COMMITMENT TO DEVELOPMENT INDEX: A CRITICAL APPRAISAL

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I. Introduction

The Center for Global Development (CGD), a Washington-based global poverty and inequality think-tank, released the Commitment to Development Index (CDI) in April 2003.[1] The CDI ranks 21 member countries of the OECD's Development Assistance Committee (DAC)[2] in six policy areas: aid, trade, environment, investment, migration and peacekeeping. These countries are assigned a score in the range of zero to nine in each area using data mainly relating to 2001. CDI values, on which country rankings are based, are the simple averages of these six scores (Birdsall and Roodman, 2003). The stated purpose of the CDI is to "stimulate interest and improve understanding among policy makers and the public of the many ways rich countries help or hinder development in poor countries" (*Ibid.*, p. 1). The CGD hopes that this interest and understanding will cause the general public to hold rich countries more accountable for decisions which affect people in poor countries, mobilize peer pressure within the donor nations, and stimulate new data collection, new research and a "lively debate" in the research community on the concept of "a commitment to development" (*Ibid.*)

Attempts to empirically assess policies and practices of developed countries against normative criteria are not new. This is especially true of donor aid efforts. A number of indices have been proposed over the last 30 years, within both the donor and research communities, seeking to measure 'aid quality' or 'donor performance', terms analogous to the CGD notion of 'commitment', with respect to various subjective but reasonably widely accepted benchmarks. Relevant academic studies include Bhagwati (1972), Clark (1992), McGillivray (1989, 1992), McGillivray and White (1994), McGillivray *et al.* (2002), Mosley (1985a, 1985b), Rao (1994, 1997) and White and Woestman (1994).[3] Most of these studies focus on a single criterion or benchmark, such as the extent to which the inter-recipient allocation of aid is consistent with the relative needs of recipient countries. Within official circles the DAC has been the leading voice in the assessment of donor performance, taking into account a range of criteria such as the size of aid programs relative to GNP and the extent of tying (OECD, 1969-2002). The DAC stop short, however, of providing a single or overall multi-dimensional assessment of donor performance. What sets the CDI aside from its predecessors is its boldness, in that it not only puts a single number against country performance or commitment, but bases this on a number of areas in addition to aid.

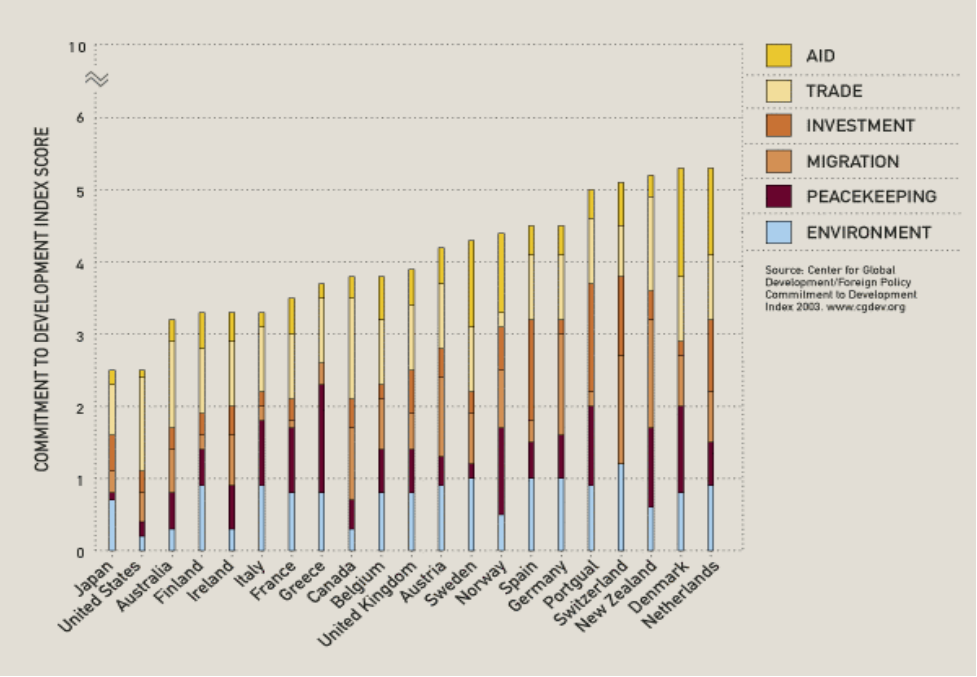
This paper critically appraises the aid component of the CDI. After providing details of country rankings and examining the media response to the index, the paper outlines the construction and calculation of the aid component of the CDI and highlights differences from other aid performance indicators. Special attention is given to donor actions that can improve its aid component ranking. It also looks at some technical and conceptual issues, including the weighting of components and what constitutes a good pattern of inter-country aid allocation. The paper identifies a number of areas in which the aid component can be strengthened, and suggests ways to achieve this outcome. The basic premise of the paper is that the aid component of

the CDI is a potentially very useful initiative, but one that benefit from further refinement and development and clearer articulation. The paper also identifies a number of alternative aid performance measures, based on recent donor policy directions and on the findings of research on aid effectiveness.

II. CDI Rankings and Initial Media Response

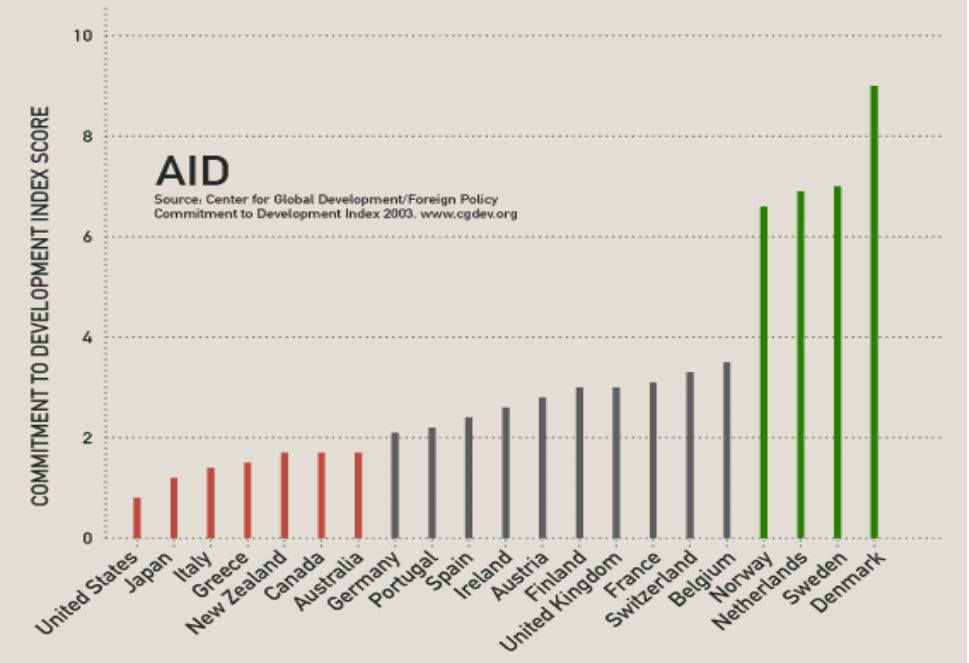
The first widespread public airing of the CDI was in the May/June issue of the influential *Foreign Policy* magazine.[4] The index rankings reported in *Foreign Policy* are shown below in Figures 1 and 2. CDI values, on which these rankings are based, are reported below in Appendix Table A1. Countries scoring highest in terms of overall CDI values are the Netherlands, Denmark and Portugal. Those which score lowest are Australia, the United States and Japan. The United States and Japan are well-cemented in their second last and last rankings, in that their CDI values are lower than all other countries by a clear margin. Australia only narrowly ranks third last, in that its CDI values are only slightly lower than the three countries ranked immediately above it, Finland, Ireland and Italy. Demark, Sweden, The Netherlands and Norway are the top four performers in terms of the aid component of the index, by rather large margins. The bottom four performers are Greece, Italy, Japan and the United States. These four countries are among a cluster of seven countries, which includes Australia. With the exception of the United States, all have roughly similar aid component values.

Figure 1: CDI Index Scores



Source: CGD (2003).

Figure 2: CDI Aid Component Scores



Source: CGD (2003).

The CDI has received a surprisingly large amount of media interest, certainly far more than any other quantitative measure of its type. *The Economist*, the *International Herald Tribune* and (the South African) *The Star* have published articles which not only report country rankings but also look at simple technical aspects of the CDI, such as the weighting of index components and the seemingly arbitrary selection of measures of policy stance (The Economist (2003), International Herald Tribune (2003), The Star (2003)).

CDI rankings have been widely reported within DAC countries. Donors which ignore these reports do so at their own peril. The print media in these countries are most willing to praise good performance and equally or more willing to highlight bad performance. They are quite accepting of the index, ignoring technical criticisms of it. *The New Zealand Herald* highlights its country's "exemplar" status, given its CDI rank of 4, as well as highlighting the laggards, noting that "Australia finished ahead of only the United States and Japan" (The New Zealand Herald, 2003). *The Age* bemoaned Australia's poor performance, noting that the index "savaged" the country for its performance in the areas of aid and refugees. Specific reference was made to the tying of aid to Australian goods and services, linking the ranking to this (The Age, 2003).[5]

A feature of DAC country media reporting of the CDI rankings is that the aid component gets most attention. In some instances rankings based on overall CDI values have been solely attributed, wrongly, to the aid component. The *Japan Times*,

for instance, reported that Japan has the most "development-unfriendly" aid program of all donors on the basis of it having the lowest CDI value (Japan Times, 2003). Yet it was ranked second last in the aid component of the CDI, behind the United States, not last as the report implies. Similarly, the *Helsinki Sanomat* reported that Finland was among the "least generous" and "most unenthusiastic" of aid donors based on its overall CDI ranking of 17 (Helsinki Sanomat, 2003a, 2003b). Yet its aid component ranking is ninth. Finland performs worst in the area of migration, being ranked 18th. This was largely ignored in media reporting in Finland, as the focus was on aid.

III. Aid Component of the CDI

The aid component assesses donor performance both on the quantity of aid and its perceived quality, ranking counties on their "quality-adjusted aid" as a percentage of Gross Domestic Product (GDP). The quality adjustment takes into account the total combined level of Official Development Assistance (ODA) and Official Aid (OA), administrative costs, tying aid to the inflow of donor goods and services, servicing of debt from loans and the subjectively-assessed worthiness of the ODA and OA recipients. A donor's ranking will be an increasing function of its combined level of ODA and OA relative to its GDP and the worthiness of the countries to which is provides aid. Its ranking will be a decreasing function of the remaining variables.

The calculation of quality adjusted aid involves a number of stages. Here we describe the calculations following Birdsall and Roodman (2003), as supplemented by Roodman (2003). On the surface these calculations appear simple, but upon close inspection they are detailed and sometimes complex.[6] Appendix Table A2 shows the stages and outcomes of these calculations for the 21 DAC countries for which CDI rankings were calculated. Calculations are based on data for 2001, although in some instances data on tying were taken from earlier years. The first stage commences with the adding together of gross disbursements of bilateral ODA and OA to obtain gross Aid Disbursements (see row 3, Table A2).[7] The second stage involves deducting donor administrative costs from this amount. Roodman and Birdsall (2003) were not able to obtain data on administrative costs of Official Aid delivery. It was assumed therefore that the one dollar of gross ODA delivery involves the same administrative costs as one dollar of OA delivery. Aid Administrative Costs (in row 6) were therefore estimated by multiplying the ratio of ODA administrative costs (in row 4) by total gross ODA disbursements (in row 1). Aid (net of administrative costs) (in row 7) is then obtained by deducting Aid Administrative Costs (row 6) from gross Aid Disbursements.

The second stage of calculations involves discounting aid flows for tying. A penalty or discount of 10 percent is applied to partially tied aid. Fully tied aid attracts a discount of 20 percent.[8] Debt Forgiveness (row 8) is assumed to be fully untied, so does not attract a discount. Technical Co-operation (row 9) is assumed to be fully tied, and therefore attracts the 20 percent discount. Applying discounts to other forms of aid involves a number of calculations. Roodman and Birdsall were only able to obtain tying data on ODA commitments, from DAC sources. From these data

(fully) Tied and Partially Tied ODA ratios were calculated (see rows 10 and 11), simply by dividing total ODA commitments by total tied and partially tied commitments, respectively. These ratios were then multiplied by total gross Aid (net of administrative costs) (row 7), among other variables, to obtain a Tying Discount (row 12).[9] This discount is then subtracted from gross Aid (net of Administrative costs) (row 7) to obtain Discounted Aid (row 13).

The third stage of calculations is straightforward. Repayments of principal (amortization) and interest (rows 14 and 15, respectively), arising from previous periods' ODA or OA loans is subtracted from Discounted Aid to obtain net Discounted Aid (row 16).

The fourth stage of calculations is by far the least straightforward. It involves adjusting Discounted Aid by taking into account the above-mentioned aid-worthiness of its recipient countries. The underlying rationale for this is the notion of "selectivity". This notion is based on the premise that if aid is to maximize global poverty reduction - to be poverty-efficient - it should go primarily to those countries which use it best, that are most "aid worthy". Put differently, this notion recognizes that the marginal poverty efficiency of aid differs across recipient countries, and the poverty-efficiency of donor aid programs depends, therefore, on the countries that receive their aid. The Birdsall and Roodman (2003) approach is consistent with a view that the translation of aid into poverty reduction primarily depends on the quality of governance in recipient countries. They also recognize that the quality of governance is an increasing function of the per capita income (or level of economic development) of a country. Thus, they define aid worthiness in terms of country income levels and achievement in translating income level achievements into quality governance. Those with low incomes per capita and high governance qualities relative to their per capita incomes are considered most aid worthy and *vice versa*. Selectivity weights for each recipient country are calculated on this basis. [10] Selectivity weights for each donor are then obtained, seemingly by taking the average selectivity weight of the recipients to which they allocate aid (see row 18). Discounted Aid (row 16), net of Emergency Aid (row 17), is then multiplied by this weight. Emergency Aid is then added back to the resulting number to obtain Quality Adjusted Aid (row 19).[11]

The fifth stage of calculations involves taking into account DAC country support for multilateral agencies. Calculations thus far relate only to bilateral aid. The calculations firstly involve repeating the steps outlined above for each official multilateral agency. The calculations assume that all multilateral aid is untied, except technical co-operation grants, which are treated as fully tied. The quality adjusted aid figure for each multilateral agency is then obtained. This figure is then disaggregated, according to the share of funding provided for each agency by each DAC country, and allocated back to each country. France, for example, accounted for 5.5 percent of the contributions to the World Bank International Development Association (IDA). Thus, 5.5 percent of the IDA's quality adjusted aid of $3.5 billion was allocated back to France. The sum of these added-back allocations by DAC country is shown in row 20 of Table A2. These summations were then added to Quality

Adjusted Aid (row 19), to obtain Total Quality Adjusted Aid (row 21). The latter is then expressed as a percentage of GDP (see row 22)

The final stage of calculations linearly transforms the numbers in row 22 so that the Total Quality of Aid (TQA), as a percentage of GDP, is scaled so that its maximum value is assigned a value of nine and the other values are in a linear proportion to this. Denmark records the highest TQA relative to GDP, so its number in row 22 is transformed to nine. This is recorded in column 1 of Table A1.[12]

The relationship between the index components and donor aid component index values was outlined in general terms above. We are now in a position to provide more precise details of how a DAC country can increases its CDI aid component index value. A donor can increase this value if it:

i. increases its total gross bilateral ODA disbursement;
ii. increases its total gross bilateral OA disbursement;
iii. decreases its ODA administrative costs;
iv. increases its debt forgiveness;
v. decreases its technical co-operation, replacing it with some other form of non-tied aid;
vi. decreases the overall proportions of its total ODA disbursement which are tied;
vii. increases the grant element of its bilateral ODA disbursements;
viii. increases emergency aid;
ix. allocates any amount of aid to recipients with selectivity weights higher than the averages weight of those countries it already allocates aid to; or
x. increases the proportion of aid to multilateral agencies with higher quality adjusted aid.

The last two actions require some elaboration. Action ix requires a donor to give any amount of aid, sufficient for it to be published by the DAC, to a recipient whose selectivity weight is higher than the average weights of recipients it already gives aid to. Action x is a little more complicated. It can involve giving a greater proportion of the total ODA (bilateral and multilateral) to multilateral agencies which have a higher quality adjusted aid quality per dollar of aid than the DAC country under question. Put differently, if the multilateral agency has higher quality adjusted aid, relative to its unadjusted aid, than the bilateral aid of the DAC country, then this country can increases its CDI ranking by allocating a greater share of its total aid to this agency. Similarly, a country can also increase its ranking by allocating a greater share of its multilateral program to agencies which have higher quality adjusted aid, dollar for dollar. For example, the United Nations Development Program provided $US287 million in gross ODA and OA disbursements in 2001. Adjusted for quality, this amount is reduced to $US183 million. The ratio of these amounts is 0.64. The IDA provided $US6112 million, which is reduced to $3511 million on the basis of the quality adjustment calculations. The corresponding ratio is 0.57. The ratio for the UNDP is higher, implying that dollar for dollar its aid is of

higher CDI-assessed quality than that provided by the IDA. If a DAC country was to allocate funds away from the IDA to the UNDP its CDI aid ranking would, *ceteris paribus*, improve provided a sufficiently large proportion of these funds eventually found their way to developing countries.[13]

Birdsall and Roodman (2003) point out that aid component country rankings are dominated by differences in quantity rather than quality. They are correct. To look at the impact of changes in aid quality on rankings, let us consider an extreme situation in which Australia allocated all its 2001 bilateral ODA to Tanzania, and no other country. How would this hypothetical outcome compare with the actual 2001 one, in terms of rankings? Tanzania has the highest selectivity weight, with a value of 100. The average selectivity weight for Australia would therefore equal 100, as no other country receives aid. The actual average selectivity weight for Australia in 2001 is 0.74 (see row 18, Table A2). Given that the first of these weights is higher than the second, the hypothetical allocation would, *ceteris paribus*, give Australia a higher CDI value than was actually the case. That would see Australia's ranking rise from 16 to 14, a relatively small increase given the rather extreme change in inter-recipient aid allocation. If Australia allocated all of its bilateral aid to Russia, the country with the lowest selectivity weight, its ranking would fall from 16 to 18. If it allocated all its aid to countries with the five highest selectivity weights (Tanzania, Malawi, Zambia, Sierra Leone and Benin), resulting in an average selectivity weight for Australia of 0.95, that would see its ranking rise from 16 to 15. In short, donor rankings are not terribly sensitive to the selectivity weights.

Alternatively, let's assume Australia completely untied its aid, reducing its tying discount to zero. That would result in an increase in its ranking from 16 to 15. However, if Australia increased the total volume of its aid, both bilateral and multilateral, by 30 percent, without any qualitative changes or changes in aid quality or quantity from other donors, its ranking would increase from 16 to 12. A 20 increase would see its ranking increase from 16 to 14. Alternatively, a 25 percent decrease, or a 25 percent increase in all other donors' aid without any increase in Australian aid, would see Australia's ranking fall from 16 to 19.

An obvious conclusion from this examination of ranking changes is that if donors wish to at least maintain their rankings they need to grow their aid programs at the same rate as others. Perhaps the final word on this relates to the statistical association between the aid component rankings and the size of the donor program, measured in terms of its total ODA to Gross National Income (GNI), the most commonly reported pre-existing indicator of donor performance. The simple correlation coefficient, a widely accepted measure of statistical association, between Quality Adjusted Aid, as a percentage of GDP, is 0.99. This indicates that 99 percent of the variation of the aid component value is accounted for by the size of donor aid programs relative to GNI. Similarly, the correlation coefficient between ODA and Quality Adjusted Aid, both measured in absolute terms, is 0.95. Not only do these coefficients cast doubt on the empirical contribution of the aid component, but they also tell donors concerned solely about their aid performance, measured according the CDI, to simply (and possibly cynically) focus on the size of their aid programs and not so much on quality. We return to this issue below.

IV. Other Aid Performance Indicators

There is a long history of attempts to evaluate the aid giving behaviour of donor countries. These attempts are based on the concept of donor performance, which as mentioned above is analogous to the CGD concept of donor commitment.

DAC

The DAC has been most active within official circles in assessing donor performance, publishing many aid indicators. Those typically used to assess donor performance are:

i. aid volume, measured by the percentage of donor GNI allocated as Net ODA Disbursements;
ii. aid financial terms, measured by the grant element of ODA commitments;
iii. support for least developed countries (LLDCs), measured by the Net ODA Disbursements to LLDCs as a percentage of donor GNI; and
iv. aid tying, measured by the proportions of ODA commitments which are partially or fully tied.

Targets exist for the first three indicators. For volume there is the well-known but much discredited 0.7 percent of GNI (previously GNP) target. The grant element target was last updated in 1978 by the DAC. It is set as at 86 percent of total ODA commitments and 90 percent of ODA commitments to LLDCs. The DAC target for aid to LLDCs, also set in 1978, is that 0.15 percent of donor GNI should be allocated in net ODA Disbursements to these countries. Aid tying, in the words of Griffin (1987) is a particularly "knotty problem", in that no agreement on a specific target has been achieved. 2001 data on DAC country performance are reported in Appendix Table A3.

The DAC does not report target shortfalls, although they are implicit to the reported statistics, nor does it seek to combine these indicators into a single composite index. The DAC does however come close to this through the recent circulation of pie charts showing how the sectoral composition of member country ODA commitments directly addresses Targets two to 18 of the Millennium Development Goals (MDGs) Details of the MDGs and targets are given in Appendix B. Accompanying these pie charts are percentages showing the overall proportion of ODA thought to *directly* address these targets. These proportions are obtained by aligning DAC sector codes to MDGs two to 18, and them summing the shares of each donor's 2001 ODA commitments by the relevant sector codes.

In 2000 and 2001, 40.5% of total DAC ODA commitments were assessed as directly addressing MDG Targets two to 18. The residual balance, 59.5% of these commitments, is considered by the DAC to indirectly address MDG one, the halving of world poverty by 2015. Percentage shares of 2000 and 2001 ODA commitments

directly addressing MDGs Targets two to 18 for all DAC members are shown in the last column on Appendix Table A3. Percentages range from 74.6 to 20.5, for France and Denmark respectively. Interestingly, Denmark has the highest ODA to GNI ratio and highest CDI value (see Tables A2 and A3, respectively). Indeed, CDI and ODA to GNI ratios are significantly and negatively correlated with these MDG percentages, across the full sample of DAC countries, with the corresponding correlation coefficients being less than 0.50.

There have been some concerns with the MDG percentages shown in Table A3, perhaps not surprisingly given these correlations and that aligning sector codes to these goals is an inherently difficult task. Specific concerns have been expressed among DAC countries over the treatment of aid provided as budget support. This type of aid cannot readily be allocated to an MDG, certainly not without additional information. Budget support is a diverse category of aid. Yet some forms can be extremely effective in poverty reduction, especially if it is channelled towards pro-poor public expenditures. The irony of this is that donors who have been providing large amounts of budget support, and who potentially are doing more than others in reducing poverty, have been penalised in assigning these percentages. That is, their aid is assessed to be not as directly targeted towards the MDG goals as that from other donors. We consider whether these percentages can be viewed as performance indicators below.

World Bank and IMF

The World Bank and IMF (2003), in a joint initiative, propose a framework for monitoring policies and actions directed towards the achievement of the MDGs. The activities of developed and developing countries are examined. Aid is one of a number of areas of developed country action and policy examined. The framework focuses on aid quantity, terms and quality. Overall quantity is measured by the ratio of ODA to GNI. The framework also calls for more aid to low-income countries, to those engaged in credible reform, to those which are conflict-affected and to those classified as low-income countries under stress (LICUS). The specific terms of aid identified relate to the tying of DAC bilateral aid.

There is a fundamental difference between what the DAC and the World Bank and IMF propose in relation to the MDGs and the aid component of the CDI in that the former are not indices of donor performance or commitment. The World Bank-IMF proposal is a set of indicators that comprise a monitoring framework, stopping short of providing a quantitative assessment of donor commitment or performance. Inferences regarding commitment or performance can be drawn from the framework by looking at changes over time in the relevant indicators, but they do not in themselves provide a means of ordinally or cardinally assessing donor behaviour. The DAC proposal could however be interpreted as performance measures. Countries with higher percentages of ODA addressing MDG Targets two to 18 might be said to be performing better in this regard than those with lower percentages. There is no reason, however, to suggest that directly targeting goals is better than indirectly targeting them with aid that is effective in poverty reduction.

In this sense the pie chart percentage cannot be considered a valid index of donor performance or commitment. It is at best a highly ambiguous such indicator. Moreover, given the difficulties involved in assigning codes, mentioned above, it should be seen as a preliminary tool used to monitor and report on donor behaviour, one which should undergo further refinement.

There are however many similarities in the rationales underlying the selection of variables in the CGD, World Bank-IMF and DAC measures. All agree that good aid is that which maximises poverty reduction. In addition, more ODA as a percentage of GNI is considered good, tying is considered bad, a higher grant element is considered good (by the DAC and CGD) and there is broad agreement that poorer countries should receive special attention. In the CDI the last of these points is reflected in countries with lower GDPs per capita receiving, *ceteris paribus*, a higher selectivity weight than those with higher GDPs per capita. In the DAC indicators it is reflected in setting a target for the allocation of ODA to LLDCs, and in the World Bank-IMF proposal it is reflected in the mention of aid to low-income and LICUS countries. Within these similarities there is a fundamental dissimilarity. The DAC's preference that aid should go to poorer, or least developed countries is unqualified. The CGD and World Bank-IMF preferences are not. The former wants aid to go the poor countries with good governance records, as defined above, and the latter want aid to go to poor countries with good policies, defined in terms of the World Bank's controversial Country Policy and Institutional Assessment Criteria (CPIA).[14]

V. The CDI Aid Component: A Critical Appraisal

The design of multi-component or composite indices is a complex and difficult task. There have been many attempts to construct indices that evaluate aid donor actions, as indicated at the commencement of this paper. These attempts have been at best partially successful, and many of the criticisms of them apply to the CDI aid component. Indeed, a general criticism of this component is that its construction has been largely blind to these attempts and the critiques of them. In this section we look at the fundamental technical and conceptual issues surrounding the aid component, relying largely on the literature cited at the outset of this paper. These aspects are inevitably linked, and the technical issues turn almost entirely on the weighting of variables.

Technical Issues

It makes good sense in the calculation of an index to start with the amount of aid provided by a donor and then make adjustments on the basis of what is considered good or bad practice. However the basis of what is good or bad needs to be made explicit. Consider the deduction of administrative costs. Birdsall and Roodman (2003) argue that high administrative costs, relative to the size of an aid program, indicates inefficiency. They also argue that deducting administrative costs give a truer picture of the amount of money reaching recipients. But these arguments lack a conceptual framework, and this has clear technical implications for the design

of the CDI aid component. The starting point to this must be an articulation of what a "commitment to development" is. This is lacking in Birdsall and Roodman (2003). If it is a commitment to poverty reduction and, in the longer term, a reduction of inequalities between rich and poor countries, then what matters is the impact of aid on recipient countries. In this context, one might be able to argue that higher levels of administrative costs would indicate more efficient or effective poverty-reducing aid.[15] One could also argue that a very low level of administrative costs is bad for poverty reduction. A related issue is that the level of administrative costs will unavoidably be a function of the type of aid a donor provides.

More generally, what is required is some sort of valid theory of the relationship between aid effectiveness, however defined, and administrative costs. Rather than deducting administrative costs dollar for dollar, one could devise a weighting scheme in accordance with this theory. One can speculate that this would, for example, mean that donors with programs that are difficult to administer might have only some fraction of their administrative costs deducted from their total amount of aid. Within this, one could argue that administrative costs up to a certain point are a good thing, indicating more poverty reduction, and that beyond that point are a bad thing, indicating inefficiency in aid delivery. If so, one would only deduct administrative costs beyond this point. One might argue in defense of the CDI that this is a far too complicated task, or that a suitable theory does not exist. But one can argue with equal conviction that the treatment of all administrative costs as being equally bad is far too crude even in the absence of clear guidelines.

Very similar arguments can be made regarding the treatment of tied aid and principal and interest repayments. The differential discounting of partially and fully tied aid is a form of weighting. Birdsall and Roodman attempt to justify this by referring to a literature on the cost of tying, citing the well known late 1980s study by Jepma (1991). Birdsall and Roodman actually claim the discounting is based on studies of the cost of tying. But this cost is largely an accounting one, taking into account possible overcharging of aid-procured goods and services. If the CDI is about a commitment to poverty reduction, then what really matters is the impact of tying on the poverty-reducing efficiency of aid.

It was commented above that the selectivity weights seem to be independent of the amount of aid given to each recipient. If so this is a serious flaw, as a simple illustration will demonstrate. Consider a situation in which two donors provide aid to two countries only, Tanzania and Russia. The recipients have selectivity weights of 1.00 and 0.50, the highest and lowest of all recipient countries, respectively. The first donor provides 99 percent of its aid to Tanzania and one percent to Russia. The second donor provides one percent of its aid to Tanzania and 99 percent to Russia. The first donor is clearly rewarding governance and need, and the second is not. Yet both would receive the same overall selectivity weight. If they provided the same total amounts of aid, their quality adjusted aid would be identical. This is clearly at total variance with the spirit of the aid component. Yet it can be easily fixed, following the leads of a number of previous evaluations of aid allocation (for example, Rao (1994, 1997) and McGillivray (1989, 1992). This involves firstly multiplying each aid allocation, by recipient, for each donor. Then one sums these

weighted aid allocations by donor to achieve a weighted overall gross bilateral ODA disbursement. This would be the first step in calculating the index, and subsequent deductions for aid tying and so on would be from the weighted sum.[16]

The final word on the issue of weights harps back to the sensitivity of donor CDI rankings to aid quantity, discussed above. That only one percent of the variation of component values across donors depends on aid quality, with the remaining 99 percent depending on quantity, is a fundamental technical flaw. These percentages can in a sense be interpreted as weights. The CDI is almost entirely an index of the quantity of donor aid, telling us little more than ratio of ODA to the size of the donor economy.

Conceptual Issues

We have already touched on a number of conceptual issues to the extent that they give rise to technical ones. These need not be repeated, however important they might be. But far the most fundamental issue relates to the basis of the selectivity weight and what constitutes good or effective aid. The CDI index is based on the notion that aid works best in countries with good governance records and low per capita incomes. It follows that aid has its greatest overall impact if it is directed primarily, or in greatest amounts, to these countries. This is the entire basis of the index's selectivity weight. Such an approach is arguably more sensible than the view implicit to the DAC's recommendation that LLDCs should receive priority in aid allocation, one that the DAC is now attempting to move away from. But it is at sharp variance with the position of many agencies, including notably the IDA, and with research and policy advice emanating from the World Bank in general. Their position is that aid is most effective in countries with better policies, variously defined. This is not to say that aid works through impacting positively on policies, rather, that its impact on economic growth and in turn poverty reduction is contingent on an efficient recipient country policy regime (Burnside and Dollar (2000), Collier and Dollar (2002)). This leads to a selectivity rule where countries with low incomes, large numbers of people living below the poverty line and with better policy regimes (according to the CPIA measure) receive priority in aid allocation.

Birdsall and Roodman (2003) address the issue of policy, arguing that the research on which the World Bank position is based (Burnside and Dollar, 2000) is not robust and has not been confirmed by subsequent studies. It is true that some studies have not been able to replicate the Burnside and Dollar research findings, but many other studies have been able to do this and there is a general acceptance among researchers, practitioners and policy makers that policies matter for aid effectiveness.[17] Just as pertinent, however, is that Birdsall and Roodman do not provide any justification, based on research findings or evidence of agreement among policy makers, for their selectivity weight, or for their measure of governance. Ultimately, this selection of such a weight must turn on the importance of governance in poverty reduction via growth or another means. We return to this issue below.

A comprehensive representation of research findings on aid, published over the last eight to ten years, would reveal that aid effectiveness depends not only on recipient policies but on many other factors. Specifically, aid seems to work better in post conflict situations, in structurally vulnerable countries (including those undergoing trade shocks), in politically stable regimes and in countries with good democratic records (Chauvet and Guillaumont (2002), Collier and Dehn (2001), Collier and Hoeffler (2002a), Guillaumont and Chauvet (2001) and Svensson (1999), among many other studies surveyed in Beynon (2001) and McGillivray (2003). That aid works better in democracies provides a partial justification for the aid component selectivity weights, in that democracy is one of a number of elements of the governance vector. More generally, however, it follows that a selectivity framework, and weights derived from it, should be built around these lessons and not on only one or two specific criteria. It should also be emphasised that these factors are in a sense 'recipient-side' in that they relate to conditions or behaviour within recipient countries. But there are many 'donor-side' factors which are also important. While the research community provides little empirical verification of these factors, there is broad agreement that they are important. They include policy coherence, harmonization of donor aid activities, flexibility in design and delivery of aid projects and programs, appropriate quality assurance systems and capacity building. A comprehensive measure of donor aid performance or commitment needs to take these into account.

VI. Alternative Aid Performance Measures

It would appear reasonably clear from the preceding discussion that the CDI and related indicators do not signify the end of history for the search for aid performance measures. Here we attempt to identify some measures which could be used in addition to or instead of the CDI aid component. Given the technical and conceptual problems associated with this measure, especially the very high correlation with ODA volumes and insensitivity to the quality of flows, alternatives are required.

The fundamental design criteria for any aid performance measure must turn on the fundamental objective of aid. Poverty reduction is taken as this objective for our current purposes. This being established, we must then consider which characteristics of an aid program are good or bad in terms of poverty reduction. Donor performance can then be assessed against these characteristics or criteria.[18]

Field experience and scientific research tell us that aid is effective in reducing poverty. The assessment of donor performance should therefore start with aid volume measured by the combined total of ODA and OA amounts. As donors with larger economies are *ceteris paribus* more able to afford larger volumes of these flows, they need to be measured relative to GNI. These amounts should be net of interest and principal repayments, as per the CDI. Administrative costs should be deducted only beyond a ceiling, agreed between DAC members and other stakeholders. Prior to the determination of a ceiling, or the development of a theory of the impact of ODA and OA administrative costs on poverty reduction, these costs should not be

deducted. Tying and grant element need to be taken into account, and the current DAC measures are arguably the most valid.

The impact of aid on poverty reduction will vary between donors. Indicators other than aid volume are thus required. Selectivity is very important, arguably the most important factor beyond volume. The poverty reducing impact of aid differs among recipient countries. Measured donor performance should be greater the larger the proportion of aid allocated to recipients in which this impact is greater. As mentioned above, current research tells us that aid is most effective in countries with sound policy regimes, in post conflict situations, in countries which are structurally vulnerable, in politically stable countries and in countries with good democratic records.

There is currently no agreement on a 'level' of policy, structural vulnerability or political stability that makes aid particularly effective.[19] We simply know that the better are policies or the greater is structural vulnerability and political stability the greater is the impact of aid on growth and by implication poverty reduction. Nor are there agreed or defensible measures of these factors. It would be premature to adopt corresponding indicators until agreement on these issues is reached. There is though more agreement or certainty on post-conflict scenarios and democracy, the latter defined in terms of political rights and civil liberties. Following Collier and Hoeffler (2002b), a country is considered to be in conflict if engaged in a civil war (defined as a conflict between a government and an identifiable rebel organisation resulting in at least 1,000 combat-related deaths, of which at least five percent must be incurred on each side). Post-conflict countries were those that had experienced no civil war, as defined, for a period of up to 10 years after the end of such a war.[20] Freedom House (2002) provides country political liberty and civil rights ratings. Countries are classified as 'free' if they rate between 1.0 and 2.5. The corresponding performance indicators are, therefore:

i. the percentage of donor aid (ODA plus OA) allocated to post-conflict countries, as defined and
ii. the percentage of donor aid (ODA plus OA) allocated to Freedom House 'free' countries.

Appendix C contains donor ratings according to these and a number of indicators, based on 2001 ODA and OA data.

Aid is not only about providing support to countries that can best use external resources but also about supporting those in most need of assistance. Identifying those countries in most need of aid is not a straightforward task. However there is reasonable agreement that LLDCs and LICUS countries are particularly deserving of aid on a needs criterion. The percentage of aid to these respective country groups would seem appropriate indicators, therefore.

There are a number of other issues which ought to be addressed. These include the degree of alignment with Poverty Reduction Strategy Papers (PRSPs), the degree to which donors harmonise aid and the incorporation of results based

strategies into aid delivery. However, building these and other criteria into performance measures requires more discussion on underlying meanings and agreement on particular benchmarks. Discussions within the donor and research communities of these issues should therefore be monitored with the view towards designing appropriate indicators.

Two technical issues require comment. The first is whether a single multidimensional indicator, combining a number of criteria, should be employed. This requires agreement on the weightings assigned to each criterion. Until such agreement is reached it is inappropriate to use a composite indicator. This is a clear lesson from the CDI and many other similar indicators. From past experience it is better to simply report a set of indicators, each relating to a single criterion, letting end-users judge which is most important. The second issue is whether aid should be 'quality-adjusted', as per the CDI approach. Based on the CDI the answer to this would appear to be 'no'. A better approach is to report ODA volume alongside other measures.

VII. Conclusion

The aid component of the Center for Global Development's (CGD) Commitment to Development Index (CDI) is a bold attempt to empirically assess the efforts of policies of donor countries. It is one that has generated significant media attention, much of it leading to heavy criticism of the assessed commitment of some donor countries, including Australia, but in particular the United States and Japan. Donors cannot ignore the aid component, and the CDI as a whole, if it continues to receive significant media attention. This will crucially depend on the CGD's ability to promote the index.

Like many previous attempts to evaluate donor performance or commitment, the aid component of the CDI is has its limitations. There is plenty of room for improving the way is assesses the efforts of aid donors. This is not to say that the index should be rejected out of hand. It is built around some notions for which there is much support: more aid is better than less aid, less tying is better than more tying and a higher grant element is better than a lower one. But its conceptual underpinnings are not sufficiently justified, and at variance with those embraced by many donor agencies, including the World Bank's IDA, and it suffers from some technical flaws. If the aid component becomes better known among researchers and policy analysts it is likely to be heavily criticized. Acceptance of it will depend crucially on how the CGD responds to these criticisms in revising the index, and to the nature of revisions in general. The CGD has indicated that the aid component, and the index as a whole, will be refined over time.

The following aspects of the aid component require most urgent and immediate attention:

i. increasing the influence of aid quality on donor rankings;
ii. applying selectivity weights to individual country ODA or OA receipts or, if this has already been done, removing

ambiguities in the presentation of the component's calculations;

iii. better articulating what a 'commitment to development' is in the context of aid policy and practice; and

iv. basing selectivity weights on factors in addition to governance and per capita income.

Over time a realistic, valid theory of the impacts of administrative costs, tying and grant elements on the effectiveness or efficiency of aid is required to better inform the selection of discounts and weights.

A number of aid performance indicators other than the CDI aid component are worthy of reporting. Many of these indicators are already reported, by the DAC and other agencies. These indicators are:

i. combined ODA and OA volume as a percentage of GNI;

ii. tying as a percentage of total ODA and OA, as per the DAC measure;

iii. grant element, as per the DAC measure;

iv. the percentage of combined ODA and OA allocated to post-conflict countries,

v. the percentage of combined ODA and OA allocated to free countries;

vi. the percentage of combined ODA and OA allocated to LLDCs; and

vii. the percentage of combined ODA and OA allocated to LICUS countries.

Notes

1. April 2003 marked the first public airing of the CDI. An earlier version of the CDI was presented at the OECD DAC/Development Centre Aid Expert's Seminar on Aid Effectiveness and Selectivity in Paris in March 2003. Those attending the presentation included representatives from official bilateral and multilateral development agencies, NGOs and the development research community. The response to the index was mixed. Although limited documentation on the design of the index was distributed at the seminar, the only detectable difference between the version presented at the seminar and that released in April 2003 is with respect to an indicator in the migration component. That indicator, legal migrant inflows, in the current version of the index is expressed as a ratio of the host country population whereas previously it was expressed as a ratio of the host country GDP.

2. This sample comprises all current DAC members except Luxembourg, which was presumably excluded due to a lack of data required to calculate the index.

3. Critical reviews of the results and methods used by these studies can be found in White and McGillivray (1995) and McGillivray (2003).

4. The CDI was released as a joint initiative of the CGD and *Foreign Policy*. The original article makes this clear. In the first line it states that "In a groundbreaking new ranking, FOREIGN POLICY teamed up with Center for Global Development to create the first annual CGD/FP Commitment to Development Index" (Foreign Policy, 2003). The input of *Foreign Policy* in the formulation of the index is not clear from any literature emanated from each organisation.

5 As shown below, however, tying has little impact on CDI rankings.

6. The presentation of these calculations differs from that in Birdsall and Roodman (1993). At times these calculations can be difficult to follow. We return to this issue below.

7. Definitions of these and other technical aid-related terms can be found in OECD (2002).

8. The note to Table 3 of Birdsall and Roodman (2003) wrongly indicates that these discounts are 12.5 and 25 percent, respectively.

9. The actual formula is:

$$TD = d_1[s_1(A - F - T)] + d_2[s_2(A - F - T) + T]$$

where TD is the tying discount, d_1 is the 10 percent discount for partial tying, s_1 is the share of partially tied ODA in total ODA commitments, F is debt

forgiveness, T is technical co-operation, d_2 is the 20 percent discount for full tying and s_2 is the share of fully tied ODA in total ODA commitments.

The actual calculation of the Tying Discount for Australia is as follows:

$$97 = 0.1[0(616 - 7 - 402)] + 0.20[0.407(616 - 7 - 402)+402].$$

10. Governance quality is measured using the indicator developed by Kaufman, Kraay and Zoido-Lobaton (KKZ) (2002). This indicator is a composite of indicators of democracy, rule of law, bureaucratic regulation, government effectiveness and corruption.

    The actual procedure is to fit the following governance regression equation to cross country data:

$$G_i = a + ß\ln Y_i + \mu_i$$

    where G_i is the quality of governance of aid recipient i measured using the KKZ indicator, a is a constant term, ß is a slope coefficient, $\ln Y_i$ is the logarithm of recipient i's purchasing power parity GDP per capita and μ_i is a residual. The residual may be interpreted as that component of recipient governance quality which is not empirically accounted for by the constant term and the term $ß\ln Y_i$. Countries with high governance qualities and low incomes per capita will have numerically larger residuals than those with low governance qualities. It follows that the larger the residual the better is governance relative to income, or the better recipient has performs in converting income into governance quality.

    The selectivity weight for each recipient, W_i, is:

$$W_i = \mu_i - ß\ln Y_i$$

    provided ß is positive (which was the case in fitting the governance regression equation to recipient country data), the selectivity weight is higher the higher the value of the residual and the lower is the level of income per capita.

    Prior to adjusting aid for selectivity the weights are linearly transformed to range between 0.5 and 1.0, indicating lowest and highest worthiness for aid, respectively. Recipient selectivity weights are reported in Roodman (2003). Tanzania and Malawi have the highest weights (1.00 and 0.99, respectively), while Belarus and Russia have the lowest weights (0.50 each). Weights to countries receiving relatively large shares of Australian ODA are as follows: Papua New Guinea (0.75), Indonesia (0.66), Vietnam (0.76), Philippines (0.71), China (0.69) and Cambodia (0.87). Weights for 121 countries were calculated, based on data availability.

11. The actual calculation is as follows:

$$QQA = W(DA - EA) + EA$$

Where QQA is quality adjusted aid, W is the average recipient selectivity weight, DA is discounted aid and EA is emergency aid. Note that Birdsall and Roodman (2003, p. 6) imply that a different procedure was used. They state that the quality "adjusted figures are summed across recipients" in the calculation of QQA. This implies the following calculation:

$$QQA = \sum_{i=1}^{n} W_i A_i + EA$$

where A_i is aid to recipient i from the donor under question. Such an approach requires tying and administrative cost data disaggregated by recipient, which are not published. Birdsall and Roodman (2003, p. 5) refer to an assumption that the shares of tied aid and administrative costs are assumed to be the same across all recipients, further implying that the above summation might have been applied. On a very close inspection of the Birdsall and Roodman (2003) calculations and explanatory notes on the bottoms of their Tables 1 and 2 it is not at all clear that it has. Taking these calculations and explanations on face value it would appear that they have not. This is an ambiguity which needs to be fixed in the presentation of future aid component data.

12. Some of the numbers reported in Table A2 differ from those reported in Birdsall and Roodman (2003) owing to rounding errors. However, there are some numbers reported in the latter appear to be errors. Specifically, the Total Quality Adjusted Aid amounts for New Zealand and The Netherlands are too low and the amount for the United States is too high. These discrepancies are of no consequence for the aid component rankings of The Netherlands and the United States. But New Zealand's rank should be 15 rather then 17. Consequently, Australia's ranking should be 16 instead of 15 and Canada should be ranked 17 rather than 16.

13. This proviso is quite important. David Roodman, in a private communication, points out that the UNDP channels less ODA to developing countries than it receives from DAC donors. For a DAC country's CDI ranking to increase as a result of this transfer, the UNDP would need to allocate more than 89 percent of the funds received.

14. It should also be emphasised that the DAC's measure of net ODA is net of principal payments only. In the CDI treat ODA is net of both principal and interest payments. The latter is arguably a more appropriate treatment.

15. It is worth noting that a number of donors, including Australia, have in recent years sought to improve the efficiency of aid delivery, through the introduction of often rigorous management systems. These efforts have not been without

financial costs, but have arguably led to more effective, poverty-efficient aid. Moreover, there is plenty of anecdotal field evidence that hastily designed and appraised aid projects, involving few administrative costs, often do not achieve their intended developmental objectives.

16. There is however a weakness in this approach. The implicit decision rule it provides is for all donors to provide all aid to a single country only, that with the highest weight (White and McGillivray, 1995). This weakness can be fixed by applying a non-linear weighting scheme.

17. This was most evident at the above-mentioned DAC Aid Experts' Seminar. For further details see the Summary Record from the seminar, available at www.oecd.org/EN/documents/0,,EN-documents-68-2-no-20-no-0,00.html. Also see McGillivray (2003), the main paper presented at the seminar, which summarises evidence of the impact of aid on growth and poverty reduction.

18. One should acknowledge that donors do have other genuinely developmental objectives, which might not contribute directly to poverty reduction.

19. This state of affairs with respect to policy might change with the proposed release, later this year, of CPIA ratings by the IDA.

20. Collier and Hoeffler's (2002) precise finding was that aid is more effective in promoting growth only in the last seven years of a post-conflict decade. They concluded, therefore, that aid should phase-in during this decade. This should be kept in mind when examining the performance data in Appendix C.

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APPENDIX A
AID PERFORMANCE DATA

Table A1: CDI Index Values*

	Component						
Donor	**Aid**	**Trade**	**Environment**	**Investment**	**Peace Keeping**	**Average**	**Rank**
Australia	1.7	7.2	1.8	1.6	2.8	3.2	19
Austria	2.8	6.8	5.4	2.6	2.6	4.4	9
Belgium	3.5	6.7	4.5	1.4	3.5	4.0	12
Canada	1.7	6.6	1.7	2.1	2.4	3.4	18
Denmark	9.0	6.8	5.0	1.0	7.1	5.5	2
Finland	3.0	6.8	5.4	1.7	2.9	3.5	17
France	3.1	6.8	4.9	1.7	5.2	3.8	14
Germany	2.1	6.8	6.0	1.4	3.8	4.7	6
Greece	1.5	6.7	4.6	0.0	9.0	3.9	13
Ireland	2.6	6.6	1.6	2.3	3.7	3.6	16
Italy	1.4	7.0	5.3	1.5	5.3	3.6	15
Japan	1.2	4.6	4.0	2.8	0.5	2.4	21
The Netherlands	6.9	7.0	5.7	6.1	3.5	5.6	1
New Zealand	1.7	7.2	3.4	2.3	6.9	5.1	4
Norway	6.6	1.0	2.8	3.5	7.4	4.3	10
Portugal	2.2	6.9	5.1	9.0	6.8	5.2	3
Spain	2.4	6.8	6.0	8.2	2.9	4.7	7
Sweden	7.0	6.9	6.1	1.8	1.3	4.5	8
Switzerland	3.3	4.0	7.2	6.3	0.1	5.0	5
United Kingdom	3.0	6.9	5.0	3.4	3.6	4.2	11
United States	0.8	7.7	1.0	2.0	1.5	2.6	20

* - as reported in Birdsall and Roodman (2003).

Table A2: Calculation of CDI Aid Component

Column & Variable	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Ireland	Italy
1. ODA (Gross Disbursements)	660	410	520	1222	1083	232	3386	3719	82	184	628
2. OA (Gross Disbursements)	2	161	2	152	109	29	814	190	7	1	23
3. Gross Aid Disbursements	662	571	522	1374	1192	261	4200	3909	89	185	651
4. ODA Administrative Costs	46	18	24	138	86	16	234	290	0	13	44
5. Administrative Costs to ODA Ratio	0.070	0.044	0.046	0.113	0.079	0.071	0.069	0.078	0.000	0.071	0.070
6. Aid Administrative Costs	46	25	24	155	94	19	290	305	0	13	46
7. Aid (Net of Admin. Costs, Gross)	616	546	498	1219	1098	242	3910	3604	89	172	605
8. Debt Forgiveness	7	146	54	121	11	5	768	174	0	0	10
9. Technical Co-operation	402	89	218	360	138	91	1891	1862	21	11	96
10. Tied ODA Ratio	0.407	0.408	0.102	0.683	0.067	0.125	0.091	0.154	0.827	0	0.922
11. Partially Tied ODA Ratio	0	0	0	0	0	0	0.243	0	0	0	0
12. Tying Discount	97	43	48	173	40	22	431	421	15	2	111
13. Discounted Aid (Net of Admin., Gross)	518	503	450	1046	1058	221	3479	3183	74	170	494
14. Amortization (A)	0	68	13	23	44	4	593	805	0	0	188
15. Interest (I)	0	52	2	2	0	1	175	377	0	0	45
16. Discounted Aid (Net of Admin. and A&I)	518	383	435	1021	1014	216	2711	2001	74	170	261
17. Emergency Aid	49	26	27	210	114	42	240	242	4	18	66
18. Selectivity Weight	0.74	0.74	0.81	0.74	0.79	0.75	0.72	0.76	0.66	0.85	0.86
19. Quality Adjusted Aid	396	290	357	810	825	172	2019	1579	50	147	234
20. Multilateral Quality Adjusted Aid	156	168	327	179	432	138	1495	1817	96	76	1075
21. Total Quality Adjusted Aid	552	458	684	989	1257	310	3514	3396	146	223	1309
22. Total Quality Adjusted Aid (% GDP)	0.15	0.24	0.30	0.15	0.77	0.25	0.27	0.18	0.13	0.22	0.12

All whole numbers are $US millions, at current prices.

Table A2 (continued): Calculation of CDI Aid Component

Column & Variable	Japan	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom	United States
1. ODA (Gross Disbursements)	10235	2392	84	944	183	1264	1204	649	2741	9148
2. OA (Gross Disbursements)	181	-9	1	30	1	17	114	56	88	1596
3. Gross Aid Disbursements	10416	2383	85	974	184	1281	1318	705	2829	10744
4. ODA Administrative Costs	983	196	0	66	6	58	69	18	302	869
5. Administrative Costs to ODA Ratio	0.096	0.082	0.000	0.070	0.033	0.046	0.057	0.028	0.110	0.095
6. Aid Administrative Costs	1000	195	0	68	6	59	75	20	311	1021
7. Aid (Net of Admin. Costs, Gross)	9416	2188	85	906	178	1222	1243	685	2518	9723
8. Debt Forgiveness	446	163	0	0	17	382	0	0	374	23
9. Technical Co-operation	2071	634	42	150	118	185	101	121	848	6455
10. Tied ODA Ratio	0.175	0.085	0	0.011	0.406	0.31	0.035	0.039	0.061	0.716
11. Partially Tied ODA Ratio	0.014	0.003	0	0	0.017	0.0001	0.101	0	0	0
12. Tying Discount	665	151	8	32	27	78	40	29	185	1756
13. Discounted Aid (Net of Admin., Gross)	8751	2037	77	874	151	1144	1203	657	2332	7968
14. Amortization (A)	2934	62	0	4	0	117	0	5	120	1000
15. Interest (I)	2132	46	0	0	1	0	0	0	0	488
16. Discounted Aid (Net of Admin and A&I)	3685	1929	77	870	150	1027	1203	652	2212	6480
17. Emergency Aid	30	285	3	181	2	38	244	140	262	1258
18. Selectivity Weight	0.79	0.77	0.76	0.77	0.77	0.71	0.76	0.76	0.84	0.69
19. Quality Adjusted Aid	2917	1551	59	712	116	741	973	529	1900	4861
20. Multilateral Quality Adjusted Aid	1507	691	17	229	87	438	286	174	1777	2184
21. Total Quality Adjusted Aid ($USm)	4424	2242	76	941	203	1179	1259	703	3677	7045
22. Total Quality Adjusted Aid (% GDP)	0.10	0.60	0.16	0.57	0.19	0.20	0.60	0.28	0.26	0.07

All whole numbers are $US millions, at current prices.

Table A3: DAC Measures of Donor Performance, 2001

Donor	ODA to GNI Ratio (%)	Grant Element (%)	ODA to LLDCs (% GNI)	Partially Tied	Tied	MDG Targeted
Australia	0.25	100.00	0.05	0.00	40.70	58.20
Austria	0.29	93.30	0.05	n.r.	n.r.	73.40
Belgium	0.37	99.50	0.12	0.00	10.20	46.90
Canada	0.22	100.00	0.03	0.00	68.30	36.90
Denmark	1.03	100.00	0.33	0.00	6.70	20.50
Finland	0.32	100.00	0.09	0.00	12.50	36.50
France	0.32	96.00	0.08	24.30	9.10	74.60
Germany	0.27	96.80	0.06	0.00	15.40	50.60
Greece	0.17	100.00	0.02	0.00	82.70	n.r.
Ireland	0.33	100.00	0.17	0.00	n.r.	41.80
Italy	0.15	99.30	0.04	0.00	92.20	47.90
Japan	0.23	87.90	0.04	1.40	17.50	43.90
Netherlands	0.82	100.00	0.25	0.30	8.50	32.30
New Zealand	0.25	100.00	0.07	n.r.	n.r.	n.r.
Norway	0.83	99.90	0.28	0.00	1.10	34.90
Portugal	0.25	96.90	0.11	1.70	40.60	56.90
Spain	0.30	93.70	0.03	0.10	31.00	52.80
Sweden	0.81	99.70	0.22	10.10	3.50	32.70
Switzerland	0.34	100.00	0.10	0.00	3.90	37.30
United Kingdom	0.32	100.00	0.11	0.00	6.10	43.80
United States	0.11	99.70	0.02	n.r.	n.r.	37.20

n.r. – not reported to the DAC. Sources: OECD (1969-2002, 2003)

APPENDIX B

MILLENNIUM DEVELOPMENT GOALS

The Millennium Development Goals (MDGs) were formally adopted by the 189 members of the United Nations (UN) at the Millennium Summit held at the UN Headquarters in New York in September 2000. Details of each goal and corresponding targets are shown in Table B1.

Table B1: MDG Goals and Targets

GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger
GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015
GOAL 4: REDUCE CHILD MORTALITY
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
GOAL 5: IMPROVE MATERNAL HEALTH
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio
GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT	
Target 12:	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally
Target 13:	Address the special needs of the least developed countries Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction
Target 14:	Address the special needs of landlocked countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)
Target 15:	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
Target 16:	In co-operation with developing countries, develop and implement strategies for decent and productive work for youth
Target 17:	In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries
Target 18:	In co-operation with the private sector, make available the benefits of new technologies, especially information and communications

Source: OECD (2003).

APPENDIX C

ALTERNATIVE DONOR PERFORMANCE RATINGS

Table C1 reports information on the performance measures discussed above, in Section IV. Columns two to seven provide donor rankings according to the values of the DAC measures reported above, in Table A3.

Columns eight and nine of Table C1 report estimates, by donor, of the proportion of aid to the LICUS group. Columns ten to 13 report proportions of aid to countries classified as "free" by Freedom House (2002) and by Collier and Hoeffler (2002b) as post conflict. East Timor, not referred to in Collier and Hoeffler, has been included in the post conflict country group. Aid is that which allocated bilaterally, and includes ODA and OA. It is measured in terms of net disbursements. Aid data have been obtained from Table 2a of *International Development Statistics Online* (OECD, 2002). Percentages have been calculated by summing data reported for each individual recipient country in Table 2a.

Significant caution should be exercised over the LICUS allocation data in Table C1. The World Bank does not externally release LICUS country classifications, nor does it provide precise details on how many countries belong to this classification, simply noting that "about 30 states" belong to it (World Bank, 2002a, p. 3). The World Bank does though provide details of the relevant classification criteria, among them being a GNI per capita of $US875 or less and a low CPIA score. In calculating the LICUS aid shares shown in Table C1 it was assumed that the 31 countries in the bottom two 2002 CPIA quintiles all belong to the LICUS group. A list of these countries can be obtained from World Bank (2002b). It is purely a matter of speculation as to how many of these countries belong in fact to the LICUS group, although it would be reasonable to expect that the majority would belong to it.

According to the data in Table C1, Australia, New Zealand and Belgium provided in 2001 the greatest shares of aid to the 31 countries with the lowest 2002 CPIA scores and possibly, therefore, to the LICUS group. Ireland, Denmark and Spain perform the worst in this regard. Austria, Australia and New Zealand perform best among the 22 DAC members in terms of the proportion of aid allocated to countries classified as free. Italy, Ireland and Greece perform the worst. Greece and Portugal far outperform all other DAC members in terms of aid to post conflict countries, while France, Denmark and New Zealand perform the worst in this regard.

Table C1: DAC and Alternative Measures of Donor Performance, 2001

Donor	ODA to GNI Ratio (Rank)	Grant Element (Rank)	ODA to LLDCs (Rank)	Partially Tied (Rank)	Tied (Rank)	MDG Targeted (Rank)	Aid to LICUS Countries[a] (%)	Aid to LICUS Countries[a] (Rank)	Aid to Free Countries (%)	Aid to Free Countries (Rank)	Aid to Post Conflict Countries (%)	Aid to Post Conflict Countries (Rank)
Australia	14	1	14	1	14	3	41.8	1	47.7	2	14.4	17
Austria	12	20	15	-	-	2	14.9	5	51.5	1	14.7	16
Belgium	5	14	6	1	8	8	36.0	3	16.1	15	32.2	3
Canada	18	1	18	1	15	14	11.0	11	36.3	4	12.7	18
Denmark	1	1	1	1	5	19	5.5	20	27.5	6	8.5	20
Finland	8	1	10	1	9	15	9.1	16	16.4	14	25.9	6
France	9	18	11	18	7	1	11.8	10	14.1	16	3.4	22
Germany	13	17	13	1	10	6	11.0	12	19.1	12	14.8	15
Greece	19	1	20	1	16	-	1.1	22	7.1	20	63.7	1
Ireland	7	1	5	1	-	11	8.8	17	6.3	21	21.5	8
Italy	20	15	16	1	17	7	14.9	6	-11.2	22	27.3	4
Japan	17	21	17	15	11	9	7.3	19	22.9	9	10.7	19
Luxembourg	-	-	-	-			13.9	7	30.8	5	19.8	11
Netherlands	3	1	3	14	6	2	9.9	14	24.7	7	20.3	10
New Zealand	15	1	12	-	-	-	40.2	2	40.6	3	7.5	21
Norway	2	11	2	1	1	16	12.6	9	12.3	18	24.3	7
Portugal	16	16	8	16	13	4	24.3	4	24.0	8	57.0	2
Spain	11	19	19	13	12	5	2.2	21	10.1	19	15.9	14
Sweden	4	12	4	17	2	17	10.1	13	17.4	13	20.5	9
Switzerland	6	1	9	1	3	12	13.5	8	20.9	11	26.6	5
United Kingdom	10	1	7	1	4	10	9.6	15	22.0	10	18.4	12
United States	21	13	21	-	-	13	8.2	18	12.9	17	17.0	13
DAC Combined	-	-	-	-	-	-	10.1	-	19.5	-	15.0	-

[a] - estimated, based on CPIA scores (see discussion in text).