

## Measuring the Quality of Development Assistance Discussion Draft - December 2007

### *Background and Objective*

The development community has reached a strong consensus, demonstrated by the Paris Declaration, that not only the quantity, but also the quality of aid play an important role in determining the effectiveness of development assistance. However, the debate remains disproportionately focused on the quantity of aid, in part because of the lack of accessible, comparable information on the quality of aid; while OECD-DAC has made significant progress in collecting data on how aid is spent, these are difficult for non-specialists to interpret.

Building on the successful experience of the Center's Commitment to Development Index, as well as on the work of OECD-DAC, CGD intends to develop and publish an annual assessment of the quality of the aid disbursed by official donors, intended for a broad audience including donor agencies, civil society, legislatures and the public. The project aims for useful comparisons across donors, though the data limitations imply that reaching a full index, with the kind of ranking that the CDI presents, will require more extended work beyond the first year of the project. Even in the first stages, however, a prototype assessment could help catalyze more interest in better aid as well as more aid.

We use "quality" here to mean donor policies and practices that the literature and evidence on aid effectiveness, as well as judgments based on practical experience (such as those laid out in the Paris declaration) suggest can contribute to aid effectiveness in achieving growth, improved health, education, and other measures of quality of life, and institutional development in the recipient country.

This draft presents for discussion preliminary indicators for such an assessment. Many raise conceptual issues, as well as issues of data availability, to which we hope initial rounds of an assessment would help draw attention and discussion useful for improving both data and ultimately aid quality. Specifically, we propose that indicators should be considered on the basis of the following criteria:

- Indicators should be quantity-blind and not penalize small or large donors *per se*.
- Indicators should primarily reflect and be sensitive to current donor policy and practice, whether determined by decisions within aid agencies or externally (e.g. through legislative earmarking).
- Indicators should be simple and transparent.

Further issues for consideration and discussion include whether to rank countries or agencies, and how to assess multiple agencies within a donor country (e.g. USAID and MCC) and multilateral agencies to which countries contribute; and how to recognize (and avoid penalizing) donors' use of appropriate aid for difficult contexts, such as fragile states.

We look forward to feedback on these and other issues as we develop the design of an initial aid quality assessment tool.

### **Part 1: Maximizing value for money: where and on what aid is spent**

- Selecting poor recipients
- Selecting well-governed recipients
- Tied aid\*
- Contributions to United Nations and multilateral institutions as a percentage of aid
- Percentage spent on poverty-reducing global public goods such as aid for health research, CGIAR, etc.
- Percentage of aid that is earmarked by sector or similarly restricted

### **Part 2: Reducing the burden on recipient governments**

- Predictability\*
  - Percentage of standard deviation in a given recipient's aid attributable to the donor (after accounting for overall trend if donors are scaling up or down)
  - Does donor report quarterly disbursements to the recipient government in its ten largest recipients?
- Minimizing administrative burden\*
  - Countries in which donor is active but only donates a minimal amount of aid (as a percentage of recipient GDP)
  - Number of donor missions as a percentage of aid (compared to other donors in country)
  - Coordinated missions as a percentage of aid (compared to other donors in country)
  - Coordinated country analysis as a percentage of aid (compared to other donors in country)
  - Budget for delegated cooperation as reported on donor survey as a percentage of aid
- Donor agency fragmentation\*
  - Number of agencies distributing more than some percentage of donor's aid (fewer is better)

### **Part 3: Fostering recipient country institutions**

- Budget support as a percentage of aid\* (weighted by governance)
- Percentage of aid channeled through country procurement and financial management systems\*
- Reliance on parallel PIUs\*
- Coordination of technical assistance with country programs\*
- Proportion of technical assistance procured locally or internationally (versus in the donor country)
- Donor utilization of donor exemption from recipient country taxation

### **Part 4: Commitment to quality improvement through transparency and evaluation**

- Resources and coverage (percentage of spending evaluated, evaluation department budget and staff, career incentives)
- Funding recipient systems for evaluation\*
- Quality (reviews of methodology by separate reviewers, initiation of evaluation before activities to be evaluated commence, collection of baseline data)
- Independence (separate committee chooses which evaluations to conduct, direct link between head evaluation and head of agency, publication of evaluation determined before activities take place, evaluations have concluded programs did not meet objectives; such evaluations have been published; job security clause for evaluation head)
- Use and impact (Established mechanism for tracking implementation of recommendations; Internally published results; Externally published results; Web-accessible detailed public results)
- Reporting high levels of detail to DAC

\*Objectives of Paris Declaration