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Grading foreign aid agencies: Best practices across traditional and emerging donors

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Abstract

Despite the rapid growth of non–Development Assistance Committee (DAC) emerging donors, these non-traditional donors are historically left out of the discussion on aid effectiveness. In this paper, we provide the first full evaluation of aid agency best practices across multiple agency categories. We rank and compare DAC donors, emerging non-DAC donors, and multilateral and UN agencies in the following five best practice categories: transparency, overhead costs, aid specialization, selective allocation, and effective delivery channels. Contrary to public impressions that emerging donors engage in worse practices, we find that non-DAC agencies rank similarly to DAC donors: Both groups are equally poor performers. Emerging donors engage in less aid fragmentation across countries and use fewer ineffective delivery channels. Traditional DAC donors, however, provide more transparent reporting. Overall, we find that multilateral agencies and UN donors outperform both DAC and non-DAC bilateral agencies. Collectively, our results suggest that most aid donors do not meet their own standards for best practices, and this finding is not unique to emerging donors. We highlight how our results reflect the broader political economy of aid allocation.

KEYWORDS
aid effectiveness, best practices, donor rankings, foreign aid, specialization, transparency

JEL CLASSIFICATION
F3; O1; O2

1 | INTRODUCTION

Foreign aid is one of the most researched and debated development topics. An important finding that emerged from this literature is that aid to developing countries has failed to achieve its expected results.[1] Consequently, the last decade has seen a growth in attempts to monitor foreign aid agencies to improve aid best practices and increase the effectiveness of aid. In general, aid best practices focus on the quality of delivery and effective allocation. The primary impetus for change and commitment to best aid practices reached a critical mass with the Paris Declaration in 2005, followed up by the Accra Agenda for Action in 2008 and the Busan Agreement in 2011. At each meeting, donors reaffirmed a pledge to the principles of "best aid practices," with a particular focus on achieving transparent and less fragmented aid delivery.

Donor agencies pledged to adhere to better practices of aid-giving, and there exists a variety of methods to evaluate whether donors are engaging in these best practices. These donor evaluations typically include "traditional" donors, such as Development Assistance Committee (DAC), multilateral agencies, and UN agencies. In this paper, we create a new donor category for non-DAC donors, or emerging donors, and provide the first full evaluation and ranking of non-DAC, DAC, multilateral, and UN agencies.

Non-DAC donors, such as China, Brazil, Saudi Arabia, Russia, and Turkey, operate outside the guidance of the DAC of OECD members and thus are not required to report aid allocations. This means that their aid practices have been difficult to assess due to insufficient data availability, and they tend to be left out of the discussion on aid effectiveness.[2] However, non-DAC aid is rapidly growing and transforming the aid landscape, a topic emphasized at the 2011 Busan summit (Asmus, Fuchs, & Muller, 2020; Dreher, Lang, Rosendorff, & Vreeland, 2018; Fuchs & Vadlamannati, 2013; Strange et al., 2013; Walz & Ramachandran, 2011). For example, several studies demonstrate how non-DAC aid is influencing DAC aid (Hernandez, 2017; Strange et al., 2017; Zeitz, 2020). In addition, several recent papers discuss the impact of non-DAC aid on recipient countries (Bluhm et al., 2020; Cruzatti et al., 2020; Eichenauer et al., 2018; Strange et al., 2017).

A primary concern is the extent to which these non-DAC donors are engaging in "rogue aid" practices, and several scholars have embarked on investigating the extent to which non-DAC practices differ from DAC practices. For example, Dreher et al. (2011) analyze DAC and non-DAC on one best practice category, the selectivity of aid, and find that both groups do not consider the institutional quality of recipient countries and thereby continue to give aid to corrupt countries. Other studies analyze aid selectivity of specific non-DAC donors, such as Brazil (Semrau & Thiele, 2017) or China (Broich, 2017), or go a step further to compare aid selectivity practices among DAC donors to a specific non-DAC donor such as China (Dreher & Fushs, 2015) or India (Fuchs & Vadlamannati, 2013). Publish What You Fund provides a measure and ranking of transparency best practice across 45 donors, including DAC and non-DAC.

This article contributes to the literature by helping to provide an answer to whether emerging, non-DAC donors are engaging in worse "best aid" practices. Our paper differs in that we provide the first full evaluation across multiple non-DAC donors (18) and across multiple best practice categories (transparency, overhead, specialization, the selectivity of aid, and ineffective aid channels such as tied aid, food aid, and technical aid). Investigating non-DAC agencies across 5 best practices categories and 13 subcategories allows us to see a more comprehensive analysis of donor behaviors.

In addition, we provide an update to the traditional DAC donors' data and rankings to compare, side by side, and provide the first full evaluation and ranking across five best practices categories and across four groups—non-DAC, DAC, multilateral, and UN agencies.

To evaluate these foreign aid donors, we build off the methodology in Easterly and Pfutze (2008) and Easterly and Williamson (2011) and focus on the following five best practices. *Transparency* is based on the ability to gather information such as employment numbers, budgetary data, and overhead costs. *Overhead cost* utilizes the data collected during the transparency stage and refers to an agency's costs relative to aid disbursements. *Specialization* captures the extent to which aid is divided among many countries and sectors. *Selectivity* refers to aid delivery to the poorest countries and democratically free countries, while avoiding corrupt dictators. *Ineffective channels* measure the share of aid that is tied, given as food aid or as technical assistance. These five areas reflect the standard best practices identified through years of research and the metrics used in the previous evaluation of foreign aid agencies.[3] They are derived from a combination of what traditional donors themselves say are important, what outside aid organizations attempt to monitor, and what the academic literature suggests agencies should follow.[4]

Thus, using 2012 OECD data and hand-collected data, we aggregate agency rankings based on four categories of donors—DAC bilateral (29), non-DAC bilateral (18), multilateral (23), and UN donors (16). We then compare rankings across each best practice subgroup. We add robustness to our findings by providing regression estimates of best practices, controlling for the size and type of donor.

We have several main results. Contrary to public impressions that emerging donors engage in worse practices, we find that, overall, non-DAC agencies perform similarly to DAC agencies: Both groups are equally poor performers. DAC donors provide more transparent reporting to the OECD than non-DAC agencies, but in the categories of country specialization and ineffective aid channels, non-DAC donors significantly outperform DAC agencies. Both groups are similarly ranked in terms of overhead costs and selectivity of aid.

When we compare multilateral to bilateral donors, we find that, on average, multilateral agencies and UN donors outperform both DAC and non-DAC bilateral donors.[5] Collectively, our results suggest that most aid agencies do not meet their own standards for best practices, and this finding is not unique to emerging, non-DAC donors. Our regression estimates also provide an additional insight. Large donors (as measured by ODA) tend to be more transparent and have better overhead costs but engage in more country fragmentation and give more aid to non-democratic countries. Our results focus mostly on generalizations that can be drawn from the data. However, we recognize that variations exist across agencies and practices; thus, we discuss individual agency outliers throughout the text.

Many challenges arise from ranking donors in this capacity. For example, we rely on indirect measures of best practices. We acknowledge criticisms regarding the sensitivity of rankings as addressed by Clist (2015) and BenYishey and Wiebe (2009), and precisely because of this, we choose to focus our analysis on the differences among donor category groups rather than specific and individual donors.

In addition to comparing across donor groups, throughout the paper, we highlight how our results reflect the broader political economy of aid allocation. For example, our findings regarding selectivity

and aid fragmentation lend support to the idea that bilateral DAC agencies are more susceptible to political economy pressures to allocate aid for political reasons instead of development purposes.

Overall, our analysis on the performance of foreign aid donors connects to the broader literature on the political economy of best practices, suggesting that aid agencies are continuing to fail to meet their own effective aid standards, a common theme in the literature (see OECD, 2008, 2011). Our findings challenge donors' rhetorical commitments to best practices and the uneven criticisms of non-DAC aid.

2 | BEST AID PRACTICES IN THE LITERATURE

Scholars have pursued a variety of methodologies to evaluate the performance of donors. Knack et al. (2011) derive the best aid practices primarily from the Paris Declaration (OECD, 2005) by constructing an overall rank based on selectivity, alignment, harmonization, and specialization.

Birdsall et al. (2010) choose four dimensions of aid practices and create only partial rankings on those dimensions. These dimensions include maximizing efficiency, fostering institutions, reducing the burden on recipients, and transparency and learning. Roodman (2012) ranks donors based on "development-friendliness" policies and the quantity of aid given by bilateral donors.

Based on the academic literature, Easterly and Pfutze (2008) and Easterly and Williamson (2011) incorporate additional evaluation methods, derived from principles that traditional donors say are important, outside aid organizations monitor, and the academic literature suggests agencies should follow. The United Kingdom's Department for International Development (DFID) has also constructed its own index for ranking multilateral agencies to help determine funding decisions (DFID, 2016).

Outside of studies measuring and ranking across best practices, other papers consider one particular component. For example, Ghoash and Kharas (2011) measure donors on how transparent they are with their aid activities, and Acharya et al. (2006) provide a ranking of the worst bilateral aid proliferators. Dollar and Levin (2006) create a policy-selectivity and poverty-selectivity index to measure how closely donors follow aid-selectivity commitments on targeting aid to low-income countries and countries with sound institutions and policies. Aldasoro et al. (2010), Burky (2011), and Nunnenkamp et al. (2013) show that aid fragmentation has increased since the Paris Declaration in 2005.

The growth in non-DAC aid has also led to research on best aid practices among emerging donors. This was jumpstarted with debates on whether non-DAC donors provide "rogue" aid that is counter to traditional development goals—with China often as the focus (Berger et al., 2011; Naím, 2007). For instance, non-DAC donors are highly criticized for their lack of transparency and their focus on national "self interests." Naím (2007, p. 95) vocalized this concern: "They are motivated by desire to further their own national interests, advance an ideological agenda, or sometimes line their own pockets."

Recent analysis suggests that non-DAC and DAC donors may differ in several respects (more notably with the transparency of aid),[6] but these differences may be overblown as both DAC and non-DAC tend to allocate aid for "self-interest" or political considerations (Dreher & Fuchs, 2015; Dreher et al., 2011). In particular, Dreher et al. (2011) find that both DAC and non-DAC donors do not consider the institutional quality of recipient countries and thereby continue to give aid to corrupt countries. Semrau and Thiele (2017) find that Brazilian aid allocation, an emerging donor, is not sensitive to a recipient country's level of corruption nor its regime type. This is consistent with Dreher and Fuchs's (2015) findings that while political considerations do determine China's aid allocation, it is not substantially more than other donors. Similarly, Broich (2017) documents that Chinese aid does not systematically flow to more African authoritarian regimes.

Dreher et al. (2011) also find that DAC donors, on average, allocate more need-based aid. Supporting this view, Fuchs and Vadlamannati (2013) find that political interests dominate India's

aid practices, a non-traditional donor, significantly more than DAC donors. Providing an overview of the literature, Asmus et al. (2020) summarize differences between non-DAC aid from Brazil, Russia, India, China, and South Africa (BRICS) and traditional donors. Collectively, the main differences are that BRICS aid is generally based on non-interference and mutual benefits, remains small in comparison to traditional aid from OECD countries, and tends to provide greater relative support for exports but less grant support compared to traditional donors.

Other research considers the impact of non-DAC aid on recipient countries and on the behavior of traditional donors. For example, Bluhm et al. (2020) find that transportation projects financed by Chinese aid reduce the concentration of economic activity within regions in developing countries, and they conclude that Chinese aid appears to help the transformation of regions from being dense and crowded. However, they note that the findings do not imply that "Chinese government-financed transport infrastructure has only positive effects" (p. 26). Other scholars study the impact of Chinese aid on infant mortality (Cruzatti et al., 2020), on conflict (Strange et al., 2017), and on attitudes toward China in recipient countries (Eichenauer et al., 2018).

Moreover, Hernandez (2017) discovers that World Bank conditionality to recipient countries is affected by Chinese aid—loans receive 15% fewer conditions for every percentage-point increase in Chinese aid. Results from another study indicate that when a recipient country receives more Chinese aid, the World bank "emulates" the Chinese emphasis on infrastructure by allocating a greater proportion of its development projects in infrastructure-intensive sectors (Zietz, 2020).

3 | RANKING AID AGENCIES

We attempt to include as many agencies as possible by consulting those listed on OECD and AidData.org. We keep an agency listed in our study if we could collect data for at least one practice. Unfortunately, several important emerging donors, such as China, still lack sufficient data for inclusion. At most, we are able to collect data on 29 bilateral-DAC, 18 bilateral-non-DAC, 23 multilateral, and 16 UN agencies, for a total of 86 donors. The list of all agencies in our study is included in Appendix 1.

In each subsection, we present the best practice scores for transparency, overhead costs, aid specialization, selective allocation, and effective delivery channels, aggregated by the type of agency (bilateral agency-DAC, bilateral agency-non-DAC, multilateral agency, and multilateral agency-UN). In Appendix 2, Tables A–E, we present these scores on the individual agency level. If a country has multiple bilateral aid agencies, such as the United States, we collect data at the agency level when possible and then aggregate to the country level by taking a weighted average based on the size of each agency's budget.

3.1 | Transparency

Transparency of aid is essential because it allows for the development community to monitor and hold each other accountable. Without transparency, it would not be possible to evaluate all other aid best practices (Droop et al., 2008). In addition to leading to donor accountability, aid transparency is necessary for donor coordination (Linders, 2013). The emphasis on aid transparency has led to major initiatives such as the *International Aid and Transparency Initiative* (IATI), and it is one of the aid practices for which non-DAC donors receive the most scrutiny (International Aid Transparency Initiative).

Two broad transparency indices, OECD reporting and Overhead Costs reporting, are created to form one overall transparency index. Both indices range from zero to one, with one implying full reporting. The first index is based on OECD reporting. For each table in OECD that an agency reports to, it receives one point. We then take an average of all the tables to create an overall OECD reporting transparency index.

The second index is based on the ability to directly collect data from each agency on four types of overhead costs: permanent international staff, administrative expenses, salaries and benefits, and total development assistance disbursed. First, each agency's website and annual reports were consulted. If data were available online, an agency received one point for that category. Next, all agencies were sent two rounds of emails requesting the data. If an agency provided us with the overhead costs data in the email but that information was not available online, then the agency received half a point in that category. An agency received a "0" if the information on the overhead costs was neither available online nor provided to us in the email. To construct the transparency overhead costs index, we take an average among all four overhead costs categories.

Table 1 reports transparency scores by agency type (individual agency breakdown available in Appendix 2, Table A). The first column reports the 2012 OECD reporting index. The DAC donors are by far the most transparent, with 26 out of 29 fully reporting to OECD.[7] The non-DAC donors are by far the worst-performing on OECD transparency. None of the emerging donors fully report to the OECD, and, in fact, most of them receive a score of 0.20 out of 1.00. The best non-DAC agencies in this category are Kuwait and the United Arab Emirates, with a score of 0.60.

The second column, the overhead costs reporting index, provides another approach on what it can mean to be transparent. We emailed 108 agencies, and 43 agencies responded to our email: 16 were bilateral-DAC, 7 were bilateral non-DAC, and 20 were multilateral and UN agencies. This number includes all automated responses and responses with complete, partial, or no information. For example, both times we emailed UNWomen they responded with an automated "out-of-the-office" reply but never replied to our email. We also had long correspondences with UNDP and Thailand's TICA, but, eventually, they did not provide information.[8] The wide-ranging responses highlight our limited understanding of aid agencies' incentives to respond to the public inquiry.

In terms of the second index, the multilateral agencies do the best and the bilateral non-DAC donors perform the worst. Of the non-DAC donors, Kuwait and Taiwan are the most transparent, listing all overhead costs online and receiving a full transparency score. The bilateral DAC donors barely cross the benchmark with an average of 0.57 for overhead costs reporting.

TABLE 1 2012 Transparency indices

Donor	Transparency index based on:		Average index	Overall rank
	OECD reporting	Overhead costs		
DAC average	0.94	0.57	0.76	29
Non-DAC average	0.24	0.36	0.30	70
Multilateral average	0.68	0.83	0.75	28
UN average	0.65	0.50	0.57	47
Overall average	0.67	0.58	0.63	41

Note: OECD reporting: If an agency reports to one of five OECD tables for bilateral agencies and one of three OECD tables for multilaterals, it receives one point for each table. To aggregate at the country level, averages weighted by ODA were used. Average index: Simple average of OECD reporting and overhead costs. Overall rank: Based on the average index. To aggregate at the country level, averages weighted by ODA were used. Average index: Simple average of OECD reporting and overhead costs. Overall Rank: Based on the average index.

The third column is the Overall Transparency Index, calculated by taking a simple average of the OECD reporting index and operating costs index. The most transparent donors are the traditional DAC bilateral donors (average = 0.76) and the multilateral donors (average = 0.75). The worst group is the newly assessed bilateral non-DAC donors (average = 0.30). The UN donors (average = 0.57) rank above the non-DAC but behind the DAC and multilateral donors. Some donors did receive perfect scores in the overall transparency index.[9]

Taken collectively, DAC and multilateral agencies are more transparent than either the UN or non-DAC, with the non-DAC donors being the least transparent. This suggests that suspicions regarding a lack of transparency with non-DAC donors may be warranted and perhaps explains the general negative perception of emerging aid. However, as we will discuss in our regression estimates in Section 4, when controlling for agency size, DAC and non-DAC donors perform equally poorly on overall transparency reporting, specifically with overhead cost reporting.

Our rankings highlight the lack of transparency that remains among specific donors. We do not believe our measure of transparency is unobtainable; in fact, the information requested is quite basic. One criticism of our measure is that we should require more data for an agency to be considered transparent.

3.2 | Overhead costs

Overhead costs examine a donor's costs relative to aid disbursements. While overhead costs are a necessary part of running an organization and disbursing aid, extremely high overhead costs are signs of inefficiency because it suggests that a sizable share of an agency's budget is allocated to financing the bureaucracy as opposed to disbursing aid.

Data on overhead costs are almost nonexistent. We use the data we collected from the transparency overhead measurements to measure overhead costs for each donor. We construct three types of overhead cost indicators: the share of administrative costs to official development assistance (or official development financing (ODF) for multilaterals that also do significant non-ODA activities), the share of salaries and benefits to ODA (bilaterals) or ODF (multilaterals that include non-ODA activities), and total ODA or ODF disbursements per employee.[10]

Table 2 reports the three overhead cost indicators and the overall rank for each agency category. Appendix 2, Table B contains the breakdown of each specific agency. For an agency to be included, we required information for at least one of the three categories; therefore, quite a few donors are dropped. This leaves 27 DAC, 9 non-DAC, 21 multilateral, and 13 UN agencies.

The first column reports data on the ratio of administrative expenses to ODA/ODF. The bilateral DAC donors have the lowest average ratio of 6%. The non-DAC agencies record administrative expenses similar to but slightly higher than the DAC donors, averaging 11%. The multilateral donors record much higher administrative costs, 43% on average. UN agencies record significantly higher administrative costs, 66%, on average, suggesting a distinct difference in administrative costs between bilateral donors, multilateral, and UN agencies. This result could be because many bilateral agencies, DAC and non-DAC, distribute a large portion of aid through multilateral institutions instead of their own agency. For example, Poland and Italy, who have the lowest administrative expenses among DAC donors, gave 82% and 75%, respectively, through multilateral agencies.

The next category, the ratio of Salaries and Benefits to ODA/ODF, is listed in column 2. A similar pattern emerges where the DAC donors record the lowest expenses with the non-DAC donors as a second group. Both multilaterals and the UN do much poorer, with the UN as the worst performer again. The United States has the highest salaries and benefits ratio among all the DAC donors, over 42%.

TABLE 2 2012 Overhead cost indicators

Donor	Ratio admin budget to ODA/ODF (%)	Ratio salaries and benefits to ODA/ODF (%)	Total ODA/ODF million $ per staff	Overall rank
DAC average	6	7	$4.18	26
Non-DAC average	11	14	$2.33	33
Multilateral average	43	41	$4.31	36
UN average	66	74	$2.73	56
Overall average	29	30	$3.79	35
Standard deviation	69	78	$4.88	
Minimum	0	0	$0.03	
Maximum	487	485	$20.94	

Note: Utilizes data gathered from annual agency reports and email correspondences for the transparency overhead calculations, including ODA; however, calculations for multilaterals use official development financing (ODF) because the development banks tend to support other purposes besides granting aid. ODF is from the OECD except for CAF, FAO, FICA, GFDRR, NADB, UNIDEF, and UNOPS where we used the agency's respective latest annual report.

The third column records aid budget to staff as another measure of overhead costs. This measure attempts to capture overstaffed agencies by analyzing the number of employees per aid disbursement. The worst-performing groups disbursing the least amount of aid per staff are the non-DAC and UN agencies. The best-performing group is the multilateral agencies, and DAC donors rank slightly behind the multilateral agencies.

The last column gives an overall rank based on the overhead measures. DAC donors rank the best in maintaining low overhead costs, followed by non-DAC and multilateral aid agencies. The UN agencies are by far the worst performers.

In addition to wasteful behavior, differences across agencies might explain some of the differences in operating costs. First, as discussed, bilateral aid agencies (both DAC and non-DAC) may keep overhead costs relatively low by dispersing aid through multilateral agencies, essentially outsourcing part of their expenses. Our regression estimates below provide evidence of this mechanism. Second, multilateral and UN agencies undertake more program-based aid work, which might have higher operating costs. For example, such programs might utilize more personnel and require expensive purchases such as health equipment. WFP and UNAIDS, the most expensive aid agencies in our study, seem to fit this description. Third, multilateral agencies may also be involved in activities beyond dispersing ODA or ODF, thus increasing their overhead expenses. Take, for example, IAEA, which is involved in many activities beyond allocating ODF and has the highest expenses in all three categories. Lastly, in multilateral agencies, ownership is based on shares proportional to the donor's GDP, with ownership being the most dispersed within UN agencies. Bilateral donors do not face this organizational structure. More diffuse ownership may suggest less effective control over salaries and other costs as owners face more severe principal-agent problems.

We view these potential alternative explanations as complementary to our main point. Extremely high overhead costs suggest inefficiencies within an agency, and these inefficiencies could stem from mismanagement, the nature of the organizational structure, allocation decisions, or type of programming, to name a few. Although we cannot definitely resolve the source of such inefficient behavior, we hope future research can distinguish among competing explanations, providing insight to lower operating costs.

3.3 | Specialization

The absence of specialization, also known as "aid fragmentation," or "aid proliferation," is when agencies spread their aid-giving across many countries, sectors, and projects. As a result, this creates a duplication of services and a proliferation of donors and projects, which overstretches the recipient country's capacity to manage and administer the aid and donor relations.[11] Furthermore, donor fragmentation can lead to more corruption in the recipient country, and multiple donors per country have been found to decrease growth in the recipient country (Djankov et al., 2009). The concern, however, is that while aid specialization is beneficial overall, donors have individual incentives to "plant their flags" across different countries and then "showcase" their efforts in an attempt to increase their budgets for the next year (Kilby, 2011). Moreover, fragmenting aid can also be rational for donors because it reduces individual donor accountability in a given country. It is thus a real challenge for donors to engage in specialization as they face individual incentives to fragment aid (Acharya et al., 2006; Barthel et al., 2014; Davies & Klasen, 2017; Fuchs et al., 2015; Kharas, 2009; Knack, 2013; Knack & Smets, 2013).

We measure specialization with Herfindahl coefficients, which is an estimate of market concentration (1 implies maximum concentration, 0 implies maximum fragmentation).[12] Table 3 presents the 2012 country and sector Herfindahls by each agency category with an overall rank based on the average percent rank of the two indices. The first column reports the country Herfindahls. The DAC donors are the least specialized, with aid being fragmented among many countries. The non-DAC donors are the most specialized, with an average Herfindahl of 0.32—more than double the overall average of 0.15. Both multilateral and UN agencies' country average indices are close to the overall average. UN donors have the least and most specialized donors. For example, UNECE is the most specialized donor because it only gives to one country—Albania. UNFPA is the least specialized giving aid to 120 countries.

The second column gives the sector Herfindahl score. The most specialized group is the UN agencies, with the multilateral agencies as a close second. DAC agencies fragment the most across sectors, followed by the non-DAC donors; however, the non-DAC results should be taken with extreme caution, as we were only able to obtain data for two agencies. These findings should not be surprising as many multilateral and UN agencies have specific missions such as health or education. For example, UNFPA ranks highly because it gives to only one sector—population/reproductive health.

The third column reports the average of the two Herfindahl indices, and the fourth column gives the overall rank. On average, the non-DAC donors are the most specialized agencies, with both

TABLE 3 2012 country and sector specialization

	Herfindahl			Overall
Donor	Countries	Sectors	Average	Rank
DAC average	0.08	0.11	0.10	50
Non-DAC average	0.32	0.22	0.33	21
Multilateral average	0.14	0.44	0.25	30
UN average	0.15	0.47	0.29	23
Overall average	0.15	0.27	0.21	36

Note: Data from OECD DAC. Herfindahls are created by calculating country shares or sector shares of aid and then summing the squares of these values. For agencies with both country and sector Herfindahls, we take a simple average. Overall rank: Based on the average index. Percent rank: Based on the average index.

multilateral and UN agencies falling slightly below. The DAC-bilateral agencies fragment the most aid. This could suggest that bilateral agencies are attempting to "plant their flags" across different countries and projects to "showcase" their aid-giving profiles.

Interestingly, the DAC donors are often the most vocal in claiming to commit to less aid fragmenting and better donor coordination. For example, the United Kingdom (DFID) is often championed as a top donor engaging in best practices (Easterly & Williamson, 2011). Ironically, the United Kingdom also ranks last in this category, illustrating potential susceptibility to such "planting the flags" pressures. The non-DAC donors provide an interesting result since they also face political pressure but tend to be more specialized, possibly due to the small size of their budget. The multilateral agencies are more specialized than DAC donors and appear to support aid more along the lines of their mission statement. For example, the World Food Program gives most of its aid to emergency response efforts.

3.4 | Selectivity

Selectivity is another practice emphasized by the Paris Declaration (OECD, 2005), World Bank (2005, p. 171), and the Accra High Level Forum (2008). The consensus is that aid could be more effective at reducing poverty if it is given to (1) to the poorest countries, (2) to more democratic countries, and (3) to countries that minimize corruption. The problem, however, is that countries that tend to be more corrupt and have more authoritarian governments are also often the lowest-income countries.[13]

We calculate the share of aid going to low-income countries, free countries, and less corrupt governments. Free shares are based on three democracy score sources. Using Polity IV's 0- to 10-point democracy ranking, a democracy score greater than 8 would indicate that a country is "free." When using Polity IV is not feasible, a dichotomous democracy ranking from Przeworski et al. (2000) (updated in Cheibub et al., 2010) is used. If those data are also not available, we use the free ranking for political and civil liberties by the Freedom House (2014).

Corruption shares are based on two sources. We first use the International Country Risk Guide's (ICRG) political risk index where we classify a country as corrupt if it has a score of two or less on a six-point scale (International Country Risk Guide, 2013). If ICRG data are not available, a country is corrupt if Transparency International's CPI (2012) index is less than three. We use multiple data sources to not bias the rankings due to significant missing data for many aid-receiving countries.[14] The low-income share is the sum of aid flowing to the least-developed countries and other low-income countries, as defined by OECD. We create an overall composite selectivity score, where donors get positive weight for aiding poor countries and negative weight for supporting corrupt or unfree countries.

Table 4 reports the 2012 shares of aid going to free countries, noncorrupt countries, low-income countries, and the overall composite rank for each donor category. The bilateral DAC donors have the largest share of aid going to free countries (30%). Multilateral donors give about 27% to free countries. The UN donors' average is 26%; however, this result is biased upward because of an outlier—UNECE. Recall that UNECE only gives to Albania, so 100% of its aid is classified as free. Without UNECE, the UN agencies are the worst performers—with only an average of 19% of aid going to free countries. The non-DAC donors also give a smaller share to free countries (22%).

The second column reports the shares of aid going to noncorrupt countries. DAC and multilateral donors do the best giving over 30% of aid to noncorrupt countries. The non-DAC donors do the worse, allocating only 22% to noncorrupt, followed by the UN donors who give slightly more, 25% of aid to noncorrupt countries. Somewhat ironic, UNECE scores the worst, giving all aid to a corrupt country, Albania. Iceland, a DAC donor, also gives all of its aid to corrupt countries.

TABLE 4 2012 selectivity measures based on aid shares

Donor	Share free (%)	Share noncorrupt (%)	Share low income (%)	Composite rank
DAC average	30	31	19	42
Non-DAC average	22	22	19	51
Multilateral average	27	33	55	20
UN average	26	25	48	25
Overall average	27	29	30	

Note: Composite rank: Based on composite percent rank. Composite percent rank is based on a composite score calculated as: 0.25 × percentile rank (share going to noncorrupt countries) + 0.25 × percentile rank (shares going to free countries) + 0.50 × percentile rank (shares going to low-income countries).

The last selectivity measure, share going to low income, is reported in the third column. There is a tremendous difference between the bilateral agencies and multilateral and UN donors. Both the DAC and non-DAC bilateral agencies only give about 19% of aid to low-income countries, whereas UN agencies give 48% and multilateral agencies give 55%. AfDB is the best donor based on income selectivity, giving most of its aid to low-income countries. However, AfDB is also one of the worst performers in terms of aid going to corrupt and unfree countries. This illustrates a tradeoff that donors may face between giving aid to the poorest versus giving aid to uncorrupt and free countries.

The composite rank weighs all three selectivity categories and gives each donor an overall ranking. The best group of donors is the multilaterals, followed by the UN agencies and then the DAC donors, with the non-DAC donors being the least selective agencies.

Ideally, donors would give to countries that are both in need and well-governed.[15] When we compare aid allocated to poor countries and given to democratic, non-corrupt countries, we find only a few donors fitting this allocation pattern. Many donors choose to maximize success in one dimension at the expense of the other. AfDB and UNPBF give aid mainly based on income. Slovenia gives aid based on governance with no consideration of need. The worst case is if a donor does not consider either need or governance.[16] Most donors performing poorly on all three dimensions are bilateral-DAC and non-DAC donors, including the UK, Sweden, and Finland, as well as Russia, Kuwait, and UAE. This may suggest that there is no discernable difference between DAC and non-DAC on selectivity.

The mission of each agency could be driving these results. For example, regional banks, such as AfDB, may target needy but poorly governed African countries. Similarly, the UN agencies also seem intended to give to the poorest countries. However, bilateral aid does not seem to be based on need or better governance; bilateral donors tend to follow political or historical considerations when they give aid (Fleck & Kilby, 2010; Frot et al., 2014; Maizels & Nissanke, 1984). This can explain why the multilateral and UN agencies significantly outperform the bilateral agencies in terms of selectivity: bilateral aid is based on political economy factors, while multilateral agencies may aim to fulfill their missions to help those most in need. This result calls into question the seriousness of donor commitments to allocating aid based on selectivity.[17]

3.5 | Ineffective channels

Ineffective channels attempt to measure the proportion of aid that is tied aid, food aid, or technical aid, all of which are considered to be more harmful or inadequate forms of aid-giving. Donors who engage in tied-aid may be more interested in increasing donor exports (Commission for Africa, 2005,

p. 92; IMF & World Bank, 2006). Food aid is seen as a mechanism by which donor countries can send excess agricultural products to recipient countries. Donors can also support their individual interests with the use of technical aid, and technical aid can cause greater harm as these technical assistants lack proper incentives and important local knowledge (United Nations Millennium Project, 2011, pp. 196–197; IMF & World Bank, 2006, p. 7).

Table 5 reports the portion of aid that is tied, food aid, or technical aid. Agencies are ranked based on an average of the percentage ranks from all three types of aid. We have data only on the tying status of DAC bilateral donors. The non-DAC donors do not report tying status, so this category is omitted for non-DAC donors. In addition, multilateral agencies do not tie aid, so all multilateral agencies, including the UN donors, record 0% share of the aid tied. Easterly and Williamson (2011) note that technical assistance from multilateral agencies is often unreliable, so we focus mainly on the outliers in the data.

Column 1 reports tied aid for each donor category. Over 14% of aid is still tied. Portugal performs the worst by tying almost 90%. Column 2 reports the share of technical assistance. Only 3 of the 26 bilateral agencies do not provide aid through technical assistance (Poland, Slovak Republic, and Slovenia). Column 3 reports food aid. Many agencies give some food aid but only a small amount. The United States provides the second-largest share of food aid at 3.3%, which may reaffirm speculations of food aid as a mechanism for agriculture powerhouse countries to send excess products to recipient countries.

Given the nature of the data, it is hard to draw precise conclusions; therefore, we do not focus on donor group comparisons. However, it should be noted that the bilateral DAC donors are by far the worst-performing group. This is not surprising as no other subgroup of donors tied aid and most multilaterals do not provide technical assistance or food aid. These findings may highlight that aid given through these channels is mainly politically driven instead of based on effective aid delivery.

3.6 | Overall rankings

Table 6 presents the overall rankings for each donor group based on our five categories. In Appendix 3, these scores are available on the individual agency level. We aggregate an overall rank based on the overall percentile rank, which is the average percentile rank across each category (Easterly & Pfutze, 2008). We only give a donor an overall rank if it has data on at least three of the five categories, leaving a total of 73 donors.

TABLE 5 2012 ineffective channels based on aid shares

Donor	Share tied aid (%)	Share technical assistance (%)	Share food aid (%)	Average shares (%)	Overall rank
DAC average	14.52	18.22	0.62	10.62	54
Non-DAC average		1.56	0.13	0.85	12
Multilateral average	0.00	1.01	0.01	0.34	16
UN average	0.00	0.00	0.96	0.32	9
Overall average	6.99	7.73	0.42	4.48	29

Note: Data for all three ineffective channels are collected from OECD. Data for tying status are from OECD DAC, and data for technical cooperation and food aid are collected from OECD CRS. Overall rank: Based on percent rank. Percent rank: Equals the percent rank of the average of all three categories.

TABLE 6 2012 ranking of donor agencies

Donor	Rank	Transparency (%)	Low overhead (%)	Specialization (%)	Selectivity (%)	Avoid ineffective channels (%)
DAC average	46	59	63	30	41	22
Non-DAC average	47	16	59	71	30	48
Multilateral average	16	60	45	57	71	49
UN average	29	40	20	68	66	50
Overall average	37	46	50	50	50	38

TABLE 7 OLS regression, size and type of agency, and best practices

	Panel A: Overall	Panel B: Transparency			Panel C: Specialization		
Dep. var:	**Overall rank**	**Transp.**	**T-OECD**	**T-overhead**	**Specialization**	**Country**	**Sector**
Log ODA	0.03**	0.06***	0.05***	0.07***	−0.04**	−0.03**	0.002
	(0.013)	(0.010)	(0.013)	(0.013)	(0.011)	(0.012)	(0.016)
DAC	−0.46***	−0.17***	0.02	−0.30***	−0.24**	−0.02	−0.35***
	(0.069)	(0.047)	(0.062)	(0.076)	(0.090)	(0.058)	(0.099)
nonDAC	−0.38***	−0.39***	−0.52***	−0.28**	0.05	0.10	−0.24**
	(0.094)	(0.070)	(0.078)	(0.113)	(0.095)	(0.069)	(0.094)
UN	−0.17*	−0.17**	0.08	−0.34***	0.09	0.002	0.02
	(0.091)	(0.059)	(0.073)	(0.099)	(0.112)	(0.093)	(0.115)
Observ.	72	73	73	73	69	69	50
Adj. R^2	0.38	0.69	0.76	0.41	0.39	0.25	0.42

	Panel D: Selectivity				Panel E: Ineffective channels			
Dep. var:	**Select**	**Free**	**Non-corrupt**	**Low income**	**Avoid ineffect**	**Tech assist**	**Food aid**	**Tied aid**
Log ODA	0.004	−0.04**	0.01	0.02	−0.01	0.001	0.001**	−0.20
	(0.013)	(0.013)	(0.011)	(0.011)	(0.010)	(0.008)	(0.0004)	(0.01)
DAC	−0.34***	0.07	−0.04	−0.36***	−0.27***	0.18***	0.005**	0.17***
	(0.080)	(0.051)	(0.046)	(0.071)	(0.035)	(0.035)	(0.002)	(0.06)
nonDAC	−0.43***	−0.13*	−0.10	−0.33***	−0.04	0.01	0.004**	
	(0.093)	(0.078)	(0.068)	(0.094)	(0.027)	(0.017)	(0.002)	
UN	−0.08	−0.02	−0.09*	−0.06	−0.01	−0.004	0.01	−0.006
	(0.110)	(0.073)	(0.049)	(0.112)	(0.020)	(0.004)	(0.009)	(0.01)
Observ.	69	69	69	59	73	73	73	53
Adj. R^2	0.30	0.11	0.05	0.43	0.57	0.36	0.04	0.22

(Continues)

TABLE 7 (Continued)

	Panel F: Overhead costs				Panel G: Overhead and multilateral aid			
Dep. var:	**Low overhead**	**Admin**	**SB**	**ODA/staff**	**Low overhead**	**Admin**	**SB**	**ODA/staff**
Log ODA	0.04**	−0.10	−0.13	0.81**	0.05**	−0.01	0.01	0.84**
	(0.019)	(0.072)	(0.123)	(0.347)	(0.022)	(0.007)	(0.018)	(0.394)
DAC	0.16**	−0.45*	−0.23	−0.20				
	(0.076)	(0.267)	(0.195)	(1.337)				
nonDAC	0.20	−0.63	−0.43	0.09				
	(0.123)	(0.424)	(0.346)	(1.854)				
UN	−0.28***	0.24	0.33	−2.39*				
	(0.072)	(0.407)	(0.424)	(1.220)				
Multi. Aid					0.48**	−0.12**	−0.17**	0.15
					(0.193)	(0.048)	(0.072)	(4.263)
Observ.	58	54	38	47	35	33	19	27
Adj. R^2	0.39	0.16	0.07	0.11	0.16	0.20	0.06	0.06

Note: Constant term included in each regression. ***1% significance; **5% significance; *10% significance. The overall rank is from Appendix 3. Transp, T-OECD, T-overhead are the transparency indices from Appendix 2, Table A. Specialization, Country Herf, and Sector Herf are the specialization measures from Appendix 2, Table C. Select, Free, Non-corrupt, and Low Income are the selectivity measures from Appendix 2, Table D. Avoid Ineffect, Tech Assist, and Food Aid are measures of ineffective channels in Appendix 2, Table E. Low Overhead, admin, SB, and ODA/staff are the overhead cost indicators in Appendix 2, Table B. Multi. Aid is the share of a donor's aid allocation given to multilateral institutions.

By far, the best-performing donor group is the multilateral agencies with an average rank of 16, and this is supported by regression estimates in Section 4. The other three subgroups of donors do much worse. The UN ranks second with an average overall rank of 29. The average rankings for DAC donors and non-DAC donors are almost equal, 46 and 47, respectively.[18] This is consistent with the few studies determining whether DAC and non-DAC aid are different (Dreher & Fuchs, 2015; Dreher et al., 2011). Although there are specific ways in which DAC and non-DAC donors differ, in general, both are equally poor performers.

Our findings imply that, on average, multilateral and UN donors have better practices than bilateral agencies (including both DAC and non-DAC). The multilateral donors are more selective, avoid disbursement through ineffective channels, do not fragment across as many countries and sectors, and are transparent. The only component where multilateral aid agencies tend to perform very poorly is with overhead costs—and, as discussed earlier, this may be driven by bilateral donors using multilateral aid agencies to disperse part of their aid. UN donors also tend to have very high overhead costs, possibly as a result of organizational structure or the type of programming.

One of the more interesting results is the similar performance of non-DAC donors to DAC agencies. This finding is counter to earlier speculations about non-DAC donors' "corrupting" aid. While some concerns are warranted, such as the lack of transparency, there are other margins where non-DAC agencies outperform DAC donors. For example, non-DAC donors tend to perform very well in terms of overhead costs and aid specialization by country. The country specialization of non-DAC aid is in line with the literature showing how emerging donors focus on their own regions and concentrate aid in neighboring countries (Dreher & Fuchs, 2015; Dreher et al., 2011; Harmer & Cotterrell, 2005).

Perhaps the most important result is the poor performance of DAC donors. Although DAC agencies have the most transparent OECD reporting and have the lowest overhead costs, they engage in much worse effective aid practices in the other components and, in particular, with aid fragmentation. Their average percentile rank is significantly lower than all other donor subgroups, yet the DAC donor community publicly commits to the principle of aid specialization.

Overall, these findings may suggest that bilateral DAC agencies are more susceptible to political economy pressures, allocating aid for political reasons instead of development purposes (Brech & Potrafke, 2014; Dreher et al., 2009; Fleck & Kilby, 2010; Frot et al., 2014; Fuchs et al., 2014; Kuziemko & Werker, 2006; Maizels & Nissanke, 1984; Neumayer, 2003). However, recent studies by Dreher, Simon and Valasek (2018) and, Dreher, Rosendorff, et al. (October 2018) also highlight the political economy of multilateral aid. Dreher, Rosendorff, et al. (October 2018) find that bilateral donors will allocate more aid through multilateral agencies when the bilateral donors want to "hide" their aid practices from the donor's domestic audience. They conclude: "Our results show that multilateral aid allows donors to obfuscate payments to a country that the donors' voters do not want to support" (p. 42).

4 | REGRESSION ESTIMATIONS

For robustness, in Table 7, we present OLS regressions correlating best practices and the type of donor. To do so, we use individual agency scores presented in Appendix 3. In addition to controlling for donor type, we examine whether the size of the donor correlates with best practices. We use the overall donor rank and each measure of best practice, including the overall practice rank as well as the subcomponents, as the dependent variables. We control for log ODA in 2012 to proxy for the size of the donor and dummy variables for DAC, non-DAC, and UN donors (multilateral donor is the excluded group).

After controlling for agency size, our regressions support our general findings between the type of donor and best practice correlations, with a few notable differences discussed later. As shown in Panel A, both coefficients on DAC and non-DAC donors are negative and highly significant, indicating that these two types of donors perform worse overall compared to the omitted multilateral agencies. UN donors are negative but only marginally significant at 10% level. Larger donors tend to perform better with a higher overall rank, and this seems to be driven by large donors being considerably more transparent (Panel B) and having lower overhead costs (Panel F).

Panel B reports the results for the transparency best practice. DAC and UN agencies are positively associated with OECD reporting, while non-DAC is negative and significant, which is expected since non-DAC agencies are not required to report to the OECD. These findings support our OECD reporting index in Table 1: DAC and UN agencies score the highest on OECD reporting, while non-DAC are the worst performers for this transparency category.

However, compared to multilateral agencies and controlling for donor size, DAC, non-DAC, and UN agencies are negative and significantly correlated with a lower *overall* transparency score and less overhead reporting. Although DAC agencies have the highest average transparency score in our previous findings, once we control for donor size, DAC agencies are negative and significantly correlated with overall transparency and overhead reporting. Panel B also indicates that large donors are significantly more likely to be transparent. Taken together, this provides some evidence that DAC and non-DAC agencies are more similar regarding transparency practices and that the differences among them reported in Table 1 may be driven by differences in the size of the donor. In other words, smaller DAC donors, such as Slovenia and Slovak Republic, perform as badly in overall transparency as smaller non-DAC donors, such as Latvia and Estonia.

As reported in Panel C, DAC donors have significantly lower overall and sector specialization scores, fragmenting aid considerably across sectors. Non-DAC donors are insignificantly correlated with overall specialization and country fragmentation, supporting our prior finding that non-DAC donors tend to fragment less across countries. Taken together, the regressions in Panel C support our findings in Table 3 on specialization: DAC donors fragment across sectors significantly more than UN and multilateral agencies, and non-DAC donors fragment less across countries than other donors. Larger donors are significantly associated with lower specialization rankings, including country specialization.

Both DAC and non-DAC donors score significantly worse on selectivity, specifically low-income aid, compared to multilateral and UN agencies (Panel D), and this supports our findings in Table 4. Panel E documents that DAC agencies are the worst-performing group based on ineffective channels, significantly providing more technical assistance, food aid, and tied aid.

The regression estimates in Panel F show further support for our findings in Table 2 on overhead costs and type of donor: DAC agencies are the best performing in overall overhead costs, while UN donors are the worst performing in overall overhead costs. Moreover, we once again find that large donors are positively and significantly correlated with lower overhead costs.

In Panel G, we check the association between low overhead costs and bilateral donors giving aid through multilateral donors, as discussed earlier. Our regressions support this argument where share to multilaterals is positively and significantly related to low overhead costs, specifically ODA/staff. This suggests that bilateral agencies giving a larger share of their budget to multilateral agencies instead of directly dispersing aid can lower their overhead costs (possibly by hiring fewer staff). This result provides a partial explanation for why bilateral agencies receive higher rankings on overhead costs than multilateral donors.

Our regression analysis documents some interesting associations between best practices and the size of donor agencies. After controlling for the type of donor, log ODA is positively and significantly

related to the overall rank of a donor. This implies that larger agencies tend to engage in best practices more than smaller donors, which is driven by larger donors being more transparent and having lower overhead costs. However, larger donors also engage in some poor practices. They tend to fragment aid across countries, consistent with studies finding that larger donors fragment aid for geopolitical or strategic reasons, including "planting their flag." In addition, large donors tend to give aid to non-democratic countries and disperse food aid.

Combining the regression estimations with our previous findings, DAC and non-DAC donors alike are significantly associated with lower overall best practices. Specifically, both types of agencies give aid to higher-income countries (and thus are not income-selective), fragment across sectors, and are not as transparent as multilateral donors (once we control for agency size). UN agencies give aid to corrupt countries, have high overhead costs, and are not transparent. Overall, our regression estimations provide additional insights into understanding how agency size and type affect donor behavior, and future research should further unpack how practices are being driven by the size of donors.

5 | CONCLUSION

Fifteen years since the Paris Declaration and many reaffirmations and recommitments to the same basic principles, donors as a whole are still not following their own best practices. The most vocal group to these aid commitments is the DAC bilateral agencies; however, these donors are some of the worst performers. Despite some rhetoric regarding the potentially negative impact of non-DAC donors on aid quality, non-DAC donors, in reality, perform similarly to DAC agencies. Suspicions of non-DAC as "rogue aid" may be exaggerated. Although no single donor meets the standards of best practices across the board, multilateral agencies do consistently outperform bilateral agencies.

Our findings open up several new avenues for research in best aid practices. What can explain patterns of poor performance, especially among bilateral donors? Is it possible to identify determinants of "good" or "bad" practices? How does the size of the donor influence best aid practices? Further investigation can explore such questions. In addition, our inclusion of non-DAC donors in the rankings allows scholars to further examine the phenomenon of emerging donor behavior and investigate the political economy suggestions we have raised throughout the article.

If donors give foreign aid based on "self-interest" reasons instead of development concerns, this could be a reason that we continue to see donor failures to meet their own effective aid standards. The next step is gaining a deeper understanding of donor incentives to meet their effective aid practices, as the simple commitment has not served to change agency practices.

CONFLICT OF INTEREST

The authors declare that they have no conflict of interest in the subject matter or materials discussed in this manuscript.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

ENDNOTES

[1] See, for example, Bräutigam and Knack (2004), Djankov, Montalvo, and Reynal-Querol (2008), Dreher et al. (2017), Easterly (2001, 2006), Easterly, Levine, and Roodman (2004), Knack (2001), and Young and Sheehan (2014).

[2] We recognize potential selection bias that may arise from comparing non-DAC to DAC agencies. Since non-DAC donors are not required to report their operating information, the agencies that voluntarily supply information are more likely better non-DAC donors. Thus, we acknowledge that it is possible that our data may be from the best non-DAC donors, and, therefore, the typical non-DAC donor may perform worse than the typical DAC donor, whose is required to report.

[3] See Birdsall et al. (2010), Commission for Africa (2005), Easterly (2007), Easterly and Pfutze (2008), Knack and Rahman (2007), Knack et al. (2011), OECD (2005, 2008), OECD (2003), Roodman (2012), United Nations Millennium Project (2011).

[4] While DAC donors publicly commit to these best aid practices, non-DAC donors do not always commit to these practices. For example, Brazil did not sign the 2005 Paris Declaration or the 2008 Accra Agenda (Semrau & Thiele, 2017).

[5] When comparing to other scholarly studies employing different methodologies (mainly Knack et al., 2011; Birdsall et al., 2010), multilateral agencies are consistently the top-performing group.

[6] Publish What You Fund (2016) provides a ranking of transparency best practice across 45 DAC and non-DAC countries and finds that among the least transparent donors are non-DAC donors, especially China and Saudi Arabia.

[7] It is not surprising that DAC donors rank higher than non-DAC donors since the OECD requires all DAC donors to fully report.

[8] For example, UNDP requested to know who was contacted in previous studies from UNDP. After answering their questions and engaging in back-and-forth correspondence, UNDP did not give us any information. Thailand's TICA had us answer a number of questions and even requested an official letter stipulating the information request and asked for "high authority signatures for requiring our information." After many emails with them, they eventually did not give us any information and responded with: "Here is the answer you are waiting for: 1. We do not have international staff 2. We do not have TICA's operating costs. 3. We do not have the accurate salaries and benefits.".

[9] These are Australia, Canada, France, Luxembourg, United Kingdom, AfDB, Arab Fund, AsDB, Global Fund, IDA, IDB, ISDB, and Nordic Development Fund.

[10] Because missing data are a problem, we utilize data from Easterly and Pfutze (2008) and Easterly and Williamson (2011) when no new data are available for the current period. This method of recording missing data is undertaken as to not incentivize poorly performing agencies in one round of monitoring to stop reporting data in the next round. We recognize that this process of gathering overhead data has resulted in numbers that are likely not standardized across agencies as different agencies have different notions of what defines "administrative costs" and number of "permanent international employees.".

[11] See Commission for Africa (2005, pp. 62, 320); Gupta, Pattillo, and Wagh (2006); IMF and World Bank (2006, p. 62; , p. 131); OECD (2008, p. 17).

[12] One benefit of using this approach is that the Herfindahl index takes into account the relative size of the aid agencies.

[13] Supporting this view, Hagen (2015) argues that optimal aid policies are highly context-specific, and donors should thus concentrate their efforts to practice more informed selectivity.

[14] We acknowledge that alternative measures of corruption exist. However, we note that these measures are highly correlated with one another; thus, our results are not highly sensitive to using one particular measurement.

[15] Again, this could possibly be due to the fact that few countries fit the description of both "low-income" and "well-governed" since well-governed countries do not typically stay poor for long.

[16] Acht, Mahmoud, and Thiele (2015) find that donors try to resolve the dilemma of picking between poorly governed versus the most in need by delivering aid through non-state actors. The findings support the argument that bypassing governments via NGOs and multilateral organizations is a viable response to weak recipient institutions.

[17] However, Winters and Martinez (2015) analyze governance and aid flows from 2004 to 2010 with a different conclusion. They find some evidence that aid composition, and overall aid flows are responsive to the quality of governance in recipient countries, concluding that donors have been selective.

[18] We acknowledge that ineffective channels may bias against bilateral DAC donors because of insufficient data for multilateral and non-DAC donors. When eliminating ineffective channels from the overall ranking, the results remain consistent. Multilateral agencies perform best overall, followed by UN, DAC, and then non-DAC donors.

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SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section.

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