level Forum on Development Effectiveness in Fragile States, 13–14 Jan 2005. London: Lancaster House.

Pickering, J., J. Skovgaard, S. Kim, J.T. Roberts, D. Rossati, M. Stadelmann, and H. Reich. 2015. Acting on climate finance pledges: Inter-agency dynamics and relationships with aid in contributor states. *World Development* 68: 149–162.

Pietschmann, E. 2013. *Assist those most in need, or most of those in need? The challenge of allocative efficiency for aid effectiveness*. Briefing Paper 17/2013. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Pietschmann, E. 2014. *Forgotten or unpromising? The elusive phenomenon of under-aided countries, sectors and sub-national regions*. Studies 80. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Pietschmann, E., F. Vollmer, I.Z. Romalahy, N. Schmähling, and R. Folz. 2014. *The Busan commitments on managing diversity and reducing fragmentation: Stock-take and emerging issues*. Report of the Busan Building Block. Bonn.

Pind, S. 2010. *Joint ministerial committee of the boards of governors of the bank and the fund on the transfer of real resources to developing countries*. 9 Oct 2010.

OPM (Oxford Policy Management) and IDL (the IDL Group). 2008. *Evaluation of the implementation of the Paris Declaration: Thematic study–The applicability* *of the Paris Declaration in fragile and conflict-affected situations.* Oxford: Oxford Policy Management and The IDL Group.

Powell, J., and M.G. Findley. 2012. *The swarm principle? A sub-national analysis of donor coordination in Sub-Saharan Africa*. Austin: Development Gateway and University of Texas. mimeo.

Prizzon, A., and R. Greenhill. 2012. *'The aid effectiveness agenda: The benefits of going ahead' – A commentary on the final report*. London: ODI.

Prunier, G. 2010. *The Rwanda crisis. History of a genocide*. 7th ed. London: Columbia University Press.

Ramalingam, B. 2013. *Aid on the edge of chaos: Rethinking international cooperation in a complex world*. Oxford: Oxford University Press.

Reality of Aid. 2010. *South-South development cooperation: A challenge to the aid system?* Manila: Reality of Aid.

Reinsberg, B. 2015. *The implications of multi-bi financing on multilateral agencies: The example of the World Bank*. https://bernhardreinsberg.wordpress.com/multi-bi-aid/the-implications-of-multi-bi-aid/ (online appendix). Accessed 30 Mar 2015.

Reinsberg, B., K. Michaelowa, and V.Z. Eichenauer. 2015a. The rise of multi-bi aid and the proliferation of trust funds. In *Handbook on the economics of foreign aid*, ed. A. Mak and B. Lew. Northampton: Edward Elgar.

Reinsberg, B., K. Michaelowa, and S. Knack. 2015b. *Which donors, which funds? The choice of trust funds by bilateral donors at the World Bank*. Paper presented at the PEIO Conference, Berlin, 12–14 Feb.

Reisen, H. 2009. *The multilateral donor non-system: Towards accountability and efficient role assignment*. Economics Discussion Paper No. 2009–18, Online: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1726717. Accessed 16 Oct 2013.

Republic of Zambia. 2010. *Zambia development cooperation report 2009*. Lusaka: Republic of Zambia.

RGC (Royal Government of Cambodia). 2010. *The Cambodia aid effectiveness report 2010*. Phnom Penh: RGC.

RGC (Royal Government of Cambodia). 2011. *Cambodia development effectiveness report 2011*. Phnom Penh: RGC.

Richmond, O. 2013. Failed statebuilding versus peace formation. *Cooperation and Conflict* 48(3): 378–400.

Righter, R. 1995. *Utopia lost. The UN and world order*. New York: The Twentieth Century Fund Press.

Rocha Menocal, A., and S. Mulley. 2006. *Learning from experience? A review of partner country government efforts to manage donor relations and improve the quality of aid*. London: Overseas Development Institute.

Rocha Menocal, A., and A. Rogerson. 2006. *Which way the future of aid? Southern civil society perspectives on current debates on reform to the international aid system*. London: ODI.

Roeske, K. 2007. *The code of conduct for a better division of labour in the development policy – Is it a real milestone?* Brussels: EU-office of the Friedrich Ebert Stiftung.

Rogerson, A. 2005. Aid harmonisation and alignment: Bridging the gaps between reality and the Paris reform agenda. *Development Policy Review* 23(5): 531–552.

Romero, M. 2012. Mexico: Linking Mesoamerica. In *Development cooperation and emerging powers: New partners or old patterns?* ed. S. Chaturvedi, T. Fues, and E. Sidiropoulos, 190–215. London: Zed Books.

Roodman, D.M. 2006a. *Aid project fragmentation and absorptive capacity*. Working Paper No. 75. Center for Global Development.

Roodman, D.M. 2006b. *Competitive fragmentation of aid projects: A model*. Working Paper No. 89. Center for Global Development.

Roodman, D.M. 2007a. The anarchy of numbers: Aid, development, and cross-country empirics. *The World bank Economic Review* 21(2): 255–277.

Roodman, D.M. 2007b. *How to do xtabond2: An introduction to 'difference' and 'system' GMM in Stata*. Working Paper No. 103. Center for Global Development.

Roodman, D.M. 2008. *An index of donor performance*. Working Paper No. 67. Center for Global Development.

Roodman, D.M. 2009. How to do xtabond2: An introduction to difference and system GMM in Stata. *Stata Journal* 9(1): 86–136.

Sachs, J. 2005. *The end of poverty: How we can make it happen in our lifetime*. London: Penguin.

Sachs, J., et al. 2004. *Millennium development goals needs assessments: Country case studies of Bangladesh, Cambodia, Ghana, Tanzania and Uganda*. Working Paper, UN Development Group.

Santiso, J., and E. Frot. 2013. *Crushed aid: Why is fragmentation a problem for international aid?*. VoxEU.org. http://www.voxeu.org/article/crushed-aid-why-fragmentation-problem-international-aid. Accessed 30 Mar 2015.

Sato, J., H. Shiga, T. Kobayashi, and H. Kondoh. 2011. "Emerging donors" from a recipient perspective: An institutional analysis of foreign aid in Cambodia. *World Development* 39(12): 2091–2104.

Schiltz, J.-L., and M. Bichler. 2009. *Who is afraid of budget support?*. ECDPM Discussion Paper No. 88. Maastricht: ECDPM.

Schulpen, L., B. Loman, and S. Kinsbergen. 2011. Worse than expected? A comparative analysis of donor proliferation and aid fragmentation. *Public Administration and Development* 31: 321–339.

Schulz, N.-S. 2007. *Division of labour among European donors: Allotting the pie or committing to effectiveness?* Madrid: FRIDE.

Schumacher, S., and M.S. Sawadogo. 2010. *Mapping sur la division du travail et la complémentarité au Burkina Faso*, Final report; online: http://www.oecd.org/fr/cad/efficacite/46836723.pdf. Accessed 11 Jan 2014.

Secretary-General. 2006. *Mandating and delivering: Analysis and recommendations to facilitate the review of mandates*. Report of the Secretary-General, A/60/733, 30 March 2006. New York: UN.

Secretary-General. 2014. *Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the UN system*. Report of the Secretary-General, A/69/63–E/2014/10, 06 Feb 2014. New York: UN.

Sedemund, J. 2014. *An outlook on ODA graduation in the post-2015 era*. Paris: OECD.

Sen, A. 2006. The man without a plan. *Foreign Affairs* 85(2): 171–178.

Severino, J.M. 2013. *La Belle et la Bête – Transmutations et reformulations dans les politiques globales*. ERD2013 Background Paper. Maastricht: ECDPM.

Severino, J.M., and O. Ray. 2009. *The end of ODA: Death and rebirth of a global public policy*. CGD Working Paper. Washington, DC: Center for Global Development.

Severino, J.M., and O. Ray. 2010. *The end of ODA (II): The birth of hypercollective action*. CGD Working Paper No. 218. Washington, DC: Center for Global Development.

Shinn, D.H., and J. Eisenman. 2012. *China and Africa. A century of engagement*. Philadelphia: University of Pennsylvania Press.

Sidiropoulos, E. 2012. South Africa: Development, international cooperation and soft power. In *Development cooperation and emerging powers – New partners or old patterns?* ed. S. Charturvedi, T. Fues, and E. Sidiropoulos, 216–242. London/New York: Zed Books.

Sindzingre, A. 2012. *Theoretical criticism and policy optimism: Assessing the debate on foreign aid*. IE Working Paper No. 1. Vienna: University of Vienna.

Six, C., M. Langthaler and M.L. Obrovsky. 2007. *Die Pariser Erklärung und ihre bisherige Umsetzung. (Irr-)Wege zu mehr Wirksamkeit in der EZA*. ÖFSE Working Paper. Wien: ÖFSE.

Slob, A., and A.M. Jerve. 2008. *Managing aid exit and transformation: Lessons from Botswana, Eritrea, India, Malawi, and South Africa: Synthesis report*. Stockholm/The Hague/Copenhagen/Oslo: SIDA/Netherlands Ministry of Foreign Affairs/DANIDA/NORAD.

Smillie, I. 2013, March 24. Op-Ed: Dark days at CIDA. *Ottawa Citizen*. http://www.ottawacitizen.com/opinion/op-ed/Dark+days+CIDA/8145074/story.html. Accessed 18 Dec 2014.

Smith, M.E. 2013. The European External Action Service and the security-development nexus: Organizing for effectiveness or incoherence? *Journal of European Public Policy* 20(9): 1299–1315.

Smith, D., D. Lindores, and L. Thissen. 2011. *Study on cost recovery policies of UN agencies*. Rotterdam: Dutch Foreign Ministry.

Smyth, S. 2011. Collective action for evelopment finance. *University of Pennsylvania Journal of International Law* 32(4): 961–1054.

Snyder, F. 2010. *The EU, the WTO and China: Legal pluralism and international trade regulation*. China and International Economic Law. Oxford: Hart Publishing.

Sridhar, D., and N. Woods. 2013. Trojan multilateralism: Global cooperation in health. *Global Policy* 4(4): 325–335.

Steinwand, M.C. 2013. *Compete or coordinate? Aid fragmentation and lead donorship*. http://mysbfiles.stonybrook.edu/~msteinwand/papers/Steinwand2013.IO.final.pdf. Accessed 19 May 2014.

Stiglitz, J. 1997. An agenda for development in the 21st century. *Annual World Bank Conference on Development Economics*, 17–31.

Sumner, A., and R. Kanbur. 2012. Poor countries or poor people? Development assistance and the new geography of global poverty. *Journal of International Development* 24(6): 686–695.

Suryadi, B. 2011. Electrical tariff in ASEAN member countries. *TalkEnergy*. http://talkenergy.files.wordpress.com/2011/02/asean-electricity-tariff-2011.pdf. Accessed 18 Jan 2014.

Tan, S., and A. Acharya. 2008. *Bandung revisited: The Legacy of the 1955 Asian-African order*. Singapore: National University of Singapore/NUS Press.

Tavakoli, H. 2012. Hands on or hands off for budget support?. *ODI blogs*. www.odi.org.uk/opinion/6585. Accessed 12 Mar 2014.

Thalwitz, M. 2013. *Fragmentation and proliferation in the multilateral system: The role of trust funds*. Background paper prepared for the German Ministry of Development Corporation.

The 1818 Society. 2012. *The key challenges facing the World Bank President: An independent diagnostic*. Technical Report, 16 Apr 2012. Washington, DC: The 1818 Society.

Uganda Bureau of Statistics. 2013. *2013 statistical abstract*. Kampala: Bureau of Statistics.

UN (United Nations). 2011. *Background study for the 2012 Development Cooperation Forum: Trends in international financial cooperation for LDCs*. New York: UN.

UN (United Nations). 2012a. *Provisional analysis of funding of operational activities for development of the United Nations system for the year 2011*. Department for Economic and Social Affairs, Development Cooperation and Policy Branch. New York: UN.

UN (United Nations). 2012b. *United Nations Security Council, Addendum to the interim report of the Group of Experts on the Democratic Republic of the Congo (S/2012/348) concerning violations of the arms embargo and sanctions regime by the Government of Rwanda (S/2012/348/Add.1)*. http://www.un.org/ga/search/view_doc.asp?symbol=S/2012/348/Add.1. Accessed 29 Mar 2015.

UN (United Nations). 2012c. *Independent evaluation of delivering as one*. Main report. New York: UN.
UN (United Nations). 2013a. *A renewed partnership for development*. System Task Team on the Post-2015 UN Development Agenda. New York: UN.
UN (United Nations). 2013b. *A new global partnership: Eradicate poverty and transform economies through sustainable development*. The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda. New York: UN.
UN (United Nations). 2014a. *Human development index*. Home page. http://hdr.undp.org/en/content/human-development-index-hdi. Accessed 31 Mar 2015.
UN (United Nations). 2014b. *The road to dignity by 2030: Synthesis report of the secretary general on the post-2015 agenda*. New York: UN.
UN DESA (United Nations Department of Economic and Social Affairs). 2014. *Intergovernmental committee of experts on sustainable development financing*. https://sustainabledevelopment.un.org/intergovernmental/financecommittee. Accessed 25 Feb 2015.
UN Secretariat. 2014. *Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, A/69/63–E/2014/10*, Statistical annex available at: www.un.org/en/development/desa/oesc/qcpr.shtm. February 2014.
UNDP (United Nations Development Programme) Ethiopia. 2010. *Ethiopia is among the Top Development Movers: The 2010 Human Development Report Asserts*. Press Release, 4 November.
UNDP (United Nations Development Programme). 2009. *Enhancing South-South and triangular cooperation*. Study commissioned by the Special Unit for South-South Cooperation, UNDP. New York: UNDP. http://southsouthconference.org/wp-content/uploads/2009/10/E_Book.pdf. Accessed 10 Apr 2015.
UNDP (United Nations Development Programme). 2011. *Guidance note: UNDP support to country-level aid coordination mechanisms*. New York: UNDP.
UNDP (United Nations Development Programme). 2012a. *Evaluation of UNDP partnerships with global funds and philanthropic foundations*. New York: UNDP.
UNDP (United Nations Development Programme). 2012b. *Governance for peace: Securing the social contract*. New York: UNDP.
UNDP (United Nations Development Programme). 2013. *Human development report 2013. The rise of the South: Human progress in a diverse world*. New York: UNDP.
UNIFAD (United Nations International Fund for Agricultural Development). 2014. *The multidimensionality poverty assessment tool*. http://www.ifad.org/mpat/ (Home page). Accessed 31 Mar 2015.
Universalia Management Group. 2010. *Country led evaluation of delivering as one in Rwanda. Final Report*. Vols. I–II. Montreal.

UNODC (United Nations Office on Drugs and Crime). 2004. *Afghanistan opium survey 2004.* http://www.unodc.org/pdf/afg/afghanistan_opium_survey_2004.pdf. Accessed 21 Jan 2014.
Unsworth, S. 2009. What's politics got to do with it?: Why donors find it so hard to come to terms with politics, and why this matters. *Journal of International Development* 21(6): 883–894.
USAID (United States Agency for International Development). 2005. *Fragile states strategy*. Washington, DC: USAID.
USAID (United States Agency for International Development). 2006. *The global development alliance*. Washington, DC: USAID Office of Global Development Alliances.
USAID Philippines. 2013. The Climate Change and Clean Energy Project (CEnergy). http://philippines.usaid.gov/programs/energy-environment/climate-change-and-clean-energy-project-cenergy. Accessed 27 Sept 2013.
Utz, R.J. 2010. *Will countries that receive insufficient aid please stand up?* Washington, DC: World Bank.
van de Walle, N. 2001. *African economies and the politics of permanent crisis, 1979–1999.* Cambridge: Cambridge University Press.
van de Walle, N., and T.A. Johnston. 1996. *Improving aid to Africa*. ODC Policy Essay 21. New York/Washington, DC: Council on Foreign Relations.
Vanheukelom, J., S. Migliorisi, A.H. Cangas, N. Keijzer, and E. Spierings. 2012. *Reporting on development: ODA and financing for development*. Maastricht: ECDPM.
Vatterodt, M. 2008. *The implementation of the Paris Declaration on aid effectiveness by the UN: Progress to date and need for further reforms.* Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).
Vaubel, R. 2006. Principal-agent problems in international organizations. *The Review of International Organizations* 1(2): 125–138.
VBMK and RBMG. 2010. *Phase two evaluation of the Paris Declaration, Cambodia country study report, final version*.
Velasco, M.M. 2012. Manila power rates – Asia's highest. *Tempo News.* http://www.tempo.com.ph/2012/03/manila-power-rates-?-asias-highest/#.UWJ55Ff3kQ5. Accessed 10 Sept 2014.
Vickers, B. 2012. Towards a new aid paradigm: South Africa as African development partner. *Cambridge Review of International Affairs* 25(4): 535–556.
Vines, A. 2010. Rhetoric from Brussels and reality on the ground: The EU and security in Africa. *International Affairs* 86(5): 1091–1108.
Vollmer, F. 2012. *Increasing the visibility and effectiveness of development cooperation: How to reconcile two competing objectives?*. Studies 67. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Walz, J., and V. Ramachandran. 2011. *Brave new world: A literature review of emerging donors and the changing nature of foreign assistance*. Center for Global Development Working Paper 273, Washington, DC.

Weaver, C. 2007. The World's Bank and the bank's world. *Global Governance: A Review of Multilateralism and International Organizations* 13(4): 493–512.

WEF (World Economic Forum). 2015. *The global competitiveness report 2014–2015*. Geneva: WEF.

Weingärtner, L. 2008. *International workshop on rationalizing aid delivery: Partner country experience and perspectives*. Pretoria: Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung.

Weinlich, S. 2010. *Die Reform der Entwicklungszusammenarbeit der Vereinten Nationen: eine Analyse des Verhaltens und der Positionierung wichtiger Staaten gegenüber Reformoptionen*. Studies 55. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Weinlich, S. 2011. *Reforming development cooperation at the United Nations: An analysis of policy position and actions of key states on reform options*. Studies 59. Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE).

Weinlich, S. 2014a. Emerging powers at the UN: Ducking for cover? *Third World Quarterly* 35(10): 1829–1844.

Weinlich, S. 2014b. Funding the UN system. In *Post-2015 UN development: Making change happen?* ed. S. Browne and T.G. Weiss, 75–94. London: Routledge.

Weiss, T. 2009. *What's wrong with the UN and how to fix it*. Cambridge, UK: Cambridge Polity Press.

Westhead, R. 2013, March 22. CIDA merger with foreign affairs may help the poor. *The Star*. http://www.thestar.com/news/world/2013/03/22/cida_merger_with_foreign_affairs_may_help_the_poor.html. Accessed 15 July 2014.

Williamson, C.R. 2010. Exploring the failure of foreign aid: The role of incentives and information. *Review of Austrian Economics* 23(1): 17–33.

Wilson, J.Q. 1989. *Bureaucracy: What government agencies do and why they do it*. New York: Basic Books.

Wood, B., D. Kabell, N. Muwanga, and F. Sagasti. 2011. *The evaluation of the Paris Declaration, phase two, final report*. Aarhus: Danish Institute for International Studies.

Woods, N. 2008. Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance. *International Affairs* 84(6): 1205–1221.

Woods, N. 2011. *Rethinking aid coordination*. Oxford: University of Oxford.

World Bank. 1997. *OP 14.40 – Trust funds*. Washington, DC: World Bank.

World Bank. 2001. *World development report 2000/2001: Attacking poverty*. Washington, DC: World Bank.

World Bank. 2008. *Global programs at country level – What have we learned*. CFP official paper. Washington, DC: World Bank.
World Bank. 2011. *World development report 2011: Conflict, security, and development*. Washington, DC: World Bank.
World Bank. 2012a. World development indicators. http://data.worldbank.org/data-catalog/world-development-indicators. Accessed 19 May 2014.
World Bank. 2012b. *Trust fund handbook: Digital edition*. Revised version, Concessional Finance and Global Partnerships (version 29 June 2012).
World Bank. 2012c. *2012 trust fund annual report*. Concessional Finance and Partnership Vice Presidency. Washington, DC: World Bank.
World Bank. 2013a. *Getting a grip on climate change in the Philippines*. Washington, DC: World Bank.
World Bank. 2013b. *World development indicators*. http://databank.worldbank.org/ddp/home.do?Step=3&id=4. Accessed 12 Sept 2014.
World Bank. 2013c. *2012 trust fund annual report*. Concessional Finance and Global Partnerships Vice Presidency. Washington, DC: World Bank.
World Bank. 2014. About [the World Bank]. http://www.worldbank.org/en/about. Accessed 10 Apr 2014.
World Bank. 2015a. *Projects and operations*. http://go.worldbank.org/KTPE1WKU20. Accessed 10 Mar 2014.
World Bank. 2015b. *World Bank trust fund databases*. Made available by Congressional Finance and Trust Fund Operations Department.
World Bank and IMF (International Monetary Fund). 2010. *Global monitoring report: The MDGs after the crisis*. Washington, DC.
Xu, W., and L. Wang. 2015. *Recommendations on how to improve China's foreign aid*. CIDRN (China International Development Research Network) Policy Recommendations No 6. Beijing: CIDRN.
Zelli, F., and H. van Asselt. 2013. The institutional fragmentation of global environmental governance: Causes, consequences, and responses. *Global Environmental Politics* 13(3): 1–13. doi:10.1162/GLEP_a_00180.
Zimmermann, F., and K. Smith. 2011. More actors, more money, more Ideas for international development cooperation. *Journal of International Development* 23(5): 722–738.

Index

A
A380 (Airbus), 1–2
Accra Agenda for Action (AAA), 21, 80, 89
Acharya, A., 33, 40, 167, 299, 309n4
Advanced Market Commitment (AMC), 100, 106
African Development Bank (AfDB), 143, 240
African Network on Debt and Development (Afrodad), 145
Agence Française de Développement (AFD), 66
Agencia Brasileira de Cooperacao (ABC), 127
Agencia Mexicana de Cooperación Internacional para el Desarrollo (AMEXCID), 127
aggregation method, 56–7
aid agency, 68–9
aid allocation, 283–7
aid coordination, 278
AidData, 155–7
aid fragmentation and effectiveness, 165–6
  HHI (*see* (Herfindahl-Hirschman Index (HHI)))
  literature review and research, 166–8
Aid Fragmentation Index (AFI), 45–6, 58
aggregation method, 56–7
Aid Information Management Systems (AIMS), 228, 229
aid relationship, 26–8
Alliance for Mindanao Off-Grid Renewable Energy (AMORE) project, 207–8
Amis, P., 280
Anderson, E., 298
Arellano, M., 171
Asian Development Bank (ADB), 199
Australian Agency for International Development (AusAID), 208

S. Klingebiel et al. (eds.), *The Fragmentation of Aid*, Rethinking International Development series, DOI 10.1057/978-1-137-55357-7

B
Bangladesh, 87–9
Barangay Renewable Energy and Community Development Association (BRECDA), 208
Biermann, F., 248
Bigsten, A., 283–92
bilateral cooperation, 70–4
bilateral donors, 86
Birdsall, N., 33
Blundell, R., 171
Bond, S., 171
Bover, O., 171
Bracho, G., 121–33
Brazilian Cooperation Agency. *See* Agencia Brasileira de Cooperacao (ABC)
Brazil, Russia, India, China and South Africa (BRICS), 129
Brown, S., 279
budget support (BS), 267
Bürcky, U., 43n1, 266
bureaucratic diversity, 69
Burnside, C., 169
Busan Partnership for Effective Development Cooperation, 80, 89
Buscaglia, D., 45–59

C
Calleja, R., 295–309
Cambodia
  finance development, 144
  non-DAC, 145
  NTPs, 142–3, 146–7
  traditional donors, 146–7
Canadian aid effectiveness, 295–7
  coherent policy, 306–7
DFATD, 301–2, 305–6
  issues and debates, 297–9
  leadership, 307–8
Canadian International Development Agency (CIDA), 67, 296, 299-301, 307–8
  and DFAIT, 301–2
  and policy coherence, 299–301
Capacity Building to Remove Barriers to Renewable Energy Development (CBRED) project, 209
Carlsson, J., 279, 280
Carment, D., 295–309
Castro, R., 94
Center for Environmental Studies and Management (CESM), 209
Châtaigner, J.-M., 299
chief executives board (CEB), 254
civil society organisations (CSOs), 112, 115
Clean Technology Fund (CTF), 104
Climate Change and Clean Energy (CEnergy) project, 210
Climate Investment Funds (CIFs), 100–1, 104–5
coherent approaches, 220
collective action, 221
Collier, P., 113, 286
common but differentiated responsibilities (CBDR), 131
concentration ratio, 27
Consultative Group for International Agricultural Research (CGIAR), 98–9, 103–4
coordination
  aid, 278
  donor, 49–51
  approaches, 219, 223–6
  and complementarity, 264
  multi-actor, 231–4

corporate social responsibility (CSR), 148
Country Policy and Institutional Assessment (CPIA), 89
Country Programmable Aid (CPA), 25–6, 35, 43n1, 52, 148, 284, 289
Creditor Reporting System (CRS), 183n2, 285
cross-country proliferation, 33–5
  IDP, 40–1
  number of countries, 35–6
  OECD, 38–40
  partner countries, 37–8
  recipients, 36–7

D
Dalgaard, C.J., 286
Davies, R.B., 153
Department for International Development (DFID), 116, 302–3, 306–7
Department of Energy (DOE), 203
Department of Foreign Affairs, Trade and Development (DFATD), 296, 301–2, 305–6
Department of the Interior and Local Government (DILG), 203
Development Assistance Committee (DAC), 7, 30–2, 80, 284
Development Assistance Group (DAG), 147
  development assistance
  development cooperation
  developing countries
  developed countries
diversity management, 217–19
division of labour (DoL), 288
coherent approaches, 220
collective action problems, 221
  coordination approaches, 223–5
  country systems, 225–6
donor expertise, 222–3
efficient aid allocation, 220
partner country leadership, 221–2, 227–8
tied aid, 222
transaction costs, 219–20
division of labour (DoL), 34, 80, 217, 219, 237
Djankov, S., 167, 169
Dollar, D., 169, 286
Donahue, J.D., 102
donor cartel, 243
donor commitment, 47–9
donor coordination, 49–51
donor expertise, 222–3
donor fragmentation, 43n1
donor proliferation, 33–5, 43n1
Dosi, G., 101
Dreher, A., 43n1

E
Easterly, W., 2, 48, 201, 286, 299, 309n4
Economic and Social Council (ECOSOC), 250
Ericsson, F., 21–32
Eriksson, J., 293n2
Ethiopia
  finance development, 143
  non-DAC, 144, 145
  NTPs, 142–3, 146–7
  traditional donors, 146–7
European Centre for Development Policy Management (ECDPM), 35
European Development Fund (EDF), 262
European External Action Service (EEAS), 107–10
European Investment Bank (EIB), 265

European Union (EU), 107–8, 261–2
concentration, 263–4, 265–7
coordination and complementarity, 264
budget support, 267
comparative advantage, 269–70
division of labour, 268
joint programming, 268–9
donor coordination, 277–8
costs and savings, 280–1
implementation level, 288–90
increased and improved impact, 281–2
MDBS, 290–1
policy level, 283–7
programming level, 287–8
savings and confidence interval, 292–3
trade-offs, 282
transaction costs, 279–80
evidence, 264–5
FCA countries, 109–11
cognitive factors, 111–14
interest-related factors, 112–16
systemic factors, 113, 116–17
ODA, 270–3
pooling, 263, 265
Extractive Industries Transparency Initiative (EITI), 3, 17n2

F

factor analysis (FA), 55
Fast Track Initiative (FTI), 264
Fejerskov, A.M., 283
financial intermediary funds (FIFs), 187
Findlay, M.G., 154, 160
Foreign Direct Investment (FDI), 18n6, 88
fragile and conflict-affected (FCA) countries, 109–11
cognitive factors, 111–14
interest-related factors, 112–16
systemic factors, 113, 116–17
fragile state, 119n1, 244n1
fragmentation, 1–3, 12–17, 79–81, 311–14
aid allocation, 81–2
bilateral donors, 86
coherence, 295–7
CIDA, 299–301
coherent policy, 306–7
DFATD, 301–2, 305–6
DFID, 302–3
issues and debates, 297–9
leadership, 307–8
NORAD, 303–4
combination factors, 84–6
development cooperation, 4–5
development finance, 7–9
impact, 9–12
international cooperation, 3–4
Madagascar and Bangladesh, 87–9
multilateral donors, 86
non-DAC donors, 86–7
OECD, 82–4
proliferation and, 6–7
under-aided countries, 90
pluralism, 94–6
Fraser, A., 141, 142
Frot, E., 43n1
Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), 36
Furness, M., 107–19
Furukawa, M., 165–83

G

Garg, A., 45–59
Gaulme, F., 299
General Assembly (GA), 250
general budget support (GBS), 157, 183

Generalised Method of Moments (GMM), 171
German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE).
German Federal Ministry for Economic Cooperation and Development (BMZ), 65, 66, 77n1
German Federal Ministry for the Economy and Technology (BMWi), 210
German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), 209
German Technical Cooperation (GTZ), 207
Global Alliance for Vaccines and Immunization (GAVI), 99–100, 104
global climate policy, 71
Global Partnership for Effective Development Co-operation (GPEDC), 9–10, 74
Global Partnership Initiative (GPI), 5
Green Climate Fund (GCF), 101
Greenhill, R., 137–51, 288, 290
Grimm, S., 121–33, 139
Gross National Income (GNI), 51
Growth and Transformation Plan (GTP), 143, 144
Gulrajani, N., 303, 304

H
Habraken, R., 33–43
Hansen, H., 286
harmonisation, 9–10, 18n7, 233, 234, 293n3, 293n5
Heads of Missions (HOMs), 117
Herfindahl-Hirschman Index (HHI), 49
  data, 170–1
  GDP, 173
  GMM, 171–2
  infant and child mortality rate, 174–7
  primary school completion rate, 178–81
  project aid fragmentation, 168–9
  variables, 169–70
High Level Forum (HLF), 9–10, 18n7, 74
Holtz-Eakin, D., 171

I
incoherent governance, 257
Index of Donor Proliferation (IDP), 40–1, 44n5
Institutional Analysis and Development (IAD), 141–2
intellectual property rights (IPR), 101
internal bureaucratic fragmentation, 122
International Bank for Reconstruction and Development (IBRD), 186
international cooperation, 127
International Development Association (IDA), 155, 186, 191
International Development Statistics (IDS), 157
International Finance Corporation, 197n1

J
Japan International Cooperation Agency (JICA), 206
Jerve, A.M., 73
Joint Governance Assessment (JGA), 237, 245n10
Joint Programming (JP), 287–8

K
Kasten, T., 231–44
Kaufmann, D., 171
Keijzer, N., 283
Kharas, H., 138, 288
Kihara, T., 167
Kimura, H., 167
Klasen, S., 153
Klingebiel, S., 1–17, 226, 277–93
Knack, S., 43n1, 48, 167, 183n1, 280, 298
Kragelund, P., 33

L
Lawson, A., 279
Learning Advisory Process (LAP), 298–9
least developed countries (LDC), 312, 314
Lensink, R., 286
likelihood ratio test, 191
Lindores, D., 251
Lister, S., 293n2
low-income countries (LICs), 23, 72, 82, 191
Lundsgaarde, E., 63–76

M
Mackie, J., 218, 261–75
Madagascar, 87–9
Mahn, T., 1–17, 247–59
mandate, 259n1
Marquardt, J., 199–212
measurement, fragmentation, 21–2
  aid, 22–3
  concentration, 26–9
  CPA, 25–6
  global level, 29–31
  resource inflows, tracking, 31–2
  transaction costs, 23–5
Mexican Development Cooperation Agency. *See* Agencia Mexicana de Cooperación Internacional para el Desarrollo (AMEXCID)
Michaelowa, A., 43n1
micro-aid relationships, 25–6
middle-income countries (MIC), 8, 30, 81
Millennium Development Goals (MDGs), 141, 168
ministry of foreign affairs (MFA), 64, 66, 67, 280, 308
mobilisation, sector-specific policy, 74–6
monitoring & evaluation (M&E), 226, 227, 282
multi-bi financing, 185–6
  hypotheses, 188–90
  World Bank (*see* (World Bank))
Multi-Donor Budget Support (MDBS), 290–1
multi-donor trust funds (MDTF), 194, 196, 225
Multilateral Development Bank (MDB), 105
multilateral donors, 86
multivariate analysis, 52–4
Municipal Solar Infrastructure Project (MISP), 208
Mürle, H., 35
Mutual Reliance Initiative (MRI), 218

N
National Economic Development Agency (NEDA), 203, 205
National Strategic Development Plan (NSDP), 145
Negre, M., 1–17, 277–93
Nepal Federation of Indigenous Nationalities (NEFIN), 116
New International Economic Order (NIEO), 124

Nicoletti, G., 54
non-DAC donors, 86–7
non-governmental organisations (NGOs), 87
non-traditional development assistance (NTDA), 139–40, 142–3
Norwegian Agency for Development Cooperation (NORAD), 303–4
Nunnenkamp, P., 153–62

O

O'Connell, S.A., 166
Office of National Drug Control Policy (ONDCP), 57
official development assistance (ODA), 4, 8–9, 65, 71–3, 270–3, 277
operational fragmentation, 254–5
Orchestrating Global Solution Network, 3
ordinary least squares (OLS), 284
Organisation for Economic Cooperation and Development (OECD), 7, 26–7, 38–40, 44n5, 64–8, 80–4, 89, 96, 109, 153, 260n4, 261–2, 312–13
Ostrom, E., 141, 142
Overseas Development Institute (ODI), 302

P

Palawan New and Renewable Energy and Livelihood Support Project (PNRELSP), 207
panel data, 183n3
Paris Declaration on Aid Effectiveness, 150, 231, 233–4
Parisian approach, 231–2
partner country governments, 226
partner country leadership, 221–2, 227–8
Pfutze, T., 299, 309n4
Philippines
  donor-driven renewable energy, 200–1
  electricity sector and renewable energy, 202–3
  pluralism, 211–12
  renewable energy policies, 209–11
  solar electricity, 206–9
photovoltaic (PV), 210
Picciotto, R., 297, 298
Pietschmann, E., 79–90, 217–29
pluralism, 95–6
policy level, 281, 283–7
pooling of resources, 218–19
Poverty Reduction Strategy Paper (PRSP), 235
Powell, J., 154, 160
Principal Component Analysis (PCA), 53–5
Prizzon, A., 137–51, 288, 290
programme-based approaches (PBAs), 282, 289–90
programming level, 281, 287–8
project implementation units (PIU), 227
proliferation. *See* cross-country proliferation
Public Financial Management (PFM), 239, 281
public–private partnerships (PPP), 144

Q

Quadrennial Comprehensive Policy Review (QCPR), 254–5
Quality of Official Development Assistance (QUODA), 68, 251, 260n7

R
Rahman, A., 43n1, 48, 167, 183n1, 280, 298
Ramalingam, B., 2, 17n1
Rank, M., 153–62
Ray, O., 71
recipient resilience, 51–2
Reinsberg, B., 185–97
Reisen, H., 6
Renewable Energy Act, 209
Renewable Energy Management Bureau (REMB), 205, 209
renewable energy, Philippines. *See* Philippines
Roeske, K., 43n1
Rogerson, A., 137–51
Roodman, D.M., 167, 184n10
Rwanda
  aid architecture and structural harmonisation, 236–7
  aid harmonisation, 243
  conceptual harmonisation, 237
  national ownership and harmonisation of aid, 235–6
  national ownership and state-building, 236
  potential impact of peacebuilding, 241

S
Sachs, J., 2
Samy, Y., 295–309
Santiso, J., 43n1
Schulpen, L., 33–43
sector fragmentation, 33
sector-wide approaches (SWAps), 289
Sector Working Groups (SWGs), 236–7
Sen, A., 3
Severino, J.M., 71, 269
Sierra Leone
  aid architecture and structural harmonisation, 239
  aid harmonisation, 243
  conceptual harmonisation, 239–40
  national ownership and state-building, 238–9
  potential impact of peacebuilding, 241–2
Silent Partnership (SP), 288
Sindzingre, A., 201
Slob, A., 73
solar home systems (SHS), 207, 208
Solheim, E., 311–14
Soludo, C.C., 166
South-South cooperation (SSC), 121–3
  internal administrative fragmentation, 126–8
  providers, 123–6
  recipient government, 128–31
  traditional aid system, 131–2
Stabilization and Reconstruction Task Force (START), 305
Steensen, S., 21–32
Steinwand, M.C., 88, 183n1
Stevens, M., 293n2
Stiglitz, J., 101
Strategic Climate Fund (SCF), 104–5
structural fragmentation, 252–4
Sudan Peoples' Liberation Movement (SPLM), 113–14
Support Climate Change Commission (CCC), 209–10
Sustainable Development Goals (SDGs), 132
Swiss State Secretariat of Economic Affairs (SECO), 64

T
Takahata, J., 183
Tarp, 286
Thalwitz, M., 93–106
Thiele, R., 153–62
tied aid, 222, 229n1
Total Official Support for Sustainable Development (TOSSD), 32

traditional development assistance (TDA), 139–40
transaction costs, 23–5, 219–20, 279–80
trust funds, 93–4, 187–97

U
Uganda, 153–4
  aid fragmentation, 157–9
  data and approach, 155–7
  duplication of aid efforts, 159–62
under-aided countries, 84–5
  aid allocation, 81–2
  OECD, 82, 84
UN Development System, 247–9
  financial modalities, 256–7
  fragmentation and contours, 249–52, 258–9
  functionalism, 255–6
  incoherent governance, 257
  operational fragmentation, 254–5
  structural fragmentation, 252–4
United Nations Development Group (UNDG), 254
United Nations Development Programme (UNDP), 159
United States Agency for International Development (USAID), 74, 206–8, 210

V
van Trotsenburg, A., 94
vertical funds, 93–4, 96–8
  CGIAR, 98–9
  CIFs, 100–1
  corporate model, 104
  fragmentation *vs.* pluralism, 94–6
  GAVI, 99–100
  hierarchical model, 103–4
  inclusive model, 104–5

W
weighting procedures, 54–6
White, H., 286
Whitfield, L., 141, 142
Wilson, J.Q., 77n3
World Bank, 186–8
  bureaucratic politics and institutional fragmentation, 195–6
  donor relations and administrative procedures, costs, 194–5
  hollowing out core funding, 193
  potential for realignment, 190–1
  relevance for development needs, 191–2
  replacing core funding, 193–4
  trust-funded operations, 192
World Development Indicators (WDI), 170
World Economic Forum (WEF), 53

Z
Zambia
  CPA, 148
  finance development, 144
  non-DAC, 144
  NTPs, 142–3, 146–7
Zeckhauser, R.J., 102