

# NEW AID ARCHITECTURE: A GOOD FIT FOR CHILDREN?

WORKING PAPER



DIVISION OF  
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## Executive Summary

This paper investigates how the allocation of official development aid has changed between 1990 and 2003 in 186 developing and transition countries and what the implications of this change are for children. It finds that bilateral donors and multilateral agencies have shifted their aid towards countries with democratic governance structures: from the mid-1990s a policy selectivity effect has joined poverty selectivity. Therefore, our data confirm that keeping other factors constant, donors are currently giving more aid to those poor nations which are considered having better governance. We find, however, that parallel to this shift in emphasis, the impact of child deprivation has weakened on development aid allocation. Countries' under-5 mortality rate, which is indicative of the poverty to which their children are exposed, has lost approximately one-third of its impact in attracting official development aid over the last decade. This has happened despite its status as an international development goal. In regards to assistance to low and lower-middle income countries, the child mortality indicator has lost over half its influence, keeping other factors constant. Education deprivation appears to have a similarly fading impact on aid. In contrast to non-income indicators of child poverty, the influence of low per capita GDP shows no sign of declining impact on aid allocation in recent years.

The evidence suggest that countries with worsening policy, declining economic output, and shrinking aid tend to have many children, high rates of HIV/AIDS, and at times a presence of armed conflict. Having a younger population is associated with having less access to aid in recent years. The paper finds the UN and some major bilateral donor nations to be the most consistent supporters of aid-loser countries; while aid-winner countries appear to enjoy steady support from donors with a strong focus on governance quality.

This paper admits that selectivity with increasing policy awareness may have a positive impact on aid efficiency. Crudely put, the same amount of aid may save more children from health and deprivation if it is channeled to governments who use aid with greater efficacy. More evidence and research on this effect would certainly be welcome. However, it is also very probably that giving less aid to fragile states hardly helps the vulnerable population of those countries, including children and women. And, the argument which supports the merits of donors' increased aid selectivity only strengthens the importance of having a proper aid allocation model centered on the Millennium Development Goals. This paper finds the weakening emphasis on child-related issues in aid allocation inconsistent with the strong commitment of the international community to support the 2000 Millennium Development Goals. This also holds true in regards to the 1989 Convention on the Rights of the child and the 1990-2000 'Goals for Children' adopted by the first World Summit in 1990.

Our proposals on how the international community could address this issue include: developing an MDG-centred aid allocation model that donors could use to sharpen the efficacy of aid allocations; policy-aware donors adopting a child-friendly allocation principle (that we term the 'C-rule'), where, when selecting between two poor countries with similar policy ranks, donors

would always give more aid to countries with higher under-5 mortality; placing a greater emphasis on donors' coordination at the global level in addressing the issues of 'aid orphans' and 'fragile states; developing a two-tier aid allocation system, where the first tier would secure a flat rate minimum level of development aid to all poor countries (delivered in different modes) and where a second tier could secure additional support to countries where governments have policies which are responsive to development problems.



## Resumen ejecutivo

Este documento investiga la forma en que la asignación de asistencia oficial al desarrollo se ha transformado entre 1990 y 2003 en 186 países en desarrollo y en transición, y cuáles son las implicaciones para la infancia de estos cambios. El informe llega a la conclusión de que los donantes bilaterales y los organismos multilaterales han transferido su asistencia hacia los países con estructuras democráticas de gobierno: desde mediados de los años 1990, la selectividad en materia de políticas se ha unido a la selectividad en materia de pobreza. Por tanto, nuestros datos confirman que, si los demás factores se mantienen constantes, los donantes están prestando actualmente más asistencia a aquellos países pobres que se considera que tienen un mejor gobierno. Sin embargo, hemos descubierto que, en paralelo a este cambio de orientación, la privación de los niños influye ahora menos en la asignación de asistencia al desarrollo. Durante la última década, la tasa de mortalidad de menores de cinco años de los países, un indicador de la pobreza a la que están expuestos los niños, ha perdido aproximadamente una tercera parte de su influencia para atraer asistencia oficial al desarrollo. Esto ha ocurrido a pesar de ser uno de los principales indicadores para los objetivos internacionales de desarrollo. Con respecto a la asistencia a los países de bajos y medianos ingresos, el indicador de la mortalidad infantil ha perdido más de la mitad de su influencia, si se mantienen los demás factores constantes. La privación de educación parece tener también una menor influencia sobre la asistencia. En contraste con los indicadores sobre la pobreza infantil no relacionados con los ingresos, la influencia de un bajo PIB per cápita no se ha debilitado en los últimos años en la asignación de asistencia.

Las pruebas sugieren que los países con las peores políticas, una producción económica decreciente, y una asistencia cada vez menor suelen tener una elevada población infantil, altas tasas de VIH/SIDA y a veces la presencia de un conflicto armado. En los últimos años, el hecho de tener una población joven se ha relacionado con un menor acceso a la asistencia. El documento descubre que las Naciones Unidas y algunos importantes países donantes bilaterales son quienes prestan un apoyo más uniforme a los países que pierden asistencia; mientras que los países que ganan en asistencia parecen disfrutar de un apoyo constante por parte de los donantes que centran sus expectativas en la calidad de la gestión pública.

Este documento admite que la selectividad basada en una mayor concienciación en materia de políticas puede tener una influencia positiva en la eficacia de la asistencia. Hablando claramente, la misma cantidad de asistencia puede salvar a más niños de las enfermedades y de la privación si se canaliza por medio de gobiernos que utilizan la asistencia con una mayor eficacia. Es preciso sin duda realizar más pruebas e investigaciones sobre este efecto. Sin embargo, también es muy probable que ofrecer menos asistencia a los estados frágiles sirva de muy poca ayuda a la población vulnerable de esos países, entre ellos los niños y las mujeres. Y además, el argumento que apoya el mérito de un aumento de la selectividad en la asistencia por parte de los donantes solamente refuerza la importancia que tiene disponer de un modelo de asignación de la asistencia apropiado, centrado en los Objetivos de Desarrollo del Milenio. Este documento concluye que hacer un menor hincapié sobre las cuestiones relacionadas con la infancia en la asignación de asistencia no guarda relación con el firme compromiso de la comunidad internacional en apoyo de los Objetivos de Desarrollo del Milenio de 2000. Esto también es cierto en lo que atañe a la

Convención sobre los Derechos del Niño de 1989 y las “Metas en favor de la Infancia” para 1990-2000, aprobadas durante la primera Cumbre Mundial en 1990.

Nuestras propuestas sobre cómo la comunidad internacional podría abordar esta cuestión incluyen: establecer un modelo de asignación de asistencia centrado en los ODM que los donantes podrían utilizar para perfeccionar la eficacia de las asignaciones de asistencia; los donantes conscientes de las políticas pueden adoptar un principio de asignación favorable a la infancia (que podríamos calificar como la “regla C”), según la cual, cuando seleccionan entre varios países pobres que tienen una clasificación similar en materia de políticas, los donantes siempre darán más ayuda a los países con mayor mortalidad de menores de cinco años; hacer un mayor hincapié en la coordinación de donantes a nivel mundial al abordar las cuestiones de la “asistencia a los huérfanos” y los “estados frágiles”; establecer un sistema de asignación de la asistencia de dos niveles: el primer nivel garantizaría a todos los países pobres una tasa mínima constante de asistencia para el desarrollo (proporcionada de formas diferentes), mientras que el segundo nivel podría garantizar un apoyo adicional a los países cuyos gobiernos tengan políticas que respondan a los problemas relacionados con el desarrollo.

## Résumé analytique

Le présent article examine la façon dont l'aide publique au développement a évolué entre 1990 et 2003 dans 186 pays en développement et en transition et sur les répercussions de ces changements sur les enfants. Il conclut que les donateurs bilatéraux et les agences multilatérales ont donné la préférence aux pays dotés de structures de gouvernance démocratiques : à partir du milieu des années 1990, les critères de sélectivité ont commencé à inclure les critères politiques autant que la pauvreté. C'est pourquoi nos données confirment que, à facteurs constants, les donateurs accordent actuellement une aide plus importante aux nations pauvres dont ils considèrent qu'elles font preuve d'une meilleure gouvernance. Cependant, nos conclusions donnent aussi à penser que parallèlement à ce changement d'axe, le dénuement dans lequel vivent les enfants a perdu de son impact dans l'allocation de l'aide au développement. Le taux national de mortalité des moins de cinq ans, qui est un bon indicateur de la pauvreté infantile, a perdu environ un tiers de son impact sur le calcul de l'aide publique au développement au cours de la dernière décennie. Et ceci, en dépit de son statut d'objectif international de développement. En ce qui concerne l'aide aux pays à bas et moyens revenus, l'indicateur de mortalité des enfants a perdu plus de la moitié de son influence, à facteurs constants. Le manque d'accès à l'éducation semble également avoir perdu de son influence sur l'allocation de l'aide. Contrairement aux indicateurs de la pauvreté infantile non liés aux revenus, un PIB par habitant peu élevé ne semble pas avoir perdu de son impact sur l'allocation de l'aide au cours des dernières années.

Les preuves sont là que des pays montrant une aggravation politique, un déclin du rendement économique et une diminution de l'aide tendent à avoir beaucoup d'enfants, un taux élevé de VIH/SIDA, voire souffrir parfois des conflits armés. Depuis quelques années, une population plus jeune a pour corollaire un accès moindre à l'aide. Le présent article montre que l'ONU et certaines des principales nations donatrices bilatérales sont les soutiens les plus fidèles des pays ayant perdu une partie de l'aide, alors que ceux qui reçoivent une aide accrue semblent bénéficier de l'appui régulier de donateurs insistant fortement sur la qualité de la gouvernance.

Le présent article reconnaît qu'une sélectivité prenant plus largement en compte les critères politiques peut avoir un impact positif sur l'efficacité de l'aide. Pour résumer schématiquement, la même quantité d'aide peut épargner la maladie et le dénuement à un plus grand nombre d'enfants si elle est envoyée à des gouvernements qui en usent avec plus d'efficacité. Il serait certainement utile de continuer les recherches là-dessus. Cependant, il est aussi très probable qu'une diminution de l'aide à destination des Etats fragiles n'aide guère leur population, notamment les femmes et les enfants. Et l'argument en faveur d'une plus grande sélectivité des donateurs ne fait que souligner l'importance d'un modèle d'allocation de l'aide adéquat, axé sur les Objectifs du Millénaire pour le développement. Pour les auteurs du présent article, l'intérêt accordé aux questions relatives à l'enfance dans l'allocation de l'aide a diminué, ce qui est en contradiction avec l'engagement vigoureux de la communauté internationale envers les Objectifs du Millénaire pour le développement de 2000. C'est également vrai en ce qui concerne la Convention relative aux droits de l'enfant de 1988 et les « Objectifs pour les enfants 1990-2000 » adoptés par le premier Sommet mondial en 1990.

Nous avançons un certain nombre de propositions sur la façon dont la communauté internationale peut s'attaquer à ce problème, notamment : élaborer un modèle d'allocation de l'aide axé sur les OMD et dont les donateurs pourraient se servir pour affiner l'efficacité de leurs allocations; faire adopter par les donateurs conscients des facteurs politiques un principe d'allocation favorable aux enfants (que nous surnomons la règle-C), selon lequel, lorsqu'ils doivent choisir entre deux pays pauvres se situant à un niveau similaire du point de vue des critères politiques, les bailleurs de fonds alloueraient une aide plus importante au pays ayant le taux de mortalité des moins de cinq ans le plus élevé; insister plus sur la coordination entre donateurs au niveau mondial lorsque ceux-ci s'attaquent aux questions « d'orphelins de l'aide » et « d'Etats fragiles »; élaborer un système d'allocation de l'aide graduel, avec un premier niveau garantissant un taux minimum d'aide au développement pour tous les pays pauvres (livrée selon des modalités différentes) et un deuxième niveau garantissant une aide supplémentaire aux gouvernements dont la politique prend en compte les problèmes de développement.

## NEW AID ARCHITECTURE: A GOOD FIT FOR CHILDREN?

“States Parties recognize the right of the child to the enjoyment of the highest attainable standard of health... and encourage international co-operation with a view to achieving progressively the full realization of the right recognized in the present article. In this regard, particular account shall be taken of the needs of developing countries.” (Article 24)

“States Parties recognize the right of the child to education and with a view to achieving this right progressively and on the basis of equal opportunity... shall promote and encourage international cooperation in matters relating to education... In this regard, particular account shall be taken of the needs of developing countries.” (Article 28)

(The Convention on the Rights of the Child, <http://www.unhchr.ch/html/menu3/b/k2crc.htm>)

### Introduction

This paper looks at official development assistance from the viewpoint of children. It attempts to fill-in an important gap in the literature, by investigating how the paradigm of ‘selectivity’ in the allocation of aid – a cornerstone to the emerging new aid architecture – relates to a child’s right to survival and development.

We focus on ‘official’ aid (ODA/OA) as it is defined by the OECD Development Assistance Committee, which excludes humanitarian aid related to unforeseen emergencies.<sup>1</sup> Under ‘selectivity’ we mean preference by bilateral donors (aid agencies of OECD nations) and multilateral agencies such as the World Bank or the UN to establish or enhance development collaboration with developing countries showing certain qualities.

We adopt the terms ‘policy selectivity’ and ‘poverty selectivity’ from the new aid literature. The former concept refers to allocations that reward recipient countries with sound policies and good governance, while the latter means donors concentrating aid to nations most in need of long-term support. By definition, selectivity also means to *de-select* i.e. exclude other nations from aid or aid increment.

By dealing with the issue of selectivity in the allocation of aid, the paper relates to the highly influential research by Burnside and Dollar (1997) who, using World Bank data, have shown that aid has a positive impact on economic growth in countries with a good policy environment. This finding, both celebrated and debated, has become a cornerstone to the new aid architecture, the emergence and main characteristics of which we touch upon in Section 2. However, our focus is not on whether aid produces or does not produce good outcomes. Instead, we are interested in

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<sup>1</sup> Official Development Assistance (ODA): Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element of at least 25 per cent]. In addition to financial flows, Technical Co-operation is included in aid. Grants, Loans and credits for military purposes are excluded. Official aid (OA): Flows which meet conditions of eligibility for inclusion in ODA, other than the fact that the recipients are on Part II of the DAC List of Aid Recipients. Source: <http://www.oecd.org/glossary>

References to foreign aid or ODA in this paper always apply to ODA/OA.

exploring causality the other way around: whether, and if yes to what degree, policy and poverty can explain the allocation of aid, and what the implications of policy selectivity are for children.

Because we are concerned about lessening the negative impacts of aid selectivity on children who live in poor and poorly governed countries (those states for whom the policy selectivity paradigm implies withholding aid), our paper joins the recent debate on helping ‘fragile states’ from a child-rights angle. However, our focus goes beyond protecting children from the negative effects of selectivity.

The question we ask is how could we make the selectivity principle work for children’s rights to survival and development better? We suggest that this can be achieved by orienting donor aid towards countries with relatively good governance *and* high rates of child deprivation (implying often insufficient progress towards MDGs). We also claim that, in addition, this should be helped by international policy indicators which are centred on the MDGs i.e. influence and stimulate national programmes, priorities and policies to support the Goals effectively.

Section 3 describes our data sources and methods. We have constructed our database relying only on publicly available information. We make a distinction between two types of poverty: countries’ economic poverty (which we measure with per capita GDP) and children’s deprivation of their rights to survival and development, which we investigate through the under-5 mortality and the primary net enrolment rates. We use both types of poverty indices.

In developing our argument, we follow the footsteps of two influential papers. Dollar and Collier (January 1999) have proposed a two-dimensional poverty and policy focused aid allocation model that could improve the efficiency of aid allocation by equalizing the marginal costs of poverty reduction for each person in different countries. They have claimed that while aid was effective in lifting 30 million people annually out of poverty in the late 1990s, better allocation and the same aggregate aid package could help almost three times more people to escape from poverty.

Dollar and Levin (2004) have then constructed a dual-component selectivity index which measures the responsiveness of foreign aid to policy and poverty. About three-fourths of the 42 aid agencies they surveyed have apparently ‘bought into’ the aid selectivity model, and have developed a positive relationship between their allocations and a measure of sound institutions and policies during the 1990s.

We adopt the two-dimensional policy and poverty focus on the allocation of development aid from these papers, and we attempt to relate these to children’s rights to survival and development. Accordingly, unlike earlier research on aid with declared concerns for children (e.g. Mehrotra, 2001), we do not try to track what part of the aid package goes to the social sectors.<sup>2</sup> Instead, our focus is on countries’ needs and performance where children live. We use the same per capita GDP indicator on countries’ economic poverty as Dollar and Levin (2004). Unlike Dollar and Collier (January 1999), we do not use the dollar-a-day (purchasing power parity) poverty headcount, which we find difficult to relate to children. Instead, we use the

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<sup>2</sup> This does not mean, however, that we agree with an argument which, because of the so-called fungibility of financial resources, would consider all efforts to target aid on these sectors and projects futile.

under-5 mortality rate and net primary school enrolment as simple and clear MDG-related measures that reflect upon child rights.

Collier, Dollar and Levin have used the country results of the World Bank's Country Policy and Institutional Assessment Indicator (CPIA, an aggregate index of economic and social policy indicators). We could not employ this policy indicator as the relevant CPIA country scores are unavailable to the public (see discussion later).

Our policy indicator is an arithmetic average of the 'Political Rights' and 'Civil Liberties' indices produced by Freedom House, a New York-based civil society organization. This choice of the policy index reflects practical rather than conceptual or ideological considerations: there are few other indices on governance available on an annual basis for a large number of countries beginning in 1990 or earlier.

Nevertheless, both the choice of the Freedom House index and the child-related poverty indicators are relevant. We can reasonably expect that they capture important changes in international development, and these changes should have implications on the allocation of aid from the OECD countries in the period investigated.

First, the decade and a half which has followed the end of the Cold War has seen a huge advance in political rights and civil liberties worldwide. The Berlin Wall fell in December 1989; by February 1990 Nelson Mandela was out of prison, and a wave of democratization moved through the world in the next decade. This affected political structures in countries like Benin, Cape Verde, Ethiopia, the Gambia, Ghana, Madagascar, Malawi, Mozambique, Senegal, Tanzania, Uganda, Zambia in Africa; Bangladesh, Indonesia, Nepal, South Korea or Taiwan in Asia; Chile, Guatemala, Nicaragua, Peru and others in Latin America.

The jury is still out on whether the trend for greater democracy has had a direct, measurable effect on short term economic growth (in Eastern Europe they have, for sure, had a huge negative initial effect).<sup>3</sup> Still, it is clear that these changes have been part of a powerful trend towards a more integrated global world in both political and economic sense.

Importantly, in justifying the use of the Freedom House democracy index as a generic indicator on policy in this paper, we do not need to prove the overlaps between political, economic and social progress. It is enough to assume that donors will appreciate political structures similar to theirs (i.e. they *think* that greater democracy and the rule of law is instrumental for positive performance in some ways) for which there seems to be some evidence.<sup>4</sup>

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<sup>3</sup> See the World Bank's website under 'Indicators of Governance' for a review on this literature (much of which equals progress with economic growth). The review notes that some researchers found the Freedom House indices positively related to growth only if variables such as educational attainment and investment rates are omitted as explanatory variables; others concluded that the positive correlation between income levels and democracy is mostly attributable to the former's impact on the latter rather than the other way around.

<sup>4</sup> Carrying out a sensitivity analysis on the increasing selectivity of foreign aid from the viewpoint of the policy indicator selected, Dollar and Levin (2004) have looked at the correlation between CPIA and two other governance indicators: the ICRG 'Rule of Law index' and the Freedom House 'democracy index' (i.e. the policy indicator used in this study). They found the correlation between the CPIA ranking and the rule of law ranking quite high at 0.57 and using democracy as institutional measure they found a very similar correlation at 0.58. The authors also claim

Second, the 1990s have also seen, in a broad sense, an increased international emphasis on social development and human rights. The decade started with the first World Summit, which adopted the ambitious ‘Goals for Children’ in 1990, and ended by announcing the Millennium Development Goals (MDGs) in 2000.<sup>5</sup> The 1990s also saw countries ratifying and endorsing the 1989 UN Convention on the Rights of the Child (CRC) which emphasizes the role of international cooperation in actively supporting the rights of each child to survival and development, as the paragraph cited above attests.

For all these reasons, it is realistic to expect that official development assistance has increasingly been geared towards supporting child development in poor countries since 1990. Section 4 of the paper tests this hypothesis and looks at how ‘policy selectivity’ has influenced aid allocation since 1990.

Consistent with the findings of Dollar and Levin (2004), our data show that aid has become more ‘policy selective’. The most substantial changes took place after the early 1990s. We find a good correlation between the Freedom House index and the under-5 mortality rate, which suggests that donors basing their support on political rights and civil liberties might reward those countries that can effectively reduce child mortality. All this might be good news for children.

However, parallel to these changes, donors appear to actually give less consideration to the poverty children are exposed to when making decisions on aid allocation between recipient countries. Our data show countries’ high under-five mortality as having a weaker impact on aid allocation in 2000-2003 than they have had a decade ago.

It appears as though with market approaches gaining hold in aid allocation, many policy-concerned donors shifted attention from child deprivation to other concerns, including countries’ macroeconomic situation and economic problems. Indeed, our data show that, on par with greater policy-awareness, aid has maintained its responsiveness to countries’ low per capita income, with factors associated with economic poverty playing a constant or slowly increasing role in aid allocation since 1990, once controlling for the effects of population and policy.<sup>6</sup>

Strikingly, our data suggest that not even the 2000 Millennium Development Goals have caused a rebound in child-related concerns among the donor community. It is important to note in this context that donors could show simultaneous concern for policy and child poverty: by focusing assistance on countries with high child deprivations and a relatively good policy environment. We conclude that selectivity still has reserves in better supporting child rights and the MDGs.

Section 5 looks at the winners and losers of changes in the allocation of aid. It finds that countries which currently get a smaller portion of the aid package tend to have high child

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that the law of rule and the democracy measures together are good predictors of certain economic policies, such as macroeconomic stability and trade openness – much the same policies the CPIA also intends to measure and reward.

<sup>5</sup> Several concerns in the ‘Goals for Children’ setting an agenda for 1990-2000 (e.g. on child survival) were later incorporated into the MDGs which have a longer focus: 1990-2015.

<sup>6</sup> This finding is, again, consistent with findings of Dollar and Levin (2004) at least for 1998-2002. It should be noted however, that in our case this recent trend does not seem to be very robust (see methodological discussion in Section 3) and that Dollar and Levin have found aid to be less focused on poor countries in the late 1990s than in the late 1980s.



mortality, low school enrolment, high HIV rates and many children. We also suspect that donors may give little attention to the presence of large child populations in many very poor countries as aid-winner countries tend to have older populations than aid-loser countries.

We also look at stakeholders at the two ends of the aid paradigm among donors: agencies which have maintained presence in countries with fragile governance structures and/or controversial policies; and donor countries which have shifted their assistance to countries with better policies since the mid-1990s. We find many donors showing a significant degree of consistency over time in their choice.

Reflecting upon these findings, Section 6 presents two proposals. We argue for developing an ‘MDG-centred selectivity model’ that could be situated within a broader ‘MDGs-centred financing model’ of development collaboration. Therefore, we propose making bolder strides towards the use of a two-dimensional selectivity model in aid allocation, but within a framework which is consistent with the MDGs both in regards to the ways it measures poverty (i.e. need for aid) and in the way it assesses recipient countries’ policies (i.e. local capacity to use aid efficiently). We argue that such a tool is still largely missing and that its development and usage requires transparency, popular support, analysis, and debate. It may, therefore, require enhanced aid coordination mechanisms among donor agencies at global levels as well as within recipient countries.

Moreover, an MDG-centred aid allocation system should embrace an international ‘safety net’ for children and their families who live in poor countries under governments which are fragile and/or unresponsive to development challenges. Joining many other commentators, we see here a special responsibility for donor and multilateral agencies. We propose introducing a flat-rate minimum aid threshold for the poorest countries which, in case of weak or unresponsive governments, should be delivered through mixing and sequencing aid instruments to fit the context (e.g. using pragmatic solutions and/or the traditional project approach; targeting the civil society, local governments and/or that part of the central government which is collaborative with the international community and so on).<sup>7</sup> This flat-rate amount could then be topped up by poverty and policy-based allocations to support government programmes in the spirit of the new aid architecture.

We are aware of the distance between such a two tiered, MDG-centred, system and the way in which the aid system is currently working. However, we hope that the issues and proposals flagged in the paper will receive some attention among both the policy-selective donors and those concerned with MDGs and child rights in all countries including the fragile states.

## **Background**

‘Selectivity’, i.e. concentrating aid dollars to recipient countries with certain characteristics, such as low income, cultural ties to or political affinity with donors, has always been a part of

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<sup>7</sup> OECD (April 2005) gives a summary on the “Principles for Good International Engagement in Fragile States” accepted at the Senior Level Forum on Development Effectiveness in Fragile States, held in London, 13-14 January 2005.

development assistance. However, the basis of selectivity has undergone important changes over the 1990s. The 1989 fall of the Berlin Wall has removed Cold War politics as factors in foreign aid. The post-communist transformation in Central and Eastern Europe has vividly demonstrated that ownership of reforms in the countries together with strong institutions and sound policies is instrumental for development. (UNICEF 1993 and 2001, Barr, 1994, EBRD 1994, World Bank 2002) Meanwhile, ‘conditionality’, where each donor and lending institution attaches certain conditions to their support in order to promote particular policies in partner countries, has become increasingly discredited in Africa, Latin America and Asia in the 1980s and the 1990s (Cornia, Jolly and Stewart, 1987; Stiglitz, 2002, World Bank 2005).

As a result of these changes a new approach has started taking hold. It has become clear that aid terms and conditions must support and not ‘buy’ reform (DFID March 2005). Accordingly, ownership for reforms and a credible government in charge have become far more important conditions than anything else. Selectivity in the allocation of aid has become increasingly understood as ‘policy selectivity’: concentrating aid dollars to partner countries which are considered having good policies and sound institutions with which to deliver results.

Such a shift has been helped by supporting evidence from a highly influential body of research which identifies a positive relationship between the quality of state policies and institutions and the effectiveness of aid in promoting economic growth (Burnside and Dollar 1997, Burnside and Dollar 2000, Collier and Dollar 2002, Beynon 2003, Burnside and Dollar 2004). The findings of these studies have added an important and fresh insight to the knowledge that on average, aid shows no relationship to economic growth (Boone, 1996, Dollar and Levin 2004). In light of the new literature, McGillivray (2005) has declared the ‘micro-macro paradox’ (which are essentially earlier findings that stipulate that aid promoting development at the micro level translates poorly into development at the macro level) dead.<sup>8</sup>

The World Bank’s publication “Assessing Aid: What Works, What Doesn’t, and Why” (World Bank, 1998) suggests using policy selectivity for boosting global poverty reduction. It argues that the allocation of foreign aid would have greater impact on poverty reduction if it were targeted to the poorest countries, and among them, favoured those with stronger institutions and policies.

The new approach also inspired the World Bank’s 1999 ‘Comprehensive Development Framework’ and its operational tool, the preparation of the Poverty Reduction Strategy Papers (PRSPs). The International Financial Institutions advised preparing PRSPs, which are comprehensive development strategies around a sound macroeconomic framework, for all countries participating in the Highly Indebted Poor Countries (HIPC) Initiative. They therefore created a ‘process-conditionality’ for these countries as well as for other countries in need of

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<sup>8</sup> Beynon (2003) calls attention to research identifying further variables that interact significantly with aid: for example, economic vulnerability (Chauvet and Guillaumont), the actual occurrence of external shocks (Collier and Dehn), recovery from conflict (Collier and Hoeffler), and geographical factors (Dalgaard et al.).

concessional lending from the World Bank and/or the IMF; enhancing the joint leverage of these two institutions for comprehensive legal, economic and social reforms.<sup>9</sup>

The new optimism in regards to the capacity of foreign aid to support development made a good companion for the 2000 UN Millennium Summit. Its outcomes, the Millennium Declaration and the Millennium Development Goals (MDGs), envision a global alliance for development by setting measurable targets for development and poverty reduction between 1990 and 2015.

At the UN Conference “Financing for Development” held in Monterrey, Mexico in 2002, a consensus was reached that rich countries are going to provide more aid and give a freer hand to developing country governments in regards to how they are going to use aid, accepting the principle that governments rather than donors should be in the ‘driver’s seat’. In exchange for a streamlined aid and concessional loan processes, developing countries have promised better accountability and governance, including sound macroeconomic management.

The 2005 Paris Declaration on aid effectiveness proposed twelve indicators against which progress along the new development partnerships and could be measured ahead of the next High Level Forum in Ghana in 2008 (DAC News, 2005). For example, the Paris Declaration states that by 2010, 75 per cent of developing countries should have effective poverty reduction strategies of their own; the proportion of countries without transparent and monitorable performance assessment processes should be reduced by one third.

As these milestones attest, the new paradigm on selectivity has changed the overall vision on development collaboration. It has changed what is understood under efficient aid allocation and has galvanized confidence in helping to amass ambitious, measurable international goals for development. It has helped to reach a broad agreement on how to achieve those goals at the national level (through comprehensive national development plans or PRSs) as well as at the international level (aid harmonization and higher efficiency in the way donor agencies do business).<sup>10</sup> And, importantly, the selectivity paradigm has seen a new increase in the total amount of aid since 1997, replacing a long period of decline associated with the fading Cold War and rising skepticism in regards to aid’s efficacy. In short, it has been a midwife to the birth of the new aid environment.

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<sup>9</sup> In September 1999, the IMF transformed the previously existing Enhanced Structural Adjustment Facility (ESAF, a macroeconomic stability-focused tool) into the Poverty Reduction and Growth Facility (PRGF) for lending operations in its poorest member countries with Poverty Reduction Strategy Papers (PRSPs). It has been claimed that PRGF-supported programs are designed to cover mainly areas within the primary responsibility of the Fund, such as exchange rate and tax policy, fiscal management, budget execution, fiscal transparency, tax and customs administration. As of March 2005, 78 low-income countries were eligible for PRGF assistance. At end-February 2005, total loan resources provided by PRGF creditors amounted to SDR 15.8 billion, of which 11.7 billion had already been disbursed. Source: International financial system and development. United Nations General Assembly, Report of the Secretary-General 26 July 2005. Some authors question the IMF’s role in poverty-related lending as it can blur the difference between the purposes of long term poverty reduction and short term macroeconomic stabilization.

<sup>10</sup> The new aid architecture is characterized by terms like *country ownership* for policies, foreign aid providing *direct budget support* rather than supporting donor projects or tied in other ways; partner countries and donors managing for results through a *mutual accountability framework*; donors using *country systems* to the extent possible and *aligning and harmonizing* their support.

However, less clear is the relationship between the selectivity paradigm and the MDGs in terms of coherence and consistency; and there is a dearth of evidence on the relationship between selectivity and children's rights to survival and development. These are the issues to which we now turn our attention.

Section 3 explains our data and methodology; Section 4 presents the main results on trends on policy and poverty selectivity (including both selectivity related to economic poverty and to child deprivation); Section 5 looks at the winners and the losers of the selectivity paradigm over the last decade, including an analysis on which donors appear to support the winners and which support the losers. Based on the evidence presented, Section 5 presents a discussion on the possible remedies, while Section 6 concludes.

## 1. Data and Methodology

In this section, we outline our empirical research focusing on data sources and methods. As noted earlier, although we are interested in how ODA supports children and the MDGs, we do not look at what share of ODA goes to social sectors or projects that directly support children.<sup>11</sup> Reviewing change in the allocation of official development assistance (ODA) between 1990 and 2003 and factors that explain this change, our investigation focuses on establishing

- a) the relationship between ODA and aid recipient countries' poverty and policy;
- b) how aid has responded to countries' child poverty i.e. indicators on child survival and development;
- c) which countries are the winners or the losers of selectivity (and the changing aid environment);
- d) how this may affect children; and
- e) which donors and agencies are 'policy' or 'poverty' centred (and support winner and loser groups respectively) in order to get a hint on the strategic positions and room for alliances and policy discussions among donor agencies.

Our database includes data on Official Development Assistance/Overseas Assistance (ODA/OA) and other economic and social indicators over the period 1990 to 2003 for a total of 186 countries. It has been constructed using the following indicators and data sources:

Aid allocation:

- (i) ODA/OA total, net US\$ million in current prices
- (ii) ODA/OA total, net US\$ million in constant prices (dac2adefl)
- (iii) ODA/OA as % of GNI

*Source: OECD DAC and World Development Indicators 2003 and 2005*

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<sup>11</sup> See footnote No.2 on p7.

Poverty indicators:

- (iv) GDP per capita (in purchasing power parities using constant, 1995 prices)
- (v) Under-5 mortality rate (per 1000 births)
- (vi) Enrolment (% , Primary Net)

*Source: World Development Indicators 2003 and 2005<sup>12</sup>*

Policy indicators:

- (vii) Political Rights (scores 1-7 with 1 best, 7 worst)
- (viii) Civil Liberties (scores 1-7 with 1 best, 7 worst)

*Source: Freedom House, (<http://www.freedomhouse.org/ratings/index.htm>)*

Other explanatory variables:

- (ix) Conflict (war, intermediate, minor treated as same events)

*Source: Uppsala Conflict Data Program, (<http://www.pcr.uu.se/database/>)*

- (x) Population (total, age 0-17, million)

*Source: World Development Indicators 2003 and 2005 and UNICEF SOWC 2005*

As aforementioned, our choice of the policy index reflects practical rather than conceptual or ideological considerations. There are few other indices on governance available on an annual basis for a large number of countries beginning in 1990 or earlier. There is reason to expect that the Freedom House indices capture changes in the international development environment that have implications on the allocation of aid. And, in justifying the use of the Freedom House democracy indices in this paper, it is enough to assume that donors will appreciate political structures similar to their own i.e. they *think* that greater democracy and the rule of law is instrumental for positive performance in some ways, for which there seems to be some evidence.<sup>13</sup>

For the sake of simplicity we refer to aid as ODA in the following segment (even if our data include not just Official Development Assistance, but also Official Aid, OA which denotes aid going to transition as opposed to developing countries according to OECD DAC classification). Taking advantage of their similar scale we use a simple average of the political rights and civil liberties indices throughout our empirical investigation. Accordingly,  $\text{policy} = (\text{vii} + \text{viii})/2$ . We do not include the presence of conflict in the definition of policy. In the regression equations for aid as dependent variable we use policy, poverty, population (and at times conflict) as explanatory variables as established in the literature. To distinguish countries' poverty from

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<sup>12</sup> We have used the chain index method for producing 2003 GDP data on 1985 prices using 2000 prices data from WDI 2005. For the years U5MR data were not available we produced extrapolations using the annualized change method as follows  $dU5MR_{\text{annual}} = [(U5MR_{t2} - U5MR_{t1})/U5MR_{t1}]/T$  where  $T=t_2-t_1$ . We did not use any extrapolations for education enrolment data.

<sup>13</sup> See footnote No. 4 on p9.

households and individuals' poverty we talk about 'economic poverty' when we use per capita GDP or GNI rather than 'income poverty'.

In order to explore trends in regards to aid as per (a) and (b) above, we construct and estimate the following econometric models:

$$\log y = b_0 + b_1 \log x_1 + b_2 \log x_2 + b_3 \log x_3 + e \quad (1)$$

Where  $y$  denotes aid (ODA),  $x_1$  denotes population,  $x_2$  is policy  $x_3$  is a poverty indicator (economic poverty or under-five mortality).

$$\log y_i = b_{0,i} + b_{1,i} \log z_{1i} + b_{2,i} \log z_{2i} + b_{3,i} \log z_{3i} + b_{4,i} \log z_{4i} + d_1 + e \quad (2)$$

Where  $i$  denotes different groups of countries (i.e. low income, lower-middle income, upper middle income countries),  $y_i$  denotes the ODA received by countries in group  $i$  as defined above,  $z_1$  is population,  $z_2$  denotes the under-five mortality rate,  $z_3$  denotes enrolment (primary, net),  $z_4$  is policy, and  $d_1$  is dummy for the presence of conflict.

Considering that the policy scores of the Freedom House indices are arbitrary (e.g. a score of 1 is given to the 'best', while 7 is given to the 'worst' country policy), we have checked the robustness of our results to a reverse score system (1 given to the worst and 7 to the best). This analysis yielded identical results for under-5 mortality, but gave slightly different results for countries' per capita income: suggesting a basically flat, as opposed to increasing economic poverty elasticity of aid in the period investigated.

From the results of the regression models as above, we draw the conclusion that 1994 is an appropriate benchmark for analyzing the implications of selectivity in the allocation of ODA. In seeking to create country clusters that help answer questions c), d), and e) above, we adopt two methods in order to decide as to whether ODA, policy, and poverty have been declining, rising or have remained constant over the given time period.

The first method involves conducting trend analysis of ODA, policy and poverty using a simple regression model as follows:

$$y = a_0 + a_1 t + e \quad (3)$$

Where  $t$  denotes the time (year),  $y$  alternatively denotes ODA, policy and poverty (here measured by real GDP per capita). A positive/negative statistically significant coefficient on  $t$  (time) would indicate whether the variable has been increasing/decreasing/constant over time.

The second method uses the concept of averages. The formula used is as follows:

$$[(y_2 - y_1) / y_1] \times 100 \quad (4)$$

Where  $y_2 = (y_{2003} + y_{2002} + y_{2001})/3$ ,  $y_1 = (y_{1994} + y_{1995} + y_{1996})/3$  and  $y_i$  alternatively denotes ODA, poverty (real GDP per capita) and policy. We use both methods in the analysis and they yield almost identical results. (Table 13 and 14 in the Annex include the details.)

Table 1.a-b-c-d in the Annex provide a descriptive picture on how policy (indicators vi and vii together), economic poverty (iv), under 5 mortality (v) and population (x) have changed during 1990-2003 in the 186 countries (these averages are unweighted). In each case we indicate also the standard deviation from the mean.<sup>14</sup> Table 2 in the Annex details the correlation matrix among our key variables. This information is helpful for getting a hint about the relationship, commonalities and trends among our indicators.<sup>15</sup>

## 2. Aid, Policy and Poverty: Relationships, Trends

In this Section, we summarize the main results of our empirical investigation on factors influencing aid allocation including population, policy, economic poverty, young child mortality and education enrolment. It is well known that apart from these factors donor countries' strategic interest and/or cultural-historical affiliation plays a significant role in aid allocation. We do not try to model these and we therefore have to accept that they may distort our results.

The Section is organized as follows. First we look at fall and recovery in ODA; the effect of recipient countries' population on aid; and the correlation between our policy index and different poverty indicators. Subsequently, we investigate changes in the elasticity of aid to countries' policy, economic poverty and under-five mortality as well education enrolment rate in the period between 1990 and 2003.

### 2.1. Fall and recovery in ODA

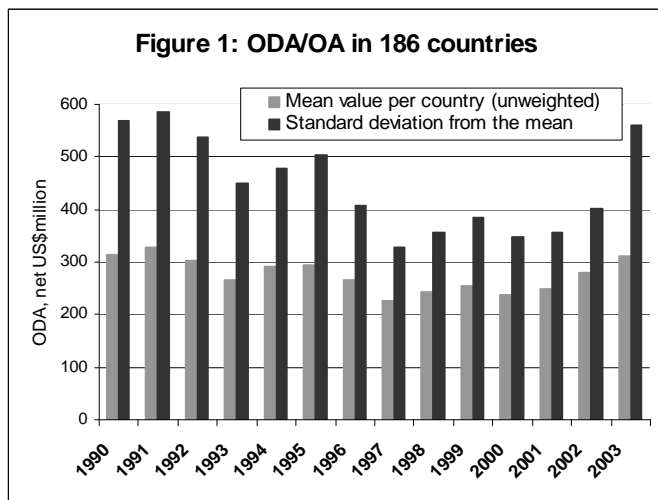
For illustrative purposes Figure 1 shows the mean value of ODA and its standard deviation between 1990 and 2003 in the 186 countries covered in our database. The per country value of ODA was 276 million US\$ on average across the 14 years investigated. The total ODA captured by our data was 57.4 billion US\$ in 2003, 13 per cent higher in nominal terms than in 1990.<sup>16</sup> The standard deviation of ODA is huge, reflecting the fact that many countries get very little aid, while others get significant amounts. The individual country values show big changes: aid has risen from zero to significant levels in many countries, while it fell drastically in others during 1990-2003. This is due to factors discussed in this paper as well as to other factors.

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<sup>14</sup> Generally our descriptive results and trends make sense and fit with information from other sources (e.g. aggregate policy slowly improving, foreign aid first declining then recovering; economic poverty broadly reflecting also global business cycles; under-five mortality edging downward but showing persistently large variance among countries).

<sup>15</sup> ODA, our dependent variable, shows a relatively good correlation with our explanatory variables: statistically permitting that our calculations indeed make sense. Our independent variables – population, policy, poverty, conflict – also show some correlation with each other, calling attention to the presence of multicollinearity. However, these correlations are not so close as to make the presence of some of our independent variables redundant (i.e. adding no additional information whatsoever when explaining change in aid).

<sup>16</sup> In real term it was worth 6 percent less than it did 14 years earlier but 21 points more than in 1997. As we are interested primarily in aid distribution we pay less attention to changes in aid in real term.



Source: Calculations by the authors

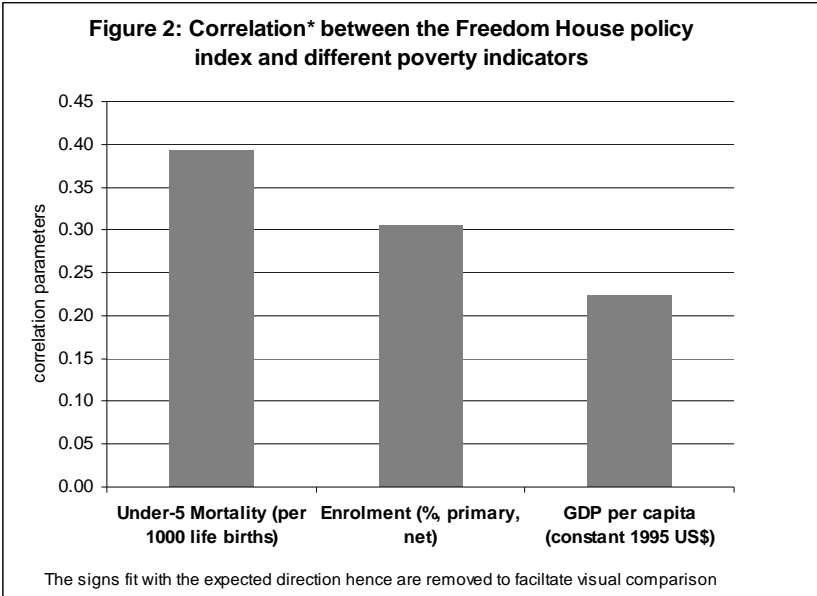
## 2.2. Population effects are important, but we control these

The population size of aid recipient countries acts, for obvious reasons, as a powerful predictor of the amount of aid received. Our data confirm that ODA shows a strong but digressive relationship with the population of recipient countries: the larger the country population, the smaller the per capita aid allocated (a tendency well established in the literature). As we are interested in how other factors, such as developing countries' policy and/or poverty, explain and influence aid allocation, we always estimate the relationship between our dependent and independent variables using equations that control for population effects.

## 2.3. Governance quality is a good predictor of child-well being

The policy indicator employed in this study – the arithmetic average of Political Rights and Civil Liberties scores from the Freedom House – shows correlation with each of our poverty indices, but to different degree (see Figure 2). The relationship between the Freedom House's democracy index and the lack of poverty is the strongest in the case of under-five mortality rate; somewhat less strong but still very relevant with primary enrolment rate; and weaker but still present for economic poverty. These relationships, which holds true across the 186 developing and transition countries and 14 years in our database, might be well worth a separate investigation.





Source: Table 2 in the Annex

From a selectivity perspective the message is that, when allocating aid between two developing countries with similar rates of under-5 mortality, donors might actually save more children when giving more aid to countries with governance structures that give greater respect to democratic institutions and human rights. Further research on this effect would be welcome. Also, further analysis would be needed to ascertain whether employing other policy indicators (e.g. those that focus primarily on economic openness or sound macroeconomic policies) would show a different correlation with the poverty indicators included in Figure 2; in particular whether they would resonate better with countries' economic output.

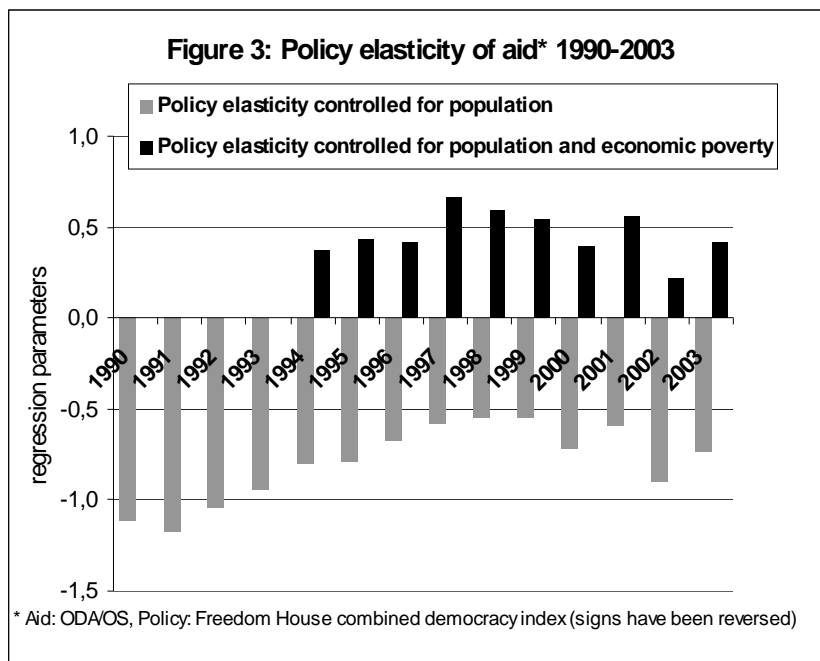
Although the graph suggests that GDP posts a weaker correlation with the policy index than does the under-5 mortality rate, their relationship has actually become stronger during the 14 years covered. At the same time the link between the Freedom House indices and child mortality has slightly weakened (Table 3).

## 2.4. Governance quality is increasingly rewarded by aid allocation

Good governance and policy normally shows correlation with economic development. Were governance alone determining aid allocation, poor developing countries would have hardly any chance to get aid.<sup>17</sup> If we are interested in seeing whether donors do give a positive consideration to policy, we have to remove the effect of economic development (this 'embedded' negative relationship between policy and aid is shown in Figure 3 by the grey columns).<sup>18</sup>

<sup>17</sup> Policy selectivity, in other words, makes sense in aid allocation only when it is being matched by poverty selectivity.

<sup>18</sup> Here and in the following graphs the regression parameters are produced using the first equation for the econometric model as per Section 3. We adjust or ignore the sign of the relationship in the graphs as long as it fits with the expected direction e.g. higher poverty and/or better policies resulting in more aid.



Source: Table 4 in the Annex

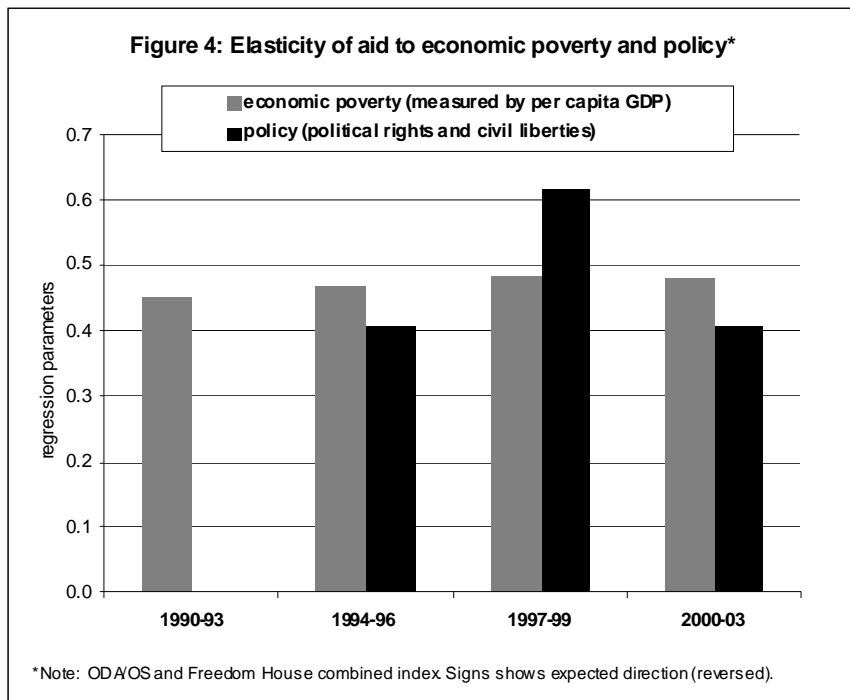
The black columns in Figure 3 indicate that prior to 1994; we find no significant relationship between foreign aid and policy (defined alongside political rights/civil liberties). From 1994 the relationship is significant and positive: better governance apparently results in higher aid. As noted earlier, this finding is consistent with those of Dollar and Levin (2004) who have used a different policy but a similar poverty approach as we have done above.<sup>19</sup>

The regression between policy and aid is the strongest during the second half of the 1990s. Interestingly, there appears to be a slight digression after 2000 in this relationship. It may be easy to associate this dip with factors beyond our data, such as global security concerns after 9/11 in 2001.

## 2.5. Countries' economic poverty has remained an important concern in aid allocation...

Throughout the period investigated, there is a clear relationship between developing countries' economic poverty and the amount of aid they receive. As the grey columns in Figure 4 attest, the elasticity of aid to poverty has remained an important concern between 1990 and 2003 (annual data show some fluctuations).

<sup>19</sup> Reviewing the period of 1984-2002, and using the World Bank's CPIA indicator for policy, Dollar and Levin (2004) have found evidence on a growing use of policy selectivity among donors from in the 1990s and that before 1990 aid was allocated indiscriminately without any consideration to the quality of governance.



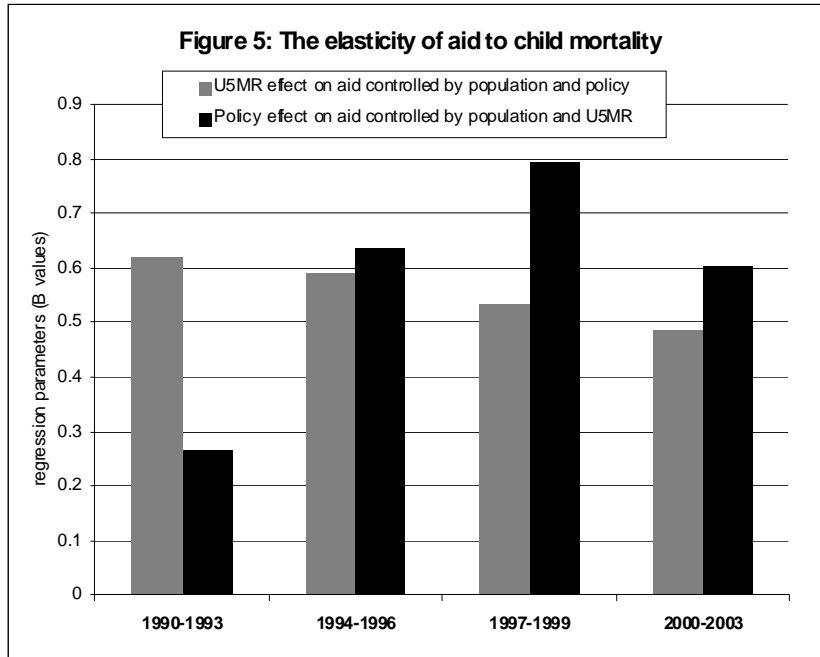
Source: Table 5 in the Annex

The regression parameters tell that 10 per cent lower GDP per capita resulted in 5 per cent more aid among the 186 countries in 2003 once controlled for population and policy. Importantly, by this measure poverty selectivity does not seem to be weakening over the period.<sup>20</sup>

**... but donors increasingly neglect child-related concerns in their aid allocation.**

Figure 5 explores little-traveled territories by investigating how aid allocation has been informed by child-related concerns since 1990. Here, we use the same policy but a poverty indicator alternative to the one above: the under-five mortality rate (U5MR) which measures the survival chance of young children up to the age 5 and which is widely regarded as a good proxy on the poverty children, women, and their families' experience.

<sup>20</sup> The B parameters shown in Figure 4 and in Table 5 in the Annex show some actually increase between 190 and 2003. However, the increase is not robust in the statistical sense (Section 3).



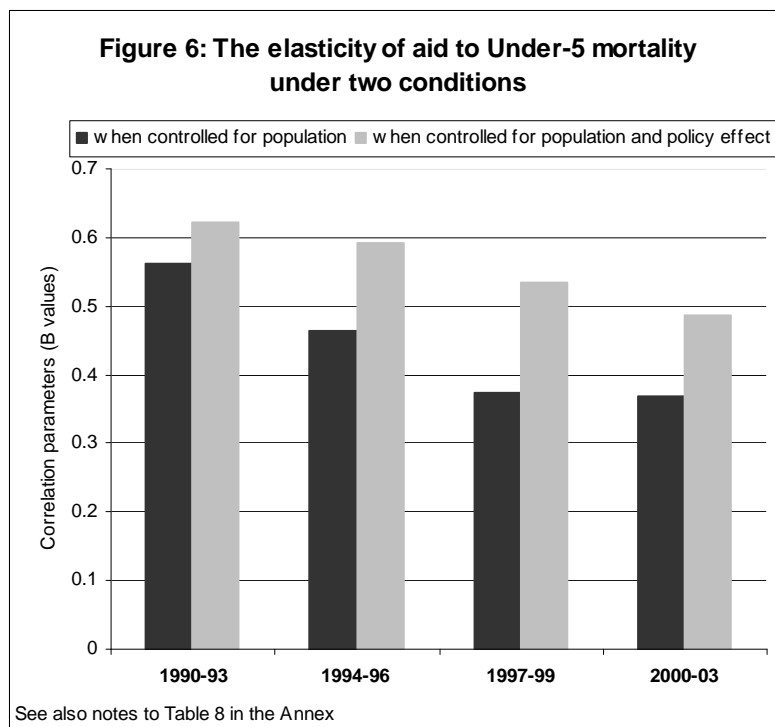
Source: Table 6 in the Annex

The grey columns in Figure 5 show the same type of information as do the grey columns in Figure 4 – the poverty elasticity of aid once controlled for the effect of policy. However, this time our poverty index is the U5MR rather than the per capita GDP. It is clear from a glance at the two graphs that while consideration to economic poverty has been sustained, child mortality has gradually but perceptibly lost from its influence on aid allocation. This negative trend appears even stronger looking at the poor countries only as we do later.

Considering that the 1990s saw the World Summit adopting the Goals for Children and the 2000s saw countries and multilateral agencies lining up behind the Millennium Development Goals (both which have given measurable targets for reducing child mortality), this is quite a striking finding. These international plans as well as the 1989 UN Convention on the Rights of the Child (CRC) have emphasized the role of international cooperation in meeting the rights of each child to survival and development. Why did the international community not keep its word? Can we put the blame on greater policy selectivity?

## 2.6. Growing policy awareness may have played a role in donors' fading attention on children

We can explore the impact of 'policy selectivity (donors' appreciation of democratic institutions) on 'child poverty-selectivity' by comparing the elasticity of ODA to the U5MR when policy effects are controlled as well as when policy effects are not controlled (Figure 6).



Source: Table 8 in the Annex

In the graph the elasticity of aid to under-5 mortality with only population effects controlled is shown by the black columns; while the elasticity when both population and policy effects are controlled is shown by the grey columns. It is clear that when controlling the aid distribution for policy effects, our model attributes higher impact (i.e. higher aid elasticity values), to child mortality. By removing that control, the presence of policy effects reduces the measured elasticity of aid to U5MR (this finding is consistent with the fact that countries with better policies tend to have lower U5MR).

The growing gap between the grey and the black columns up to 1997-99 reveals evidence that policy selectivity has indeed exerted a growing negative effect on the elasticity of aid to child mortality, with the 1997-99 gap (i.e. impact) being twice as large as that in 1990-93.

Put differently, with policy effects entering the picture, the influence of U5MR is not just weaker but is also fading more rapidly than without those effects. Therefore, it looks reasonable to conclude that policy selectivity has, at the very minimum, contributed to donors' fading concern about children's deprivation up to 1999. However, something different seems to have happened in the more recent years as evidenced by the shrinking gap between the grey and black columns in 2000-2003 over 1997-99.

## **2.7. There is no evidence that the MDGs have led to new efforts to orient aid towards children...**

The slight rebound in the black columns on Figure 6 after 2000 suggests that policy effects have become weaker: they have reduced the elasticity of aid to U5MR in 2000-2003 somewhat less than they had in 1997-99. Does this suggest that donors' appreciation of the MDGs have 'put

back' some child-related concerns? Strikingly, the answer is no: the grey columns (the elasticity of aid to child mortality net of policy effects) show a continued decline. The comparison of 1997-99 and 2000-03 data in Figure 6 therefore suggests that not just policy awareness but also donors' strategic concerns or similar non-measured factors may have had a role in the weakening poverty selectivity among donors as far as child deprivation is concerned.

**... and aid targets countries with high child deprivations less than earlier, even among the poorest nations.**

Some readers may say at this point that under-five mortality will show a correlation not just to the Freedom House policy index but also to countries' economic poverty (Table 2 in the Annex confirms that this is indeed the case). Accordingly, Table 9 and 10 show the results of further calculations investigating what happens when aid elasticity to U5MR and to primary school enrolment are looked at jointly – for countries that belong to broadly similar income groups. This way we could check the impact of child deprivation keeping not just policy constant but also, to some extent, economic poverty. (These estimates use the second econometric model introduced in the former Section which also pays attention to conflict.) Insufficient data excludes the possibility of checking aid elasticity to other areas important for children in poor countries: maternal mortality (MDG No.5) or HIV and Malaria (MDG No. 6). For aid elasticity to U5MR and primary enrolment we produce estimates for three different groups: low and lower-middle income countries; the same but without the transition/Eastern European countries; and upper middle-income countries.

The results of these equations confirm the declining attention to key child-related concerns. The elasticity of aid to U5MR has clearly also declined among the low and lower-middle income countries, where aid elasticity to primary enrolment appear to show some similar trend – although poor data availability blur the picture (see Table 8 and 9 respectively in the Annex.)

In low and lower-middle income countries, a 10 per cent higher child mortality indicator caused an increase in ODA of about 5 per cent in 1990-1993, while 2000-2003 saw less than 3 per cent increase. Excluding Eastern European/transition countries yields similar results.

We can illustrate the dollar implications of our econometric results with a simple example, staying with the low and lower-middle income group of countries. A developing country where young child mortality is close to average, loses 100 children out of a 1,000 before they reach age 5 (mean U5MR is 99.5 for this group). In many poor countries children face even higher mortality risk: on average in our sample a 'higher risk' poor country loses 69 more, i.e. 169 children (average risk plus one standard deviation). Now, let's assume that the 'average child mortality risk' poor country gets 100 million dollars as aid (in reality this group gets about four times as much on average). In this case, our econometric results suggest that a typical 'higher risk' poor country would receive 137 million dollars around 1990-93 – while it would get only 117 million dollars, i.e. 20 million dollars less, in 2000-2003 keeping other factors constant. The 17 million due to the U5MR status in recent times is less than a half of the 37 million due to the same status in the earlier period.

It appears, therefore, that after years of growing policy selectivity, the Millennium Declaration and the MDG efforts at building a global coalition against poverty might have left parts of the

donor community disoriented: should they give priority to supporting poverty reduction or should they continue rewarding good governance? Some may have chosen supporting the child-related goals in the MDGs and abandoning policy awareness. Others may have chosen to follow the lead of the World Bank and the IDA in concentrating their support to low-income countries with good policies.<sup>21</sup> Again, others may have focused better on their strategic interests. As data continue to show a weakening association between aid and child well being after 2000, it appears that those giving fresh support to child-related MDGs remained in the minority.

### **3. THE LOSERS AND THE WINNERS OF SELECTIVITY**

So far our analysis has relied on investigating stochastic relationships and regression parameters. In this Section, we continue the story about selectivity and children by looking at the countries rather than ‘parameters’. We look at how aid has changed altogether over the last decade i.e. during the years influenced by the presence of the policy selectivity paradigm; and we make an effort to identify which countries have gained and which have lost aid, also considering their performance alongside the policy and poverty dimensions since 1994.

The Section is organized as follows. First we look at some main trends on ODA, including which countries have become aid-winners and which have become aid losers over the last nine years. Second, we try to relate policy change to changes in ODA. Third, we give a more detailed look at the aid-loser countries and we explore how the median age of countries’ population relates to positive or negative changes in ODA. Finally, we look at which donors support the winners and which the losers of the selectivity paradigm.

#### **3.1. Aid is becoming more concentrated**

Which countries got a bigger slice from the aid cake? The 186 countries included in our database received a total of 48.6 billion US\$ ODA on average in 1994-96, while in 2001-2003 they received 51.8 billion, i.e. 6.5 per cent more in nominal terms. Accordingly, we can consider 103 countries losers in relative terms (all 95 countries where aid has fallen plus those 8 countries where aid has risen but below the average). This leaves only 83 countries with a bigger share from total aid; indicating that aid has become somewhat more concentrated over the period. This is a welcome trend: research has shown that in order to be effective aid should add more than a per cent to countries’ national income – for low income countries it should very well add up to 15 per cent to the GNI.<sup>22</sup> Still, as the aggregate amount of aid increased slowly and from low

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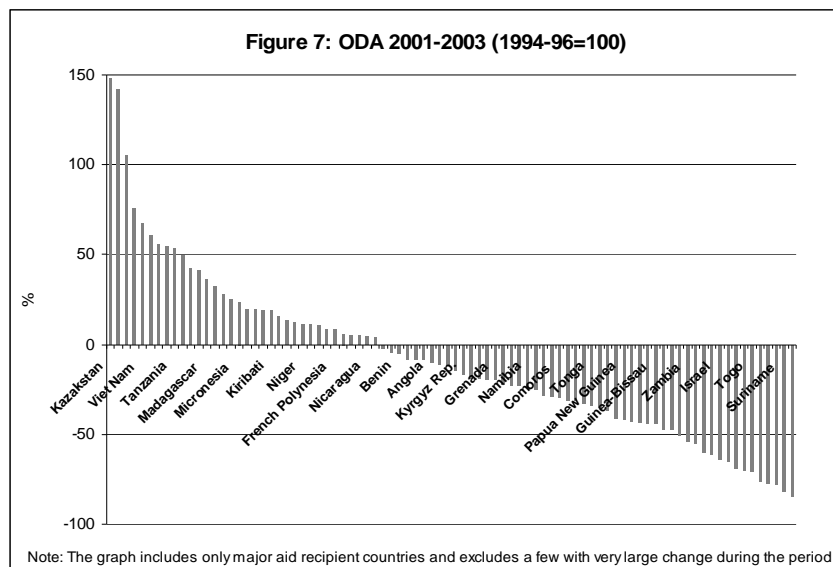
<sup>21</sup> Dollar and Levin (2004) suggest that between 1999 and 2002 the increase in ‘policy selectivity’ of aid has been driven to a large extent by the effort of the IFIs to concentrate support to countries with relatively better governance especially among the so-called IDA eligible poor countries. Bilateral donor agreements have remained focused on donor’s strategic interest rather than on recipient countries’ good policies – with the exception of a few donor countries. Among the poor countries, however, bilateral donors have generally shifted aid to those with better governance indicators.

<sup>22</sup> In post-conflict situations much higher aid to GDP ratios might be needed as Collier and Hoeffler (2002) note. Reviewing the literature McGillivray (2005) concludes that negative returns to aid might be setting in when the aid inflow is greater anywhere between 15-45 per cent. Only about a 100 countries received more aid than 1 per cent of their national income in both 1990 and in 2003 and about a third of the 186 countries were getting aid between 3-30 per cent of their GNI in 2003. Only a few countries, such as Congo (former Zaire), Guinea-Bissau, Eritrea, Rwanda or Burundi were getting over 30 per cent in 2003.

levels, aid was still rather insignificant in economic terms in 2003 in many countries (see Table 12 in the Annex).

### 3.2. African countries stand at the front in both the aid-winner and the aid-loser groups

To illustrate the key winner and loser groups, Figure 7 shows changes in aid for the main recipient countries after 1994.<sup>23</sup> (The graph includes about 90 countries i.e. slightly less than half of the total receiving aid.)



Source: Table 13 in the Annex

African countries stand at the front in both the winner and the loser groups. Major winners include the Democratic Republic of Congo (Zaire), Eritrea, Tanzania, Sierra Leone, Ethiopia, and Mozambique (getting on average about as much as a fifth of their national income in aid in addition to what they have already been receiving), while the big losers are Burundi, Comoros, Equatorial Guinea, Rwanda, Cote d'Ivoire, the Central African Republic. Significant changes also happened in the post-communist transition countries, which were new to aid from the early 1990s. Here, from the late 1990s, donors have been pulling aid out from economically successful middle income countries like Poland, while securing more support to low-income and strategically important Central Asia.

What role might policy selectivity have played in countries losing or gaining aid? Simply looking at the average scores of countries in our policy index may be misleading, because low national income increases the risk of poor policy performance.<sup>24</sup> One solution would be to look

<sup>23</sup> Considered here the countries where either aid is above 3 per cent of GNI or which received more than a billion dollar ODA in 1994.

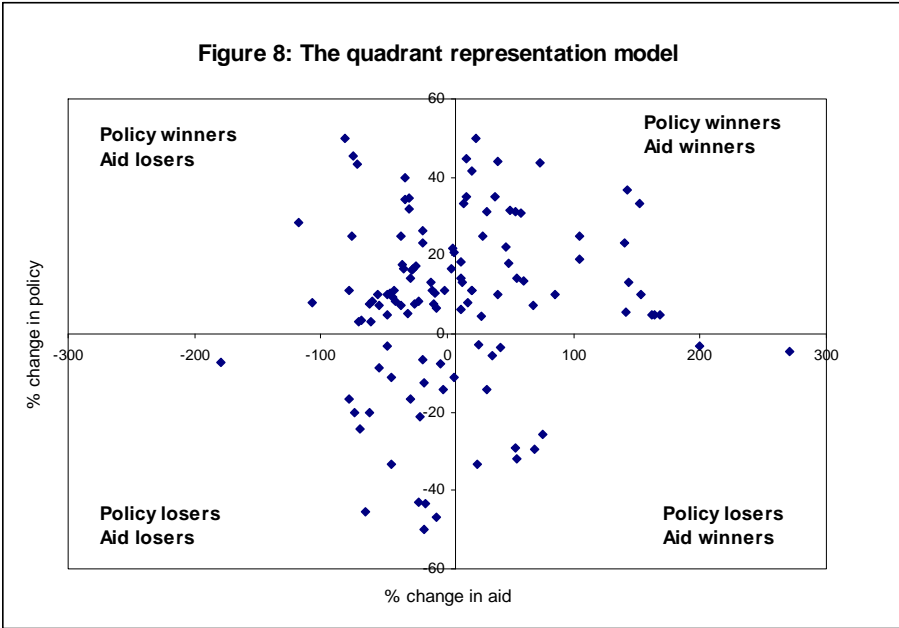
<sup>24</sup> There is debate about causality i.e. whether poor policy is the cause of poor economic performance or whether meager resources prevent low income countries from 'buying' good governance. (See e.g. Collier and Dollar, 1999 June.) While considering bad policy as the cause of poverty appears a more forward looking position it is increasingly recognized that aid could and should help in improving policy not by 'buying reform' but by securing



at policy by income groups; or control for income (economic poverty) as we did in the earlier Section. Here, however, we have chosen a different approach. We identify policy-winner countries with *improving* policy and governance after 1994 and we check whether they are also aid-winners.

### 3.3. Policy has improved over the last decade in most countries

Table 14 shows how policy has changed over the last decade. The Freedom House indices got better in 87 countries, while they worsened in 35. It appears that 41 countries had unchanged policies while data for 23 countries were missing. To get a feel for how policy selectivity affects different countries, we create a quadrant representation model (Figure 8) where countries with increasing share from aid and with improving policy fall into one cluster and those with decreasing share from aid and worsening policy another; with two more clusters showing the mixed results. It is clear from the graph that more countries have improved than have worsened their policy scores; that changes have often been substantial; and that the relationship between policy-change and aid-change is everything but straightforward. (Figure 8 does not include countries with unchanged or missing policy values, or a few with very large changes in aid/policy; however, this affects little the above conclusions.)



Source: Table 13 and 14 in the Annex

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technical assistance to sound analysis and support to the public debate and/or to the institutional background of policy negotiations.

### **3.4. Selectivity has reserves: improved performance is not rewarded consistently**

Table 15 provides a closer look at the working of selectivity based on policy and poverty performance using the quadrant representation as described above for policy and aid winners. Here we make a further distinction by countries experiencing economic growth or economic downturn (based on GDP per capita in real terms). Accordingly, Table 12 has eight clusters. We exclude countries with inconclusive or missing policy or real GDP information in the period after 1994. Hence, we consider only 106 countries.

The majority of countries in Table 15 fall into two groups. One is the good performer “policy winner–aid winner–increasing GDP” cluster. We call this 29 country strong group ‘Selectivity darlings’ (paraphrasing the term ‘aid darlings’ used to denote countries that donors fancy). The other, slightly more numerous group, we call ‘Selectivity orphans’.<sup>25</sup> These latter group of countries fall into the “policy winner–aid loser– increasing GDP” cluster: they are getting a shrinking slice from the aid cake despite making progress on policy and poverty fronts. True, some of them, like Rwanda, are highly aid dependent countries where less aid could even be considered a sign of progress. Others, like India or China, may need less aid because of their impressive economic growth. Still, many of these countries could ask: where is the reward from the selectivity paradigm?

Moreover, 10 countries show improving policies accompanied by declining ODA as well as a negative economic growth (we call these ‘Orphans under stress’). At the same time, six countries get a growing share from ODA despite their worsening Freedom House policy indices (‘Selectivity-proof countries’). It is difficult to see these trends basically as ‘adjustments’ in the right direction.<sup>26</sup>

### **3.5. The losers of selectivity tend to have deep poverty and many children**

Table 15 has a total of 62 countries that are getting a shrinking share from aid, out of which 21 have worsening policy. This latter group of countries is the likely loser of selectivity. Still, several of them, like Russia or Belarus have shown resilience by posting economic growth. The characteristics of the seven ‘pariah’ countries (the core loser group) who have worsening results on all fronts (worsening policy, smaller share from aid and economic decline) are shown in Table 16 (Annex). (Some other policy-loser countries which have an insignificant positive growth in GDP over the period should perhaps also belong to this group: Swaziland, Zambia, Central African Republic, as reported in Table 15, are likely candidates for this scenario.)

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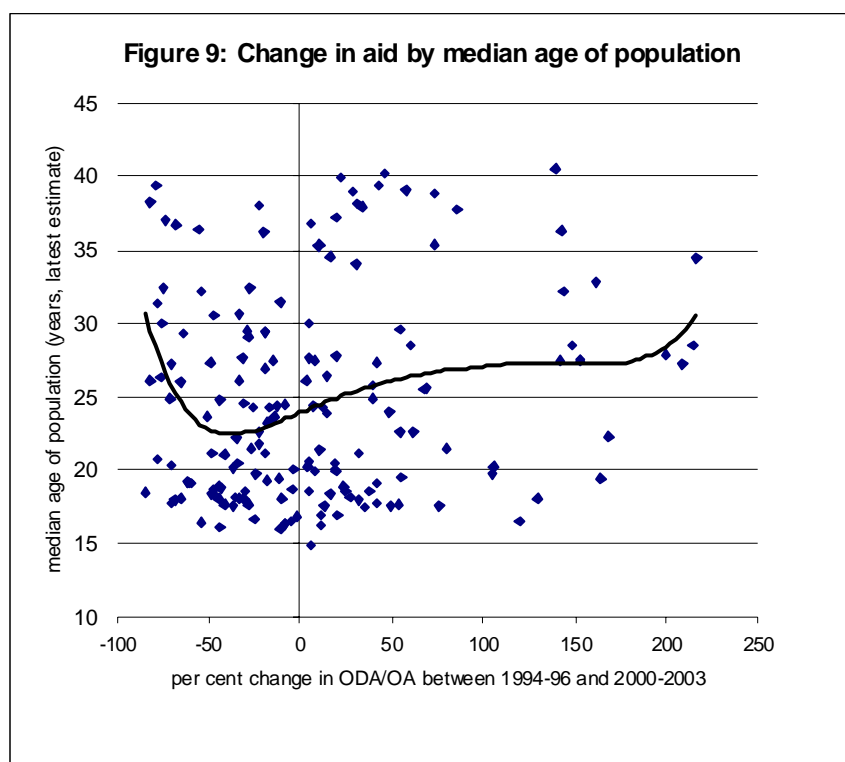
<sup>25</sup> We do not call these countries ‘aid orphans’ as we are investigating coherence in the direction of change between aid, policy and poverty, while the term ‘aid-orphan country’ is used in the literature for incoherence among ‘levels’ e.g. countries getting (relatively) little aid from donors despite (relatively) good policy and/or (relatively) high poverty.

<sup>26</sup> Certainly, it can not be simply assumed that these countries have a comparative advantage in terms of the policy-poverty ratio to others; it could happen that some of them were getting ‘too much’ aid in the base period.

The seven member loser group includes Guinea-Bissau, Zimbabwe, Comoros, Haiti, the Congo Republic, Sao Tome & Principe and the Solomon Island.<sup>27</sup> Most of these countries are characterized by high HIV/AIDS prevalence and/or school drop out rates, high child mortality rates, and low GNI per capita, and several of them have seen conflict. They have also a very young population. The median age is no more than 18-19 years, which means that in these countries, every second citizen is a child – and protected accordingly by the international Convention on the Rights of the Child.

Considering that the median age of the population for the 186 developing and countries included in our database is 25.2 years, the 7 member ‘Pariah’ group has, on average, a population which is over 6 years younger than that of the other countries.

Figure 9 investigates whether having many children in general has been a factor in getting less aid. It compares the median age of the population to the percentage change in aid between 1994-96 and 2001-2003. It appears from the graph, that while the variance is large, aid-winner countries had a 2 year advantage over aid-loser countries on average; and a typical aid-loser country had a population about 5 years older than a typical aid winner (Figure 9). If having many children is a factor in aid dynamics, it appears to be a negative factor for the recent years.<sup>28</sup>



<sup>27</sup> Based on the methodology adopted, Argentina and Ecuador fall under this category using the model of averages as outlined in Section 3 but this is rejected using the trend analysis. Consequently, we do not include these two countries in the group of losers since the two approaches yield contrasting results.

<sup>28</sup> The trendline is not reflecting changes in the median age during the period. Simply the most recent available estimate has been used for each country. (Source for median age: CIA factbook) <http://www.cia.gov/cia/publications/factbook/> accessed on 16 January 2006)

### **3.6. Donors to losers: the UN and big donors with ‘strategic interests’**

Table 17 reports the year to year donors to a selected group of losers (as identified above). The most consistent donors to this group of countries are: UNICEF, UNDP, UNTA, UNFPA, Belgium, Germany, France and the US. Based on the consistent flow of ODA from these donors to the select group of “losers”, these donors may not be allocating aid based on strength of policy. Indeed, UNICEF and some other UN agencies were found among the least policy-oriented donors by a study from the World Bank (Dollar and Levin, 2004). This result generally fits with the UN’s strong focus on human rights and human deprivations. Interestingly, however, some major bilateral donors, such as the US, France and Belgium, who are known to be less policy selective, are also showing up among the donors to this group in consistent manners.

### **3.7. Donors to winners: a rainbow coalition around governance quality**

Table 18 presents the annual donors to selected countries who belong to the likely winners from selectivity as described above. Some of these countries are former colonial powers; and while many of them belong to countries with very high human development, it is their strong anticorruption stand and the quality of governance where they meet.

The most consistent donors to this group of winners include Finland (2<sup>nd</sup> best globally on Transparency International’s Corruption Perceptions Index), Denmark (4<sup>th</sup>), Sweden (6<sup>th</sup>), Switzerland (7<sup>th</sup>), Norway (8<sup>th</sup>), Austria (10<sup>th</sup>), United Kingdom (11<sup>th</sup>) and Canada (14<sup>th</sup>) as well as the EC.<sup>29</sup> Japan and Spain also very consistent members of this donor group while some key donors to the ‘Pariah’ countries – like France, Germany and the UNDP – appear to also support the ‘Selectivity darlings’.

## **4. Discussion**

Countries’ own efforts and policies are obviously the key to good development outcomes. However, the fading donor attention to children in the allocation of official development aid, as explored in the earlier Sections, is a discouraging trend. Among others, it could provide some explanation as to why many poor countries have been failing to make good progress towards child-related international development goals so far, including the ones on child survival and education enrolment (UNICEF 2005). Direct and indirect effects may be equally important. In many countries ODA is playing a major role in financing health and education systems; and development collaboration can substantively influence country policies, government priorities and approaches.

In this Section we discuss what factors may have had a role in the fading impact of child deprivation on the allocation of ODA among recipient countries, and what remedies could be proposed that could address this issue.

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<sup>29</sup> [http://www.transparency.org/policy\\_and\\_research/surveys\\_indices/cpi/2005](http://www.transparency.org/policy_and_research/surveys_indices/cpi/2005)

## 4.1. The fading visibility of children in development aid may have structural causes

There is reason to assume that the paradigm on selectivity in the allocation of aid has played a role in donor’s weakening attention to children’s rights – even in their crudest forms as noted above. Why? Because endeavours for greater aid efficiency and country ownership, which are reflected in the selectivity principle, do conflict with traditional development assistance on several fronts.

First, the efficiency approach promises greater poverty reduction for every aid dollar invested by pressing aid-recipient countries to compete on the ‘aid market’ and make compelling cases not simply on poverty but also on the basis of their good governance: the ability to address poverty through policy and institutional reforms. However, there will also be losers in this competition and they will have a lot of needs which remain unaddressed.

This conflict between needs-based and the selectivity approach was highly visible, for example, in the World Bank’s response to the first draft circulated by the Millennium Project; the selectivity principle has led to the Millennium team scaling back perceivably their initial estimate in the report ‘Investing in Development’ for meeting MDGs-based needs in terms of additional donor aid.<sup>30</sup>

Second, arguing for aid allocation based on specific population needs (such as children, the focus of this paper) might appear out of sync with the other important driver of the new aid architecture: donors’ appreciation for ownership (i.e. country governments being in the driver’s seat and making the final allocation decisions). Figure 10 shows, in a schematic manner, the well-known schism between old and new ways of international development collaboration.

Figure 10: Classic and new approaches to development collaboration

	Classic donor approach	New development partnership approach
Focus of aid	Poverty/needs	Policy/efficiency
Platform (raison d’ entrée)	Donor priorities	National ownership
Main aid delivery tool	Donor project/conditionality	National programme/direct budget support

<sup>30</sup> The Millennium Project’s ambitious ‘Investing in Development’ report to the UN Secretary General, published in early 2005, proposed that rich countries double their aid effort (increase ODA from 0.25 per cent of donor GNP in 2003 to around 0.44 percent in 2006 and 0.54 per cent in 2015) and that aid-recipient countries prepare a entirely new generation of MDG-based Poverty Reduction Strategies with scaled-up plans to achieve the Goals. However, the principle of ‘policy selectivity’ has won over MDG-based country ‘needs assessment’. In contrast to the early drafts, the final version signed by Jeffrey D. Sachs has reduced the amount of additional aid demand by 21 billion dollars due to countries ‘non-qualifying’ for aid because of their weak policies and governance. See UN Millennium Project (2005).

The broader conflict between pre-set solutions, ‘external’ influence and the ownership principle could explain, for example, why the 20/20 Initiative – which aimed at placing an iron bowl for social sectors both into aid and national budgets – ran out of steam while the PRS approach was gaining popularity.<sup>31</sup> It appears that donors increasingly think that basing aid allocation on economic poverty (per capita GDP) and on governance quality (i.e. lack of corruption and a proper public decision-making process) is not just simple and poverty-efficient, but is also respectful for local priorities, ownership and sovereignty. However, arguments could be made that the international community has agreed goals, agreements and conventions and supporting these with aid allocation in the first place, rather than other purposes, is the right focus for official development aid.

But do we have the process, the framework and the indicators to guide aid towards development collaboration, which is instrumental for the MDGs? Which would be both efficient *and* children’s rights-friendly?

## **4.2. The poverty and policy indicators proposed for aid allocation were developed for purposes other than the MDGs**

The Millennium Development Goals represent a complex international poverty reduction and development plan where reducing income poverty (‘economic poverty’ in this paper) is only one aspect of the first Goal while several other goals differently address other forms of poverty.<sup>32</sup> While it is clear that countries’ severe economic poverty is the major root cause of the human deprivations which the MDGs aim at addressing, it is a direct cause to none: studies have demonstrated that economic growth alone is not a guarantee for progress on the above areas. Nonetheless, much of the extensive literature on aid efficiency uses basically a simple growth-oriented poverty indicator: per capita GDP. If there is little or no economic growth, the original Burnside-Dollar selectivity model (and derivatives that use per capita national income as poverty measure) shows no progress, despite the fact that it may be that:

- absolute and relative income/consumption poverty is reduced through land reforms and/or better access to credit among the poor and/or social programmes addressing high income inequalities (*Goal 1/Target 1/Indicators 1-3*)
- these factors and/or better distribution of food and/or child nutrition programmes reduce child and adult malnutrition (*Goal 1/Target 2/Indicators 4-5 respectively*)
- these factors and/or policy change facilitating access to and better quality of education increase primary education enrolment and literacy among young adults (*Goal 2/Target 3/Indicators 6-8 respectively*)

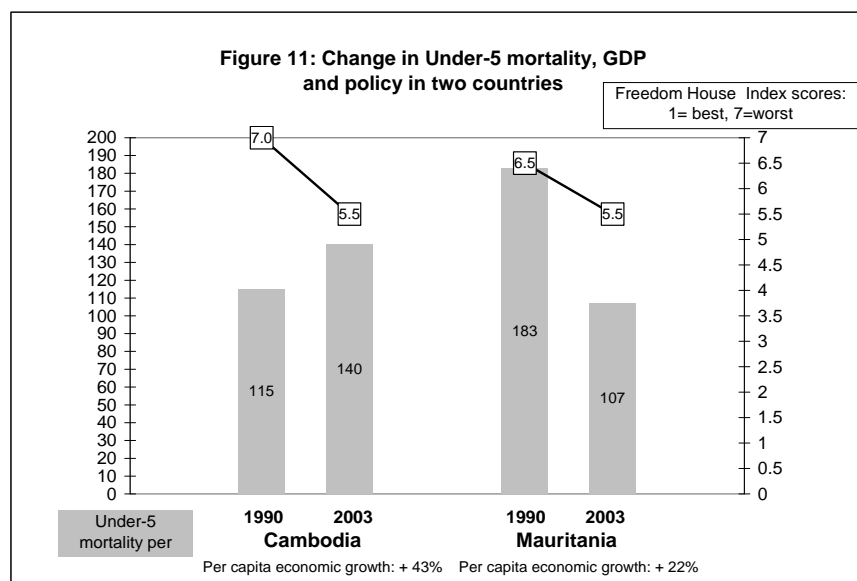
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<sup>31</sup> The 20/20 initiative proposed that at least 20 per cent of aid and 20 per cent of public expenditure should go to social programmes in every country. The new development partnership approach holds that rather than donors pushing for pre-set expenditure patterns, countries’ own comprehensive national poverty reduction strategies should decide which investments promise the best results.

<sup>32</sup> Actually none of the MDGs relate directly to per capita GDP/GNI. Goal 1. ‘Eradicate extreme poverty and hunger’ includes two targets: Target 1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day; which is measured with three indicators 1. Proportion of population below \$1 (1993 PPP) per day, 2. Poverty gap ratio [incidence x depth of poverty], 3. Share of poorest quintile in national consumption (World Bank). Target 2 of the first MDG is to ‘Halve, between 1990 and 2015, the proportion of people who suffer from hunger’.

- these factors and anti-discrimination and/or labour market policies and/or civil society action reduce gender disparity in education, literacy, the share of women in wage employment in non-agricultural sectors, proportion of parliamentary seats held by women (*Goal 3/Target4/Indicators 9-12 respectively*)
- these factors and/or better immunization services and/or lower prices of antiviral drugs and other policy change increase the share of children surviving age 5 and 1 and the share of 1 year olds with immunization against measles (*Goal 4/Target 5/Indicators 13-15 respectively*) ... and so on.

Importantly, the above factors could change very differently in two countries with the same pace of economic growth, making a big difference for families, women and children. Figure 11 illustrates such a case with a three-dimensional graph using data from two countries with similar economic growth and policy indicators but very different trends in under-5 mortality rates between 1990 and 2003. Clearly, per capita GDP is a crude measure and other studies have used more refined income poverty measures. However, our point is not about refining the income measure; it is about augmenting it with other types of measures, such as the U5MR or school enrolment that closely reflect upon progress towards the MDGs.<sup>33</sup>



Source: Authors' calculations.

<sup>33</sup> When seeking to create a benchmark guide for aid allocation that targets explicitly poverty reduction, Collier and Dollar (1999) have focused on the poverty gap by dollar-a-day per person indicator (1 US\$ppp and 2 US\$ppp instead of the purely growth-focused per capita GDP measure). Nevertheless, when it comes to measuring progress towards MDGs the Collier-Dollar aid selectivity model still assumes the other seven goals and 46 indicators will behave in ways similar to the first two MDG-indicators of the first Goal. In other words they use income/consumption poverty concepts as opposed to capabilities-based approach intrinsic of the Millennium Agenda.

Second, the policy (governance) indicators which the aid efficiency studies have been using were also developed with other purposes in mind other than the MDGs. In their seminal work, Burnside and Dollar (1997) have used a mix of indicators on corruption, economic liberalization and public sector management (such as trade openness and fiscal surplus) in defining ‘good policy’ along the lines of the neoclassical growth model. When seeking to establish a ‘benchmark’ poverty-efficient allocation of aid, Dollar and Collier (January 1999 and November 1999) have taken advantage of the World Bank’s 1998 revision of its Country Policy and Institutional Assessment (CPIA): a 20-indicator composite measure reflecting policy approaches and concerns similar to those in Burnside and Dollar (1997). This revision added five indicators on ‘Poverty and Inclusion’, however, the Bank has kept country scores of the CPIA confidential.<sup>34</sup>

Recognizing that it can not lead the donor movement for aid efficiency with a policy indicator which is too much ‘bank’ and not enough ‘development’-centered (and the results of which are not even public), the World Bank has made efforts to move the CPIA closer to the MDGs by increasing the relative weight of the human development and gender concerns in the new 15-Indicator CPIA from 2004. These results will become public for the so called IDA-eligible poor countries possibly in 2006 first for the year 2005 as it has been announced.<sup>35</sup> The World Bank’s website summarizes what set of public policies the 2004 CPIA perceives as ‘good’.<sup>36</sup>

It is not the purpose of this paper to provide an in-depth criticism of the current CPIA which, despite its laudable stress on social sectors and gender issues, reflects, in our views, unfettered market liberalism and a ‘residual’ approach to the welfare state.<sup>37</sup> These may well promote

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<sup>34</sup> The World Bank’s Country Policy and Institutional Assessment (CPIA) system was originally developed for internal, business purposes to help lending operations. Its structure has been reflective upon the policy conditions the Bank considers best for economic growth and private sector development. Functional since the late 1970s, but not unchanged over time, the CPIA index grouped 20 indicators into 4 broad categories between 1999 and 2003: economic management, structural policies (one indicator on environment policies), policies for social inclusion and equity (five indicators), and public sector management, and institutions – giving an overwhelming voice to fiscal, monetary and business concerns. Countries were rated on their status in each of these performance criteria, with scores from 1 (lowest) to 6 (highest).

<http://siteresources.worldbank.org/IDA/Resources/CPIA2002.pdf> gives insights into how the 20 indicators’ CPIA was constructed and measured. Both the Asian Development Bank and the African Development Bank employ similar policy and institutional assessment systems see <http://www.adb.org/Documents/Policies/ADF/Performance Based Allocation/> and <http://www.afdb.org/>

<sup>35</sup> The CPIA is one of three parts of the country rating used for IDA allocation purposes. To capture country portfolio considerations, portfolio ratings are derived from the World Bank’s Annual Review of Portfolio Performance (ARPP) and combined with the CPIA rating. In the last step, the combined policy and portfolio rating is modified by a “governance factor” to determine the overall IDA country performance rating. IDA’s use of a governance factor increases the effective weight of governance in the country performance rating: it gives an effective weight of about 68% to governance criteria in IDA’s country ratings. This compares with a nominal weight of about 24% in the combined CPIA and portfolio rating.

<sup>36</sup> <http://siteresources.worldbank.org/IDA/Resources/CPIA2004questionnaire.pdf> tells how the Bank has changed the index in 2004 and how the 15-indicator CPIA is currently built up.

<sup>37</sup> The CPIA has not been exposed to open debate and discussions so far too much. However, the Bank’s 2005 Spring Meetings held a discussion forum on it where Jean Merckaert of CCFD (a French NGO active also on sustainable development), for example, claims the CPIA implies a one-size-fits all set of 16 indicators, and this approach seems to contradict the intention of having a very country-by-country approach and how the CPIA works makes a kind of conditionality toward a country from the lending institutions.



economic growth under ideal conditions (in particular when substantial investments have already been made in human resources and in the social sectors). Our focus, nonetheless, is on the MDGs and its child-related concerns.

### **4.3. Efficient governance is important but priorities and underlying values also make a difference**

Any meaningful policy index is reflective upon two things, and this duplicity is largely overlooked in the debate on selectivity. The first is the policy choice and the values reflected in that choice. The second is the institutional capacity to carry it out as corruption or public sector inefficiency undermines good governance. A country may have policy choices which are hardly conducive for the MDGs but still get good marks from most governance/corruption indices because it can quite efficiently implement those choices.<sup>38</sup> Taking an example from a rich country: the UK under Tony Blair has made good progress in reducing child poverty, unlike under Margaret Thatcher's leadership (UNICEF 2001 and 2005). Accordingly, it should now get better marks from a poverty-reduction centered policy assessment system than it would under the Thatcher times. Still, there is little reason to assume that the available governance indices – the CPIA, Transparency International's Corruption Perceptions Index, or, for that matter the Freedom House's Political Rights and Civil Liberties indices employed in this paper – would have secured significantly better marks for Blair rewarding his antipoverty stance. Conclusion: government efficiency is important but values do make a difference.<sup>39</sup>

### **4.4. The new aid architecture would need an MDGs-centred policy assessment system**

The MDGs require proper priorities and not just governance efficiency in the technical sense. While governance and corruption indices have mushroomed in the 1990s, and the MDGs have become widely endorsed in recent years, the international community is still lacking a proper MDG-based policy and institutions assessment system.<sup>40</sup>

Having such a policy measure could help with investing aid dollars into countries, institutions and programmes that are pivotal to MDGs, and influence partner countries' policy choices in non-intrusive manners. Transparent, operational policy indices can generally influence policies 'ex ante' as governments wish to improve their standing. A widely acclaimed policy index with

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<sup>38</sup> In lack of an MDG-centred policy index the World Bank's CPIA is acting now as a major indicator on progress in regards to good governance and "reliable country systems" 2005 'Paris Declaration on Aid Effectiveness'. (Procurement and public financial management systems that either adhere to broadly accepted good practices or have a reform programme to achieve these.)

<sup>39</sup> This is because there is little reason to assume that the UK was more corrupt under Thatcher: with Blair government goals and values have changed not government efficiency or macroeconomic policy and management i.e. factors that are generally captured by the available governance indices.

<sup>40</sup> An extensive desktop mapping carried out by the UNDP Oslo Governance Centre in 2003 showed that there exists a plethora of governance indicators used by inter-governmental institutions, development agencies, NGOs and academic institutions. These indicators are almost exclusively applied as country-ranking instruments intended for business investment, donor allocation, civil society advocacy or academic purposes. UNDP seeks to develop a set of non-ranking governance indicators to be used by developing countries. It is envisioned that the indicators can be used to enhance governance capacity and help guide policy to become more pro-gender and pro-poor. Source: <http://www.undp.org/oslocentre/cross.htm>

implications for development assistance ought therefore to be a very effective orientation tool.<sup>41</sup> Such a system would need to

- a) be transparent and predictable sending clear messages to countries
- b) produce and publish results preferably for all countries
- c) make a distinction between efficiency and priorities and show these separately (so as not to mix corruption with issues that deserve debate)
- d) give proper weight and appreciation to each MDG (and not allow reducing Goal No. 1 to raise per capita GDP without giving consideration to actual income distribution)
- e) measure national priorities in dollars (e.g. tax policy, medium term expenditure framework) as well as through progress in implementing reform strategy
- f) use existing governance, policy and institutional assessment indicators, but
- g) let an independent, apolitical ‘jury’ produce the final results and bar any development agency from capturing the policy assessment process in the name of the international community
- h) serve as aid allocation model together with an MDG-based need index to account for both policy selectivity and poverty selectivity
- i) secure proper fora for debate and discussions.

Let’s assume that the international community would have a two-dimensional aid allocation model geared towards the MDGs in terms of poverty outcome/results (e.g. through a composite index) and in terms of policies/institutions. Let’s also assume that it would be used widely through harmonized action, and no agencies would use their dollars in other ways.<sup>42</sup> The leverage the international community could have for promoting MDGs would, in this case, be a simple function of the total amount of aid it would be willing to spend on development collaboration.

Having such a system would help selectivity (i.e. the market approach to aid distribution) to deliver its promises in terms of promoting social development and global poverty reduction. Having such a system would reduce the error of penalizing the ‘undeserving poor’ governments. However, such a system would still penalize governments who are inefficient (corrupt) and/or not responsive to development challenges (due to wrong goals and values). Accordingly, children and their families living in these countries would need protection and support from an international safety net even under such improved aid efficiency.

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<sup>41</sup> Collier and Dollar conclude that “a high level of aid to strong reformers may increase the likelihood that good policy is sustained”. (Dollar and Collier, November 1999 p33)

<sup>42</sup> This model could still allow that countries pursue their strategic interest and traditional partnerships by putting ‘priority donor’ countries in front of other donors if their aid is not ‘too big’ and/or if the aggregate amount of aid is big enough to accommodate their offer. In reality several the big donors, such as the US, France, Japan do not give a particularly high priority to poverty alleviation (Dollar and Levin 2004), focusing traditionally to promote their strategic interest along other (e.g. security, cultural, business) considerations. (Japan appears ‘policy-selective’ but not poverty selective as it is biased towards helping its middle-income neighbors.) There is little evidence to assume that this situation has changed recently. However, it is clear that governance quality is not an issue the big donors overlook altogether and internal support for aid depends also on the poverty efficient use of aid within the existing strategic interests and limitations.

One simple solution to counter the trend of declining child poverty selectivity of ODA would be policy-aware donors adopting a child-friendly allocation principle (that we term the ‘C-rule’), where, when selecting between two poor countries with similar policy ranks, donors would always give more aid to countries with higher under-5 mortality. This principle would not harm much policy selectivity (and could be implemented immediately). However, donors may want to consider also a more comprehensive strategy.

#### **4.5. An international safety net built into aid policies...**

The task of protecting children from the policy errors of the government in the country where they live resembles the dilemma of how to de-link the opportunity of the child with her/his family backgrounds. It is great when parents have jobs and are attentive to their children. But what about when they have fewer opportunities available to them or are neglectful of their siblings? While most people would agree that parents should help their children, very few of them would say that parental help should be the only way in which children can access opportunities. Similarly, respect for children’s right to survival and development requires the international community to do something for children and their parents even in fragile states and/or the ‘Pariah’ countries of aid selectivity.

Equity considerations as well as concerns for countries’ long-term development also suggest that investing in children is a good strategy.<sup>43</sup> Accordingly, activities targeted at child rights could be reconciled with the market/efficiency approach to aid or concerns about governance in general.<sup>44</sup> Acting on this front should preferably address two other classic problems in development collaboration: aid volatility, which reduces efficiency, and aid fragmentation, which reduces its effectiveness.<sup>45</sup>

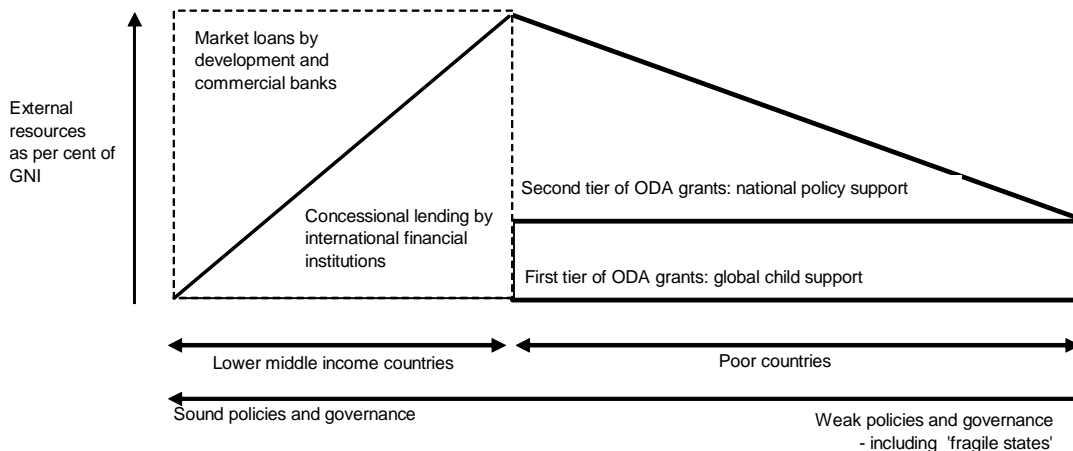
#### **Figure 12: A framework with a two tier system of grants and loans**

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<sup>43</sup> World Development Report 2005 makes this point also from an equity/efficiency perspective, The World Bank (2005)

<sup>44</sup> Inge Kaul and others make a point that corruption control i.e. governance quality is a ‘global public good’ in their book *Providing Global Public Goods – Managing Globalization* (UNDP/Oxford University Press 2003). Analogously, child well being could be considered as a global public good.

<sup>45</sup> These issues were reflected in our data through yearly aid fluctuations and many countries getting insignificant amounts of aid.



In this light of these, the international community may want to consider a radical solution: introduce a minimum aid threshold for all the poorest countries – without any conditionality, but with implications for the mode and target groups of aid delivery. Figure 12 provides a schematic illustration of a two tier system of financing development. Such a system would change current aid allocations through establishing a first tier of aid. It would, however, also leave room for ‘selectivity’ through a second tier of aid allocations. It would help turn the focus towards children and MDGs more so than has been the case with existing models.

#### 4.6. ... would not cost much...

Establishing such a first tier of aid representing a global support system (which arguably could help a lot child and maternal health, education and child protection, including support for children left without parental care in Africa) would require redirecting a relatively small part of the existing international aid. Our calculations show that, for example, unconditionally providing 5 per cent of GNI for the 50 least developed countries would cost no more than 15 billion dollars, leaving still four fifths of the 2003 total ODA package for rewarding good performers and/or maintaining political, cultural and economic ties. Actually, because two thirds of the 50 least developed countries are already getting more than 5 per cent of their GNI from donors, the additional need to fulfill such a 5 percent ‘minimum aid threshold’ would only be 5.5 billion dollars. Even a 10 percent minimum threshold would cost no more than 17 billion dollars in addition to existing aid levels.

#### 4.7. ...and could co-exist peacefully with aid selectivity

With proper disbursement rules agreed upon, such basic aid packages could act as important stabilizers and anti-cyclical measures. Importantly, such solutions would leave plenty of room for the international community to maintain a second tier of aid: one oriented explicitly towards leveraging policy and governance quality in developing countries, which is important for these countries as well as for the international community.

The objective of the minimum aid threshold for poor countries would be to secure a global child support for poor countries: a minimum package of opportunity for children, independent of their parents’ income, their countries’ economic performance, or governance. This would be a common allocation principle rather than a special, new fund, where sets of donor agreements are

made on providing certain minimum levels of support (possibly including also direct budget support) through coordinated action for every poor country, even where governance is weak or undemocratic.<sup>46</sup> Such a solution would help in targeting aid for poor countries at low costs. It would create a permanent base for policy dialogue and leverage – a shared donor platform with an entry point into the national dialogue for all international agencies (and civil society donors). It could maintain pressure on donor multilateral agencies to sustain efforts in fragile states. Importantly, it could improve aid volume and reduce aid volatility to fragile states, which are in particular need of both, as recent empirical research confirms.<sup>47</sup>

## 5. Conclusions

This paper finds that the allocation of official development aid has become more attentive to aid recipient countries' policy since 1990. It appears that from the mid-1990s a 'market' approach has been gaining hold in international development collaboration: indices on governance and policy have increasingly been considered for estimating the efficiency of aid. However, almost simultaneously with these trends, ODA has also become more neglectful of children's rights to survival and development. Countries' under-5 mortality rate, which is indicative of the poverty to which their children are exposed, has lost approximately one-third of its impact in attracting official development. In low and lower-middle income countries, the child mortality indicator has lost over half its influence, keeping other factors constant. Education deprivation appears to have a similarly fading impact on aid allocation among countries. Our data suggest that not even the 2000 Millennium Development Goals have caused a rebound in child-related concerns among the donor community.

At the same time our data suggest that democratic governance is a good predictor of countries' under-5 mortality rate. Accordingly, the trend on growing policy selectivity among donors may have some positive results on improving the efficiency of foreign aid in saving children from deprivation and death. However, it appears that donors who allocate their aid dollars to countries showing high under-five mortality and relatively good policies are increasingly in short supply. Meanwhile, the association between young child mortality and our policy index – the Freedom house combined democracy index – has weakened towards the end of the period, underlining the need for a policy indicator system which is responsive to the MDGs.

The concentration of ODA is greater in 2000-2003 than it was in 1994-96 and countries which are getting a larger share from aid demonstrate, on average, improving policies. However, many developing countries with better policies are getting a shrinking share of total aid, including several countries with falling GDP. On average, countries which have been getting a shrinking share of the cake have younger populations than those which are getting a bigger share.

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<sup>46</sup> It could be noted here that the proportion of direct budget support and project-based aid delivered through multilateral agencies and civil society actors could still depend on the concrete country circumstances and field capacity of aid agencies. This is very much in line with the principles accepted by the High Level Forum on development assistance engagement fragile states (see OECD April 2005).

<sup>47</sup> "The Forgotten States: Aid Volumes and Volatility in Difficult Partnership Countries (1992-2002)" Summary Paper Prepared By Victoria Levin and David Dollar for DAC Learning and Advisory Process on Difficult Partnerships. It should be noted that there is a rich, recent literature on fragile states available from the OECD DAC website. McGillivray, (2005) provides an excellent review. <http://www.oecd.org>.

In the 'Pariah' countries of development aid, every second person is a child. These countries post high child mortality and deprivation rates, low per capita GDP, and are often affected by HIV/AIDS epidemic and/or conflict.

Overall, it appears that the movement towards aid efficiency under the selectivity paradigm has been more successful in orienting donors to support macroeconomic reforms and policies that address economic deprivation than in spending development aid dollars in countries where children are as numerous as their poverty is deep. The shrinking shelter that the new aid architecture is providing to children is in clear contradiction with the agenda and priorities of the international community which is reflected in the Millennium Development Declaration and the MDGs.

This paper calls for adjustments to the New Aid Architecture to address these trends. We propose a stronger focus on co-ordination among donors (also) at the global level. We see the advantage of donors' using a two dimensional policy and poverty focused selectivity model in the allocation of ODA as it has been proposed by others. However, we would like to see policy and poverty indices employed in that model, which are friendly to children and reflective of the poverty they experience. On this count, we claim that the international community still lacks a transparent and widely accepted MDG-centred policy index; one that could be used together with an MDG-centred poverty index or indices to guide aid allocation to more effective poverty reduction along the targets of the MDGs.

Hence, our first proposal would be to revisit the aid allocation model to make policy and poverty selectivity more effective in addressing child deprivations. Donor countries and agencies which are highly policy selective – Denmark, Sweden, the UK, the World Bank to mention a few – might show particular interest in this route. The fact that the World Bank has recently made its own policy index more open to social issues is encouraging in this perspective.

However, any aid allocation model attuned to efficiency would withhold aid from the poor performing countries, the fragile states, the difficult partnership countries. Accordingly, our second proposal suggests accepting a common allocation principle: a minimum aid threshold for poor nations which should act as a minimum package of opportunity for the population, in particular children, living in those countries. This simple solution to cut through the problem of how the international community should help people of the fragile states or low income countries under stress might sound radical and process-wise, may appear difficult to issue. We claim that children and people in these countries deserve steps to save them which are bolder than the ones made so far. We find support of fresh and bold approaches in the 2005 recommendations of the High Level Forum of the OECD DAC on fragile states. And, fortunately, we see not just the UN but also some of the big donor nations already interested in giving support to countries which are 'de facto' losers of the selectivity approach.

Our two proposals meet in suggesting a two-tiered, 'MDGs-centred model to development collaboration. Such a model should increase sensitivity of the market approach to aid for MDGs and child-related problems at one tier; and, on the other tier, offer at the same time an international safety net for the population of those countries where the government is unable or unwilling to address the development challenges.

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## 7. Annexes

<b>Table 1: Policy, poverty and population indicators: summary statistics 1990-2003</b>				
	(a) Policy scores (Freedom House)		(b) GDP per capita 1995 US\$	
Year	Mean	Standard Deviation	Mean	Standard Deviation
1990	4.038	1.804	2880.161	4238.478
1991	4.038	1.804	2874.013	4267.070
1992	3.978	1.832	2898.467	4361.524
1993	4.081	1.893	2943.638	4480.449
1994	4.071	1.895	2973.654	4585.880
1995	4.009	1.901	3021.981	4660.780
1996	3.935	1.910	3071.805	4689.805
1997	3.935	1.910	3135.097	4757.700
1998	3.849	1.858	3127.182	4640.438
1999	3.833	1.865	3013.270	4460.796
2000	3.809	1.875	3114.493	4688.611
2001	3.806	1.844	2814.169	4214.562
2002	3.725	1.842	2903.585	4354.616
2003	3.679	1.855	2969.375	4406.127
	(c) Under-5 mortality rate per 1,000		(d) Population (million)	
Year	Mean	Standard Deviation	Mean	Standard Deviation
1990	85.479	71.042	29.059	125.367
1991	84.133	70.478	27.464	114.385
1992	82.788	69.985	27.930	116.068
1993	81.442	69.564	28.368	117.705
1994	80.097	69.217	28.809	119.347
1995	77.756	68.727	29.263	120.977
1996	76.909	68.314	29.713	122.585
1997	75.337	67.868	30.173	124.182
1998	74.499	67.550	30.623	125.765
1999	73.295	67.250	30.877	126.942
2000	71.385	66.920	27.804	121.196
2001	70.142	66.543	28.184	122.533
2002	68.876	65.970	28.382	123.490
2003	68.341	65.658	29.059	125.367
Note: See Section 3 for sources and comments. Results are unweighted average of 186 countries				

**Table 2: Correlation matrix among aid, population, policy, poverty and conflict**

	ODA/OA	Population	Policy	GDP per Cap.	Under-5 MR	Enrolment	Conflict
ODA/OA	1.000						
Population	0.497**	1.000					
Policy	0.147**	0.099**	1.000				
GDP per Capita	-0.196**	-0.090**	-0.225**	1.000			
Under-5 MR	0.151**	-0.007	0.393**	-0.485**	1.000		
Enrolment	-0.099**	0.094**	-0.306**	0.304**	-0.753**	1.000	
Conflict	0.150**	0.168**	0.075	0.070	-0.181**	0.119	1.000

\*\*Correlation is significant at the 0.01 level (2-tailed).

\*Correlation is significant at the 0.05 level (2-tailed).

**Table 3: Correlation between policy and poverty indicators**

bivariate correlation with policy

	1990-1993	1994-1996	1996-1999	2000-2003
GDP per capita (constant 1995 US\$)	-0.189	-0.188	-0.211	-0.300
U5MR (per 1000 live births)	0.409	0.392	0.385	0.378

partial correlation with policy (controlled with population)

	1990-1993	1994-1996	1996-1999	2000-2003
GDP per capita (constant 1995 US\$)	-0.187	-0.183	-0.212	-0.295
U5MR (per 1000 live births)	0.454	0.434	0.431	0.424

<b>Table 4: Policy elasticity of aid, 1990-2003</b> (regression parameters, B values)						
	(a)			(b)		
	Policy elasticity, uncontrolled			Policy elasticity controlled for population and economic poverty		
Year	B values	Std. error	AdjR2	B values	Std. error	AdjR2
1990	1.110***	0.246	0.125	..	..	..
1991	1.177***	0.286	0.100	..	..	..
1992	1.040***	0.246	0.102	..	..	..
1993	0.944***	0.232	0.091	..	..	..
1994	0.796***	0.219	0.072	-0.367*	0.167	0.634
1995	0.785***	0.219	0.070	-0.434**	0.147	0.676
1996	0.668***	0.202	0.059	-0.419**	0.153	0.627
1997	0.584***	0.225	0.035	-0.667***	0.177	0.595
1998	0.550***	0.215	0.034	-0.600***	0.156	0.635
1999	0.545***	0.209	0.036	-0.546**	0.158	0.605
2000	0.721***	0.223	0.056	-0.395*	0.165	0.617
2001	0.596***	0.230	0.035	-0.558**	0.166	0.628
2002	0.893***	0.202	0.106	-0.217*	0.168	0.663
2003	0.735***	0.217	0.063	-0.415*	0.166	0.670

Notes: Aid: ODA/OA, Policy: Freedom House combined democracy indices on political rights and civil liberties (1=best, 7=worst). Negative relationship shows better policy associated with more aid. However, because of the presence of multicollinearity, the elasticity parameters shown in column (a) reflected exclusively other effects, such as those of income poverty and population on aid allocations prior to 1994 (which are also present after 1994). Column (b) shows the 'net' policy elasticity i.e. the actual effect controlled for income/economic poverty and population.

.. : Regression parameters not significant at 0.05 levels.

Dependent variable: Log(ln) Total Net ODA/OA, \$US million

Independent variables:  
 Log(ln) Population, millions  
 Log(ln) policy index (average of scores by Political Rights and Civil Liberties)  
 Log(ln) GDP per capita (constant 1995 \$US)

Significance: \*\*\* p<0.001; \*\* p<0.01; \* p<0.05. # 0.1>p>0.05

<b>Table 5: Economic poverty and policy elasticity of aid</b> (regression parameters, B values)						
Year	Economic poverty(per capita GDP, controlled for population and policy)			Policy (controlled for population and economic poverty)		
	B values	Std. error	AdjR2	B values	Std. error	AdjR2
1990-93	-0.451***	0.043	0.563	..	..	..
1994-96	-0.468***	0.036	0.650	-0.408***	0.089	0.650
1997-99	-0.485***	0.040	0.613	-0.617***	0.094	0.613
2000-03	-0.480***	0.036	0.647	-0.408***	0.083	0.647

Notes: Aid: ODA/OA, Policy: Freedom House combined democracy indices on political rights and civil liberties (1=best, 7=worst). Negative relationship shows higher economic poverty (lower per capita GDP values) or better policy (score values) yielding more aid.  
 .. : Regression parameters not significant at 0.05 levels.

Dependent variable: Log(ln)Total Net ODA/OA, million \$US  
 Independent variables:  
 Log(ln) Population, millions  
 Log(ln) policy index (average of scores by Political Rights and Civil Liberties)  
 Log(ln) GDP per capita (constant 1995 \$US)  
 Significance: \*\*\* p<0.001; \*\* p<0.01; \* p<0.05. # 0.1>p>0.05

<b>Table 6: The elasticity of aid to child mortality and policy</b> (regression parameters, B values)						
Year	Under-5 mortality (controlled for population and policy)			Policy (controlled for population and Under-5 mortality)		
	B values	Std. error	AdjR2	B values	Std. error	AdjR2
1990-93	0.621***	0.060	0.511	-0.265***	0.106	0.511
1994-96	0.593***	0.051	0.590	-0.635***	0.098	0.590
1997-99	0.534***	0.052	0.572	-0.795***	0.101	0.572
2000-03	0.486***	0.044	0.577	-0.604***	0.088	0.577

Notes: Aid: ODA/OA, Policy: Freedom House combined democracy indices on political rights and civil liberties (1=best, 7=worst). Positive relationship shows higher U5MR values (i.e. greater poverty) associated with more aid. Negative relationship shows lower score values (i.e. better policy) yielding more aid. The results are controlled for population effects and multicollinearity between U5MR and policy.

Dependent variable: Log(ln) Total Net ODA/OA, \$US million  
 Independent variables:  
 Log(ln) Population, millions  
 Log(ln) policy index (average of scores by Political Rights and Civil Liberties)  
 Log(ln) U5MR (per 1,000)  
 Significance: \*\*\* p<0.001; \*\* p<0.01; \* p<0.05. # 0.1>p>0.05

<b>Table 7: Partial correlation between U5MR and country policy</b>	
Year	Partial correlation controlled for population
1990-93	0.375**
1994-96	0.409***
1997-99	0.400***
2000-03	0.403***

Notes: Results are controlled for population effects. Policy: Freedom House combined democracy indices on political rights and civil liberties (1=best, 7=worst). Positive relationship shows higher U5MR values (i.e. greater poverty) associated with worse policy.

Significance: \*\*\* p<0.001; \*\* p<0.01; \* p<0.05. # 0.1>p>0.05

<b>Table 8: The elasticity of aid to child mortality</b> (regression parameters, B values)						
Year	(a)			(b)		
	Aid elasticity to change in the Under-5 mortality rate, controlled for population			Aid elasticity to change in the Under-5 mortality rate, controlled for policy and population		
	B values	Std. error	AdjR2	B values	Std. error	AdjR2
1990-93	0.563***	0.055	0.507	0.621***	0.060	0.511
1994-96	0.464***	0.049	0.552	0.593***	0.051	0.590
1997-99	0.374***	0.051	0.513	0.534***	0.052	0.572
2000-03	0.369***	0.042	0.545	0.486***	0.044	0.577

Notes: Aid: ODA/OA, U5MR: per 1,000 live births, Policy: Freedom House combined democracy indices on political rights and civil liberties (1=best, 7=worst). Positive relationship shows higher U5MR values (i.e. greater poverty) associated with more aid. Results in column (b) are controlled for population effects and multicollinearity between U5MR and policy.

Dependent variable: Log(ln) Total Net ODA/OA, \$US million  
Independent variables:  
Log(ln) Population, millions  
Log(ln) policy index (average of Political Rights and Civil liberties)  
Log(ln) U5MR (per 1,000)  
Significance: \*\*\* p<0.001; \*\* p<0.01; \* p<0.05. # 0.1>p>0.05

**Table 9: Under 5 Mortality elasticity of aid (ODA/OA)**

Country Classification*	1990-2003			1990-1993			1994-1996			1997-1999			2000-2003		
	B value	Std. error	AdjR2	B value	Std. error	AdjR2	B value	Std. error	AdjR2	B value	Std. error	AdjR2	B value	Std. error	AdjR2
Low Income/Lower Middle Income Countries	0.359** *	0.045	0.650	0.532** *	0.115	0.581	0.545** *	0.098	0.652	0.305***	0.079	0.688	0.244** *	0.079	0.668
Low Income/Lower Middle Income Countries **	0.407** *	0.049	0.646	0.487** *	0.127	0.544	0.554** *	0.111	0.591	0.354***	0.086	0.688	0.347** *	0.085	0.693
Upper Middle Income Countries **	0.224** *	0.129	0.377	0.323** *	0.308	0.513	0.584** *	0.191	0.561	0.101***	0.304	0.260	0.016** *	0.242	0.250
All Countries **	0.615** *	0.042	0.595	0.820** *	0.112	0.604	0.764** *	0.075	0.688	0.626***	0.079	0.593	0.472** *	0.073	0.572

Notes:

\* See Table 11 for Country Classification

\*\*Country classification excludes Eastern European/Transition Countries

\*\*\* Significance above 0.05 level



**Table 10: Primary enrolment elasticity aid (ODA/OA)**

Country Classification*	1990-2003			1990-1993			1994-1996			1997-1999			2000-2003		
	B value	Std. error	AdjR2	B value	Std. error	AdjR2	B value	Std. error	AdjR2	B value	Std. error	AdjR2	B value	Std. error	AdjR2
Low Income/Lower Middle Income Countries	ns			ns			ns			ns			ns		
Low Income/Lower Middle Income Countries **	ns			ns			ns			ns			ns		
Upper Middle Income Countries **	ns			Ns			ns			ns			ns		
All Countries **	0.205#	0.125	0.595	0.451*	0.266	0.604	0.353#	0.214	0.688	ns			ns		

Notes:

NS – not significant (due mainly to poor data availability for much of the period)

\* See Table 11 for Country Classification

\*\*Country classification excludes Eastern European/Transition Countries

\*\*\*# Significance above 0.1 level

**Table 11: Country classification by income**

<b>Low Income Countries</b>	<b>Lower Middle Income Countries</b>	<b>Upper Middle Income</b>
Angola	<b>Albania</b>	American Samoa
<b>Armenia</b>	Algeria	Antigua and Barbuda
<b>Azerbaijan</b>	Belarus	Argentina
Bangladesh	Belize	Barbados
Benin	Bolivia	Botswana
Bhutan	<b>Bosnia and Herzegovina</b>	Brazil
Burkina Faso	<b>Bulgaria</b>	Chile
Burundi	Cape Verde	Costa Rica
Cambodia	<b>China</b>	<b>Croatia</b>
Cameroon	Colombia	<b>Czech Republic</b>
Central African Republic	Cuba	Dominica
Chad	Djibouti	<b>Estonia</b>
Comoros	Dominican Republic	Gabon
Congo, Dem. Rep.	Ecuador	Grenada
Congo, Rep.	Egypt	<b>Hungary</b>
Cote d'Ivoire	El Salvador	Isle of Man
Equatorial Guinea	Fiji	<b>Latvia</b>
Eritrea	Guatemala	Lebanon
Ethiopia	Guyana	Libya
Gambia	Honduras	<b>Lithuania</b>
<b>Georgia</b>	Iran	Malaysia
Ghana	Iraq	Malta
Guinea	Jamaica	Mauritius
Guinea-Bissau	Jordan	Mayotte
Haiti	<b>Kazakhstan</b>	Mexico
India	Kiribati	Oman
Indonesia	FYROM - Macedonia	Palau
Kenya	Maldives	Panama
Korea, Dem Rep.	Marshall Islands	<b>Poland</b>
<b>Kyrgyz Republic</b>	Micronesia	Puerto Rico
Lao PDR	Morocco	Saudi Arabia
Lesotho	Namibia	Seychelles
Liberia	Paraguay	<b>Slovak Republic</b>
Madagascar	Peru	St. Kitts and Nevis
Malawi	Philippines	St. Lucia
Mali	<b>Romania</b>	Trinidad and Tobago
Mauritania	<b>Russia</b>	Uruguay

Moldova	Samoa	Venezuela, RB
Mongolia	South Africa	
Mozambique	Sri Lanka	
Myanmar	St. Vincent & Grenadines	
Nepal	Suriname	
Nicaragua	Swaziland	
Niger	Syria	
Nigeria	Thailand	
Pakistan	Tonga	
Papua New Guinea	Tunisia	
Rwanda	Turkey	
Sao Tome & Principe	Turkmenistan	
Senegal	Vanuatu	
Sierra Leone	West Bank and Gaza	
Solomon Islands	<b>Yugoslavia</b>	
Somalia		
Sudan		
<b>Tajikistan</b>		
Tanzania		
Timor-Leste		
Togo		
Uganda		
<b>Ukraine</b>		
<b>Uzbekistan</b>		
Vietnam		
Yemen, Rep.		
Zambia		
Zimbabwe		

*Notes: Classification Based on World Bank Criteria of 2001 GNI per capita calculated using World Bank Atlas Method.  
See World Development Indicators. Countries in bold were considered in transition*

**Table 12: ODA/OA as percentage of GNI in selected years and countries**

(%)

Country	1990	1995	2000	2001	2002	2003
Albania	0.5	7.3	8.3	6.4	6.7	5.8
Angola	3.3	11.3	4.3	3.9	4.6	4.2
Armenia	0.1	0.1	0.0	0.1	0.1	0.1
Azerbaijan	..	7.6	11.0	9.1	11.9	8.5
Bangladesh	7.0	3.4	2.5	2.1	1.8	2.5
Belize	7.7	3.3	2.1	2.7	2.6	1.2
Benin	14.8	14.3	10.6	11.6	8.1	8.3
Bhutan	16.5	23.5	10.7	12.6	13.8	12.8
Bolivia	11.8	11.0	5.8	9.3	8.8	11.9
Burkina Faso	12.0	22.6	14.6	14.0	14.8	10.8
Burundi	23.6	29.1	14.0	20.2	28.0	39.0
Cambodia	3.7	19.1	12.1	11.7	12.7	12.9
Cameroon	4.2	6.0	4.6	6.2	6.6	7.4
Cape Verde	31.7	24.2	17.2	14.2	15.2	18.3
Central African Rep.	17.1	15.3	8.0	6.9	5.8	4.2
Chad	18.2	16.8	9.4	11.4	11.6	10.6
Comoros	17.3	21.9	9.2	12.4	13.2	7.7
Congo Dem. Rep. (Zaire)	10.5	4.0	4.1	5.9	22.3	97.9
Congo, Rep.	9.4	7.3	1.5	3.9	2.6	2.6
Cote d'Ivoire	7.5	13.5	3.6	1.7	9.7	1.9
Dominica	12.2	11.9	6.4	8.2	12.9	4.5
Egypt	12.9	3.3	1.3	1.3	1.4	1.1
Equatorial Guinea	49.2	21.9	4.8	2.8	..	..
Eritrea	..	26.5	28.1	42.0	36.9	41.2
Ethiopia	15.0	15.4	11.0	17.3	21.7	22.8
French Polynesia	8.2	11.3	10.2	..	..	..
Gabon	2.5	3.4	0.3	0.2	1.7	-0.2
Gambia	34.0	12.2	11.8	13.6	17.4	17.2
Georgia	..	11.5	5.6	9.5	9.4	5.6
Ghana	9.7	10.3	12.6	12.4	10.8	12.2
Grenada	6.6	4.1	4.4	3.3	2.8	3.0
Guinea	11.0	11.6	5.1	9.5	7.9	6.6
Guinea-Bissau	55.1	50.2	39.6	32.5	30.5	63.6

Guyana	61.4	15.2	16.2	15.3	9.7	12.5
Haiti	5.9	27.6	5.2	4.7	4.5	6.9
Honduras	15.8	11.0	7.8	10.9	6.9	5.9
India	0.4	0.5	0.3	0.4	0.3	0.2
Indonesia	1.6	0.7	1.2	1.0	0.7	0.8
Israel	2.7	0.4	0.8	0.2	0.7	0.4
Jordan	23.3	8.3	6.6	4.7	5.4	12.3
Kazakhstan	..	0.3	1.1	0.7	0.8	0.9
Kenya	14.7	8.4	5.0	4.2	3.3	3.4
Kiribati	36.0	21.2	21.9	14.4	22.7	20.3
Kyrgyz Rep.	..	19.5	16.7	13.0	12.0	10.6
Laos	17.3	17.6	16.9	14.5	15.9	14.9
Lesotho	13.8	8.6	3.3	6.0	8.9	6.0
Madagascar	13.5	10.0	8.5	8.4	8.6	10.0
Malawi	27.4	31.5	26.7	24.2	20.7	30.0
Maldives	10.9	16.4	3.4	4.3	4.5	2.8
Mali	20.0	22.4	14.9	14.4	15.0	12.6
Marshall Islands	..	33.2	50.4	62.3	48.1	40.9
Mauritania	22.0	22.7	21.3	27.9	30.6	20.9
Micronesia	..	32.4	39.4	60.4	48.2	47.3
Mongolia	..	22.7	22.8	20.9	18.7	19.6
Mozambique	43.2	49.9	24.5	29.8	60.3	25.0
Namibia	4.3	5.2	4.3	3.4	4.5	3.2
Nauru	11.5	9.6	6.9	0.0	0.0	0.0
New Caledonia	12.0	12.4	11.5	..	..	..
Nicaragua	33.6	44.2	..	24.4	13.3	20.7
Niger	16.4	15.0	11.8	13.3	13.9	16.7
Pakistan	2.9	1.3	1.2	2.8	3.1	1.3
Palau	..	145.1	27.7	27.3	24.7	20.0
Papua New Guinea	13.3	8.3	8.3	7.2	7.8	7.5
Philippines	2.9	1.2	0.7	0.8	0.7	0.9
Poland	2.4	3.5	0.9	0.5	0.5	0.6
Russia	0.0	0.5	0.6	0.4	0.4	0.3
Rwanda	11.3	54.1	17.9	17.8	20.7	20.1
Samoa	29.0	22.4	11.7	18.1	14.4	10.4
Sao Tome & Principe	104.2	210.6	80.4	89.4	54.8	66.6
Senegal	14.9	15.4	9.9	9.1	9.2	7.0
Sierra Leone	10.5	22.8	29.5	44.2	39.0	30.9
Solomon Islands	22.1	14.9	24.8	21.5	11.3	26.1
Sri Lanka	9.3	4.3	1.7	2.0	2.1	0.0

St. Lucia	3.4	9.3	1.7	2.7	5.4	2.3
St. Vincent&Grenadines	8.2	18.9	1.9	2.6	1.4	1.8
Sudan	6.6	3.9	2.4	1.5	2.5	3.8
Suriname	19.9	21.3	4.0	3.4	1.3	1.1
Swaziland	5.7	4.0	0.9	2.1	1.9	1.4
Syria	5.7	3.1	0.9	0.9	0.4	0.8
Tanzania	28.8	17.1	11.4	13.6	12.7	16.3
Togo	16.3	15.2	5.9	3.4	3.6	2.6
Tonga	25.4	25.0	11.9	15.2	15.4	16.4
Uganda	15.8	14.7	14.2	14.3	11.1	15.6
Vanuatu	30.6	22.5	21.5	13.7	12.0	12.3
Viet Nam	3.1	4.1	5.5	4.5	3.6	4.5
Wallis & Futuna	8.4	4.6	3.2	0.0	0.0	0.0
Zambia	16.0	63.0	25.7	10.1	18.1	13.4
Zimbabwe	4.0	7.2	2.6	1.9	..	..

<b>Table 13: Changes in ODA/OA by countries</b>					
country	Change in ODA/OA (%)	Sign of change in ODA	Cont.		
Timor-Leste	171260.6	Positive	Benin	-5	negative
Wallis & Futuna	6069.7	Positive	Malawi	-8.5	negative
Serbia & Montenegro	2030.9	Positive	Mali	-8.5	negative
Korea, Dem. Rep.	1119.9	Positive	Samoa	-8.7	negative
Congo Dem. Rep. (Zaire)	1021.3	Positive	Angola	-9.8	negative
Barbados	646.5	Positive	Qatar	-10.4	negative
Hungary	414.2	Positive	Chad	-11.1	negative
Colombia	271.2	Positive	Cape Verde	-12	negative
Korea	216.1	Positive	Algeria	-12.8	negative
Montserrat	214.4	Positive	Morocco	-14	negative
Tunisia	208.4	Positive	New Caledonia	-14.6	negative
United Arab Emirates	199.3	Positive	Fiji	-16.3	negative
Uzbekistan	168.5	Positive	Kyrgyz Rep.	-16.9	negative
Iraq	164.5	Positive	Ecuador	-18.4	negative
FYROM-Macedonia	161.9	Positive	Belize	-18.7	negative
St. Kitts-Nevis	152.8	Positive	Guyana	-18.9	negative

Bahamas	152.6	Positive	Argentina	-19.1	negative
Kazakhstan	148.1	Positive	Sri Lanka	-19.1	negative
Moldova	143.4	Positive	Grenada	-19.5	negative
Romania	142.6	Positive	Bosnia-Herzegovina	-19.8	negative
Azerbaijan	141.8	Positive	Bangladesh	-22.1	negative
Bulgaria	139.8	Positive	Russia	-22.6	negative
Palestinian adm.areas	129.2	Positive	Vanuatu	-22.7	negative
Yemen	119.5	Positive	Niue	-24.3	negative
Nauru	105.1	Positive	Namibia	-24.4	negative
Tajikistan	104.8	Positive	Burundi	-24.9	negative
Lithuania	85.6	Positive	Iran	-25.5	negative
Turkmenistan	80.2	Positive	El Salvador	-26.8	negative
Eritrea	75.8	Positive	Netherlands Antilles	-27.5	negative
Slovak Republic	73.7	Positive	Bahrain	-28.3	negative
Czech Republic	73.4	Positive	Guinea	-28.5	negative
Venezuela	68.9	Positive	Dominica	-28.9	negative
Viet Nam	67.7	Positive	Comoros	-29.7	negative
Libya	62	Positive	Senegal	-30.7	negative
Albania	60.3	Positive	India	-30.7	negative
Latvia	57.9	Positive	Seychelles	-31.7	negative
Pakistan	55.6	Positive	Anguilla	-33.1	negative
Antigua & Barbuda	54.7	Positive	Kenya	-33.3	negative
Jordan	54.1	Positive	Panama	-33.3	negative
Tanzania	53.4	Positive	Tonga	-34.1	negative
Sierra Leone	49.5	Positive	Philippines	-35	negative
South Africa	48.7	Positive	Djibouti	-35.5	negative
Slovenia	46.4	Positive	Somalia	-36.3	negative
Gibraltar	42.6	Positive	Lesotho	-36.7	negative
Honduras	41.9	Positive	Maldives	-41.4	negative
Lebanon	41.9	Positive	Papua New Guinea	-41.7	negative
Ethiopia	41.6	Positive	Equatorial Guinea	-42.6	negative
Kuwait	39.8	Positive	St. Lucia	-43.6	negative
Peru	39.5	Positive	Sao Tome & Principe	-43.9	negative
Nigeria	37.8	Positive	Guinea-Bissau	-44.3	negative
Madagascar	35.8	Positive	Liberia	-44.9	negative
Aruba	33.6	Positive	Mauritius	-46.9	negative
Sudan	32.4	Positive	Swaziland	-47.2	negative
Saudi Arabia	32.1	Positive	Rwanda	-47.7	negative
Ukraine	31.6	Positive	Paraguay	-47.9	negative

Chinese Taipei (Taiwan)	30.8	Positive	Turks & Caicos Islands	-48.5	negative
Tokelau	29.7	Positive	Egypt	-50.9	negative
Estonia	28.4	Positive	China	-53.9	negative
Mozambique	27.5	Positive	Zambia	-53.9	negative
Cameroon	24.8	Positive	Poland	-55.1	negative
Micronesia	23.8	Positive	Oman	-59.7	negative
Croatia	22.3	Positive	Cote d'Ivoire	-60.5	negative
Mayotte	20.2	Positive	Zimbabwe	-61.3	negative
Brazil	19.8	Positive	Botswana	-61.4	negative
Marshall Islands	19.7	Positive	Cook Islands	-62.8	negative
Georgia	19.4	Positive	Israel	-63.9	negative
Ghana	18.9	Positive	Costa Rica	-65.2	negative
Kiribati	18.6	Positive	Central African Rep.	-65.3	negative
Cyprus	16.1	Positive	Singapore	-68	negative
Guatemala	16	Positive	Haiti	-69	negative
Indonesia	15.1	Positive	Syria	-70	negative
Dominican Republic	14.6	Positive	Jamaica	-70.4	negative
Gambia	13.1	Positive	Togo	-70.6	negative
Mongolia	12	Positive	Mexico	-71.4	negative
Niger	11.3	Positive	Belarus	-73.6	negative
Mauritania	11.1	Positive	Uruguay	-74.2	negative
Bolivia	10.7	Positive	Chile	-75.2	negative
St. Helena	10.5	Positive	St. Vincent&Grenadines	-76.3	negative
Cuba	10	Positive	Palau	-77.7	negative
Cambodia	8.5	Positive	Congo, Rep.	-77.9	negative
French Polynesia	8.4	Positive	Hong Kong, China	-78.3	negative
Tuvalu	7.2	Positive	Malta	-81.5	negative
Cayman Islands	6	Positive	Suriname	-81.5	negative
Uganda	5.6	Positive	Gabon	-84.5	negative
Armenia	5.2	Positive	Virgin Islands (UK)	-89.1	negative
Turkey	5.2	Positive	Bermuda	-100.4	negative
Solomon Islands	5	Positive	Brunei	-107.2	negative
Nicaragua	4.4	Positive	Thailand	-117.4	negative
Bhutan	3.7	Positive	Trinidad & Tobago	-117.7	negative
Myanmar (Burma)	3.2	Positive	Falkland Islands	-118.3	negative
Burkina Faso	-2.1	Negative	Malaysia	-178.7	Negative
Nepal	-3.7	Negative	Macao	-1140.8	Negative
Laos	-4.1	Negative			
Notes: Changes in ODA are based on the formulas discussed in Section 3 of the main text					



**Table 14: Change in Policy**

Country	Change in policy (%)	Sign of change	Country (cont.)	Change in policy (%)	Sign of change
Solomon Islands	-122.2	negative	Botswana	7.7	positive
Trinidad & Tobago	-100	negative	Guatemala	8	positive
Belize	-50	negative	Brunei	8.1	positive
Malawi	-46.7	negative	Vanuatu	8.3	positive
Central African Rep.	-45.5	negative	Maldives	8.3	positive
Kyrgyz Rep.	-43.5	negative	Oman	8.3	positive
Russia	-42.9	negative	Equatorial Guinea	9.5	positive
Micronesia	-33.3	negative	Lithuania	10	positive
Guinea-Bissau	-33.3	negative	Poland	10	positive
Pakistan	-32	negative	Rwanda	10	positive
Venezuela	-29.4	negative	St. Kitts-Nevis	10	positive
Jordan	-29.2	negative	Kuwait	10	positive
Eritrea	-25.8	negative	Liberia	10.3	positive
Haiti	-24.1	negative	Angola	10.5	positive
Bangladesh	-21.1	negative	Brazil	11.1	positive
Belarus	-20	negative	Burkina Faso	11.1	positive
Zimbabwe	-20	negative	Cape Verde	11.1	positive
Comoros	-16.7	negative	Georgia	11.1	positive
Congo, Rep.	-16.7	negative	Palau	11.1	positive
Nepal	-14.3	negative	Papua New Guinea	11.1	positive
Ukraine	-14.3	negative	Moldova	13	positive
Ecuador	-12.5	negative	Algeria	13.2	positive
Sao Tome & Principe	-11.1	negative	Mongolia	13.3	positive
Uganda	-11.1	negative	Albania	13.6	positive
Zambia	-8.7	negative	Antigua & Barbuda	14.3	positive
Benin	-7.7	negative	Dominica	14.3	positive
Malaysia	-7.4	negative	Niger	14.3	positive
Argentina	-6.7	negative	Bahrain	16.2	positive
Madagascar	-5.6	negative	Bhutan	16.7	positive
Colombia	-4.3	negative	El Salvador	16.7	positive
Ethiopia	-3.4	negative	Philippines	16.7	positive
Swaziland	-3	negative	Burundi	17.5	positive
United Arab Emirates	-3	negative	Djibouti	17.6	positive

Cameroon	-2.9	negative	South Africa	18.2	positive
Armenia	0	constant	Mauritania	18.4	positive
Barbados	0	constant	Tajikistan	19	positive
Cambodia	0	constant	Turkey	20.7	positive
Chad	0	constant	Nicaragua	21.7	positive
Costa Rica	0	constant	Slovenia	22.2	positive
Cuba	0	constant	Bulgaria	23.1	positive
Cyprus	0	constant	Sri Lanka	23.1	positive
Czech Republic	0	constant	Chile	25	positive
Egypt	0	constant	Estonia	25	positive
Fiji	0	constant	Lesotho	25	positive
Gabon	0	constant	Nauru	25	positive
Grenada	0	constant	Bosnia-Herzegovina	26.5	positive
Guinea	0	constant	Thailand	28.6	positive
Guyana	0	constant	Latvia	30.8	positive
Honduras	0	constant	ChineseTaipei(Taiwan)	31.3	positive
Hungary	0	constant	Tanzania	31.3	positive
Israel	0	constant	Sierra Leone	31.4	positive
Jamaica	0	constant	India	31.8	positive
Kazakstan	0	constant	Bahamas	33.3	positive
Kiribati	0	constant	Gambia	33.3	positive
Korea	0	constant	Kenya	34.2	positive
Korea, Dem. Rep.	0	constant	Senegal	34.6	positive
Laos	0	constant	Dominican Republic	35	positive
Lebanon	0	constant	Nigeria	35	positive
Libya	0	constant	Romania	36.8	positive
Malta	0	constant	Panama	40	positive
Marshall Islands	0	constant	Ghana	41.7	positive
Mauritius	0	constant	Mexico	43.5	positive
Morocco	0	constant	Slovak Republic	43.8	positive
Namibia	0	constant	Peru	44	positive
Samoa	0	constant	Indonesia	44.7	positive
Saudi Arabia	0	constant	Uruguay	45.5	positive
St. Lucia	0	constant	Croatia	50	positive
St.Vincent&Grenadines	0	constant	Suriname	50	positive
Sudan	0	constant	Serbia & Montenegro	55.6	positive
Syria	0	constant	Anguilla		missing
Tonga	0	constant	Aruba		missing
Tunisia	0	constant	Bermuda		missing

Turkmenistan	0	constant	Cayman Islands		missing
Tuvalu	0	constant	Cook Islands		missing
Yemen	0	constant	Falkland Islands		missing
Cote d'Ivoire	3	positive	French Polynesia		missing
Togo	3	positive	Gibraltar		missing
Singapore	3.4	positive	Hong Kong, China		missing
Mozambique	4.5	positive	Macao		missing
FYROM-Macedonia	4.8	positive	Mayotte		missing
Iraq	4.8	positive	Montserrat		missing
Paraguay	4.8	positive	Myanmar (Burma)		missing
Uzbekistan	4.9	positive	Netherlands Antilles		missing
Seychelles	5.3	positive	New Caledonia		missing
Azerbaijan	5.7	positive	Niue		missing
Bolivia	6.3	positive	Palestinian adm.areas		missing
Mali	6.7	positive	St. Helena		missing
China	7.1	positive	Timor-Leste		missing
Somalia	7.1	positive	Tokelau		missing
Viet Nam	7.1	positive	Turks & Caicos Islands		missing
Congo Dem.Rep. (Zaire)	7.7	positive	Virgin Islands (UK)		missing
Iran	7.7	positive	Wallis & Futuna		missing
Qatar	7.7	positive			
Note: Policy: Freedom House combined democracy indices on political rights and civil liberties (1=best, 7=worst). See methodology in Section 3					

**Table 15: The winners and losers of selectivity: 1994-2003\***

(based on changes in aid distribution, policy and economic output in 106 developing/transition countries)

<b>Policy winners-aid winners</b>		<b>Policy losers-aid winners</b>		<b>Policy winners-aid losers</b>		<b>Policy loser-aid losers</b>	
<u>improving policy increasing</u> ODA share		<u>declining policy increasing</u> ODA share		<u>improving policy decreasing</u> ODA share		<u>declining policy decreasing</u> ODA share	
<b>Increasing</b> GDP	<b>decreasing</b> GDP	<b>increasing</b> GDP	<b>decreasing</b> GDP	<b>increasing</b> GDP	<b>decreasing</b> GDP	<b>increasing</b> GDP	<b>decreasing</b> GDP****
Mozambique Latvia Estonia Azerbaijan Georgia Viet Nam Albania Dominican R. Croatia Lithuania Slovenia Slovakia St. Kitts-Nevis Antigua & Barbuda Uzbekistan Ghana Gambia Mongolia Tanzania Bulgaria Mauritania Guatemala Brazil South Africa Peru Bolivia Tajikistan Nigeria Níger	Romania Indonesia Moldova Kuwait Sierra Leone Congo DR (Zaire)	Ethiopia Cameroon Madagascar Pakistan Ukraine Jordan	Eritrea Colombia Venezuela Micronesia	Liberia Equatorial Guinea Bosnia-H. China Rwanda Poland Botswana India Cape Verde Chile Angola Sri Lanka Senegal Singapore Mali Iran Mexico Suriname Burkina Faso Lesotho Bahrain Algeria Panama Philippines Dominica Bhutan*** El Salvador Uruguay Turkey*** Thailand	Cote d'Ivoire Kenya Togo Paraguay Djibouti Burundi Seychelles Vanuatu Papua New Guinea	Belarus Trinidad & T. Kyrgyz Republic Bangladesh Uganda*** Benin Nepal Russia Belize Malaysia Malawi Cent. African R. Zambia Swaziland	Solomon Isl.*** Sao Tome & Pr. Congo, Rep. Haiti Comoros Zimbabwe Guinea-Bissau
<b>'Selectivity darlings'</b>	<b>'Selectivity darlings under stress'</b>	<b>'Selectivity-proof countries'</b>	<b>'Selectivity-proof countries under stress'</b>	<b>'Selectivity orphans'</b>	<b>'Selectivity orphans under stress'</b>	<b>'Selectivity resilient'</b>	<b>Selectivity pariahs'</b>
<b>29 countries</b>	<b>6 countries</b>	<b>6 countries</b>	<b>4 countries</b>	<b>31 countries</b>	<b>10 countries</b>	<b>14 countries</b>	<b>7 countries</b>

Notes:  
 \* Trends are calculated using two different methods. Within each column countries are ordered on the basis of economic performance.  
 \*\* Upper-middle income countries.  
 \*\*\* Country with increasing ODA where the increase is below average (>6.5% between 2001-2003 and 1994-1996).  
 \*\*\*\* Argentina and Ecuador would belong here but for them the two methods applied do not give the same i.e. conclusive results.

**Table 16: Characteristics of countries with declining ODA, policy and GDP**

Country	Geographic Region	Adult HIV/AIDS Prevalence Rate	Under-Five Mortality Rate	Primary education enrolment/attendance	GNI Per Capita (\$)	Conflict	Median age
Comoros	Sub-Saharan Africa	..	73	31	450	No	18.6
Congo, Rep.	Sub-Saharan Africa	4.9	108	54	640	Yes	20.7
Guinea-Bissau	Sub-Saharan African	..	204	41	140	No	19.0
Haiti	Latin America &Carib.	5.6	118	54	380	..	18.0
Sao Tome & Principe	Sub-Saharan Africa	..	118	78	320	No	16.1
Solomon Islands	Pacific Ocean	..	56	..	560	Yes	18.6
Zimbabwe	Sub-Saharan Africa	24.5	126	79	480	No	19.3

Notes: Data are 2003 values except education which is latest available estimate. Source: UNICEF, World Bank and the CIA factbook (Median age last available years). Haiti had civil strife in 2004.

**Table 17: Donors to select losers\***

1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Belgium</b>	<b>Belgium</b>	<b>Belgium</b>	<b>Belgium</b>	<b>Belgium</b>	<b>Belgium</b>	<b>Belgium</b>	<b>Belgium</b>	<b>Belgium</b>
Canada				Canada			Canada	Canada
<b>France</b>	<b>France</b>			<b>France</b>	<b>France</b>	<b>France</b>	<b>France</b>	<b>France</b>
<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>		<b>Germany</b>
Japan	Japan	Japan	Japan	Japan				
Luxembourg	Netherlands	Netherlands				Netherlands	Netherlands	
Other UN	Other UN				Other UN	Other UN	Other UN	Other UN
<b>UNDP</b>	<b>UNDP</b>		<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>
<b>UNFPA</b>	<b>UNFPA</b>		<b>UNFPA</b>	<b>UNFPA</b>	<b>UNFPA</b>	<b>UNFPA</b>	<b>UNFPA</b>	<b>UNFPA</b>
<b>UNICEF</b>	<b>UNICEF</b>	<b>UNICEF</b>	<b>UNICEF</b>	<b>UNICEF</b>	<b>UNICEF</b>	<b>UNICEF</b>	<b>UNICEF</b>	<b>UNICEF</b>
<b>UNTA</b>	<b>UNTA</b>		<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>
UK	UK	UK		UK	UK			
<b>US</b>			<b>US</b>	<b>US</b>	<b>US</b>	<b>US</b>	<b>US</b>	<b>US</b>

Notes:

\*Zimbabwe, Comoros, Ecuador, Guinea Bissau

Countries characterized by decreasing ODA, declining policy, increasing poverty

Most consistent donors: Belgium, Germany, UNICEF, UNDP, UNTA, UNFPA, France

**Table 18: Donors to select group of winners\***

1995	1996	1997	1998	1999	2000	2001	2002	2003
	Australia							
<b>Austria</b>	<b>Austria</b>	<b>Austria</b>	<b>Austria</b>	<b>Austria</b>	<b>Austria</b>	<b>Austria</b>	<b>Austria</b>	<b>Austria</b>
	Belgium	Belgium			Belgium			Belgium
<b>Canada</b>		<b>Canada</b>	<b>Canada</b>	<b>Canada</b>	<b>Canada</b>	<b>Canada</b>	<b>Canada</b>	<b>Canada</b>
<b>Denmark</b>	<b>Denmark</b>	<b>Denmark</b>	<b>Denmark</b>	<b>Denmark</b>	<b>Denmark</b>	<b>Denmark</b>	<b>Denmark</b>	<b>Denmark</b>
<b>EC</b>	<b>EC</b>	<b>EC</b>	<b>EC</b>	<b>EC</b>	<b>EC</b>	<b>EC</b>	<b>EC</b>	<b>EC</b>
<b>Finland</b>	<b>Finland</b>	<b>Finland</b>	<b>Finland</b>	<b>Finland</b>	<b>Finland</b>	<b>Finland</b>	<b>Finland</b>	<b>Finland</b>
<i>France</i>	<i>France</i>	<i>France</i>	<i>France</i>	<i>France</i>	<i>France</i>	<i>France</i>	<i>France</i>	<i>France</i>
<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>	<b>Germany</b>
Italy	Italy	Italy						Italy
<b>Japan</b>	<b>Japan</b>	<b>Japan</b>	<b>Japan</b>	<b>Japan</b>	<b>Japan</b>	<b>Japan</b>	<b>Japan</b>	<b>Japan</b>
				Luxembourg				
Netherlands				Netherlands	Netherlands	Netherlands	Netherlands	Netherlands
<b>Norway</b>	<b>Norway</b>	<b>Norway</b>	<b>Norway</b>	<b>Norway</b>	<b>Norway</b>	<b>Norway</b>	<b>Norway</b>	<b>Norway</b>
Other UN	Other UN							Other UN
				Poland	Poland	Poland	Poland	
	Spain	Spain	Spain	Spain	Spain	Spain	Spain	Spain
<b>Sweden</b>	<b>Sweden</b>	<b>Sweden</b>	<b>Sweden</b>	<b>Sweden</b>	<b>Sweden</b>	<b>Sweden</b>	<b>Sweden</b>	<b>Sweden</b>
<b>Switzerland</b>	<b>Switzerland</b>	<b>Switzerland</b>	<b>Switzerland</b>	<b>Switzerland</b>	<b>Switzerland</b>	<b>Switzerland</b>	<b>Switzerland</b>	<b>Switzerland</b>
<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>	<b>UNDP</b>
UNFPA			UNFPA	UNFPA	UNFPA	UNFPA	UNFPA	UNFPA
<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>	<b>UNTA</b>
<b>United Kingdom</b>	<b>United Kingdom</b>	<b>United Kingdom</b>	<b>United Kingdom</b>	<b>United Kingdom</b>	<b>United Kingdom</b>	<b>United Kingdom</b>	<b>United Kingdom</b>	<b>United Kingdom</b>
	United States			United States	United States	United States	United States	United States

Notes:  
 \*Albania, Estonia, Ghana, Mozambique  
 Select group of countries are characterized by increasing ODA, improving Policy, declining poverty  
 Most Consistent Donors: Austria, Canada, EC, Finland, France, Germany, Japan, Norway, Spain, Sweden, Switzerland, UNDP, UNTA, UK



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