



2009 OECD Report on Division of Labour

ADDRESSING FRAGMENTATION
AND CONCENTRATION OF AID
ACROSS COUNTRIES



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2009 Report on Division of Labour

**Addressing fragmentation and
concentration of aid across countries**



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

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Chapter 1

Key messages

Developing countries differ greatly in their potential for development and in the challenges they face, but at least in one respect, many share a common problem: **too little aid from too many donors**. This is often referred to as fragmentation of aid.

Objectives

The purpose of the 2009 OECD Report on Division of Labour is to shed light on the concept of aid fragmentation across countries and what has happened since the adoption of the Paris Declaration. The report also proposes measures for concentration and fragmentation and options for tackling excessive fragmentation.

The policy principle is that where a donor/partner aid relation is particularly neither significant from the donor's point of view, nor from the recipient's point of view, there is an opportunity to achieve some rationalisation.

Some size indicators: our data tracks some 4 000 aid relationships. About one quarter of these are micro-aid schemes of under USD 250 000 per annum each – amounting to only 0.1% of country programmable aid or core aid. This is in itself a striking figure. We exclude this “noise” from the rest of the analysis, which still tracks over 3 000 aid relationships.

Definitions

The report proposes 2 ways of measuring concentration:

1. a **“narrow” definition of concentration** measures where the recipient is a significant partner country both from the donor's perspective and from the recipient's perspective. We score this when a donor provides a higher percentage of a recipient's aid than it provides of total global aid (the donor is “concentrated”), and the donor is also among the largest donors that together account for at least 90% of all aid to the recipient (the donor is an “important” donor). On average, one third of bilateral donors' relations fall in this group. For multilateral agencies, the concentration ratio is a little lower (26%), mainly because of the global mandate of many small agencies.
2. a **“broad” definition of concentration** also takes into account relationships which are only significant in one of the two dimensions. On average for bilateral donors, the majority of their aid relations fall in this group (58%); for multilateral agencies it is higher (65%). This still leaves 42% of bilateral relationships as not-significant, by the broader definition. By the same measure, even 14% of bilateral **priority** country relationships are not significant.

Recent trends

These measures show no progress since the adoption of the Paris Declaration: on average for all donors, both concentration ratios are declining slightly over time. Some donors show distinctly worse indicators, largely compensated by improvements elsewhere. Some donors have decreased the number of significant recipients and at the same time increased their overall number of recipients. This is the case for Australia, Denmark, Luxembourg, Norway and the United Kingdom. These situations merit closer attention.

From a recipient country's perspective, the smaller the percentage of non-significant relations, the better. This "fragmentation" ratio is on average 39%. The overall score for LICs is better than this average (34%), whereas LMICs score worse (46%). More importantly, fragmentation is worsening for LICs, which may have the least institutional capacity to cope with costs of fragmentation.

Possible remedies

To reduce fragmentation, there are 3 possible remedies:

1. Allocate additional resources to less significant partnerships, if aid budgets are growing;
2. Reallocate from non-significant to significant relationships, eliminating some of the former;
3. Leave funding unchanged, but channel the resources through other agencies to reduce the donors' administrative footprint.

The first remedy demands not only a willingness to scale up aid resources but also to allocate these on a priority basis to less significant partnerships.

The second has the net effect that core aid would increase to some recipient countries and decrease to others. For the latter, the loss is, on average by country, limited to 2% of core aid. Even if the impact of the reallocations is limited, one needs to be careful about the impact on under aided countries. Also, the implications for the Accra Agenda for Action (AAA) principle that no country should lose aid as a result of improved division of labour should be considered.

The third does not modify aid allocation, but reduces transaction costs for partner countries. Less significant donors entrust their resources at country level to other agencies (either by delegated cooperation, silent partnerships or earmarking through multilateral agencies etc.). Of course, the subcontracting process implied is not without its own costs and difficulties.

Remedy 1 is not considered in this report, but the potential impact of remedies 2 and 3 is considerable. A decrease of 23% in the number of relationships is possible when only 4% (or USD 2.8 billion) is reorganised, leading to an increase of the average relationship by 30%. As most multilaterals have global or regional mandates and so have limits to concentrate geographically, although they can reduce in-country fragmentation, the challenge to reduce cross-country fragmentation is strongest for bilateral donors.

In its future work, the Secretariat will propose target levels for improvement of the "broad" and "narrow" concentration indicators. Reduction in such indicators of fragmentation would be achieved by drawing on a broadly accepted menu of options, taking account also of relevant qualitative issues.

Principaux messages

Les pays en développement diffèrent énormément dans leur potentiel de développement et dans les défis auxquels ils font face. Ils possèdent néanmoins un problème en commun : **très peu d'aide de donateurs trop nombreux**. Ceci est souvent appelé la fragmentation de l'aide.

Objectifs

Le but du Rapport de 2009 de l'OCDE sur la Division du Travail est de mettre en lumière le concept de la fragmentation de l'aide entre les pays et ce qui s'est passé depuis l'adoption de la Déclaration de Paris. Le rapport propose également des mesures de concentration et de fragmentation ainsi que des scénarios pour faire face à une fragmentation excessive de l'aide.

Le principe de la politique se base sur le fait que là où une relation d'aide entre un donneur et un partenaire n'est pas particulièrement significative, aussi bien du point de vue du donneur que du point de vue du bénéficiaire, se présente alors une opportunité de réaliser une certaine rationalisation.

Certains indicateurs de taille : nos données suivent quelques 4 000 relations d'aide. Environ un quart de celles-ci sont des relations de micro-aides, chacune de moins de 250 000 USD par an – représentant seulement 0,1 % de l'aide-pays programmable ou aide « core ». Ceci est en soit frappant. Nous excluons alors ces relations du reste de l'analyse, ce qui représente toujours un suivi de plus de 3 000 relations d'aide.

Définitions

Le rapport propose 2 manières de mesurer la concentration :

1. **une définition dite « étroite » de la concentration**, mesure à quel niveau le bénéficiaire est considéré comme un pays partenaire significatif, d'un point de vue du donneur et du bénéficiaire. Nous relevons ce résultat lorsque la part de l'aide d'un donneur à un pays donné est au dessus sa part globale (le donneur est « concentré ») et lorsque le donneur est également dans le groupe de 90 % des plus grands donateurs (le donneur est « important »). Un tiers des relations de donateurs bilatéraux font partie de ce groupe. Pour les agences multilatérales, le taux de concentration est quelque peu inférieur (26 %), et ce, principalement à cause du mandat mondial de nombre de petites agences.
2. **une définition dite « large » de la concentration** prend également en compte les relations qui ne sont significatives que dans une des deux dimensions. En moyenne, pour les donateurs bilatéraux, la majorité de leurs relations d'aide fait partie de ce groupe (58 %) ; ce taux est plus élevé pour les agences multilatérales (65 %). Il reste donc encore, selon la définition au sens large, que 42 % des relations bilatérales sont non-significatives. Selon cette même mesure, même 14 % des relations bilatérales dans les pays **prioritaires** ne sont pas significatives.

Tendances récentes

Ces mesures montrent qu'il n'y a pas eu de progrès réalisés depuis l'adoption de la déclaration de Paris : en moyenne pour tous les donneurs, les deux taux de concentration sont en légère diminution dans le temps. Pour certains donneurs les indicateurs sont nettement pires et largement compensés par les améliorations par d'autres donneurs. Certains donneurs ont diminué le nombre bénéficiaires significatifs et ont, en même temps augmenté le nombre global de leur bénéficiaires. C'est le cas de l'Australie, du Danemark, du Luxembourg, de la Norvège et du Royaume Uni. Ces situations mériteraient une attention particulière.

D'un point de vue de pays bénéficiaire, plus le taux de relations non-significatives est bas, le mieux c'est. Ce taux de « fragmentation » est en moyenne de 39 %. Les pays à faible revenu enregistrent un meilleur résultat que cette moyenne (34 %), alors que les pays à revenu intermédiaires, tranche inférieure, ont un taux plus médiocre (46 %). Plus encore, la fragmentation empire dans le cas des pays à faibles revenus qui sont les pays qui ont la plus basse capacité institutionnelle pour faire face aux coûts de la fragmentation.

Solutions possibles

Il existe 3 solutions possibles pour réduire la fragmentation :

1. Allouer plus de ressources aux partenariats les moins significatifs, si les budgets de l'aide augmentent ;
2. Passer certaines relations de non-significatives à des relations significatives, tout en éliminant les premières ;
3. Ne pas modifier les fonds mais canaliser les ressources à travers d'autres agences afin de réduire l'impact administratif des donneurs.

La première solution exige non seulement une volonté d'augmenter les ressources de l'aide mais également d'allouer celles-ci en priorité aux partenariats les moins significatifs.

La deuxième solution, a pour effet net d'augmenter l'aide globale de certains pays bénéficiaires et de diminuer celle d'autres pays bénéficiaires. Dans le dernier cas, la perte par pays en moyenne limitée à 2 % de l'aide « core ». Même si les l'impact des réaffectations est limitée, il faut être vigilant quant à l'impact de telles réallocations à des pays sous-aidés. Egalement, l'implication sur les principes du Programme d'Action d'Accra selon lequel aucun pays ne devrait voir son aide diminuer à cause d'une meilleure division du travail devrait être prise en compte.

La troisième solution ne change pas les affectations d'aide, mais réduit les coûts des transactions pour les pays partenaires. Les donneurs les moins significatifs confient leurs ressources à niveau pays à d'autres agences (soit par le biais de coopération déléguée, partenariats silencieux ou en désignant des agences multilatérales, etc.). Bien sûr, le processus de délégation n'est pas sans coûts et difficultés.

La première solution n'est pas considérée dans ce rapport, l'impact potentiel des options 2 et 3 est considérable. Une diminution de 23 % du total des relations est possible, en réorganisant seulement 4 % du total de l'aide « core » globale (ou 2, 8 milliards USD), entraînant une augmentation de la relation moyenne de 30 %. La plupart des multilatéraux ont un mandat global ou régional et sont limite dans leur concentration géographique, même s'ils

peuvent réduire la fragmentation au niveau des pays, le défi de réduire la fragmentation entre les pays relève plus des donateurs bilatéraux.

Dans son travail future, le Secrétariat proposera des cibles d'amélioration des indicateurs de concentration mesure « étroite » et « large ». La réduction du niveau de fragmentation ne peut se faire qu'en se basant sur un menu d'options, qui prend aussi en compte des aspects qualitatives.

Chapter 2

Policy context and objectives

The Accra Agenda for Action (AAA) signatories committed to “reduce the fragmentation of aid by improving the complementarity of donors’ efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and **across countries**”.

The aim of this report is to shed light on the concept of aid fragmentation across countries. To this end, it will provide some stylized facts on distribution of aid across countries, and specifically what has happened since the adoption of the Paris Declaration. The assessment will compare 2004 aid patterns with 2008 patterns. Finally, it will present some proposals for measuring concentration and fragmentation and tackling excessive fragmentation.

Developing countries differ greatly in their potential for development and in the challenges they face, but at least in one respect, many share a common problem: **too little aid from too many donors**.

When aid comes from many sources and is spread over too many co-operation programmes, it creates high transactions costs for both donors and recipients. Transaction costs of aid are understood as “the costs arising from the preparation, negotiation, implementation, monitoring and enforcement of agreements for the delivery of Official Development Assistance (ODA)”.¹ These include administrative costs as well as indirect and opportunity costs (the value lost by diverting resources toward management of aid portfolios). Transaction costs are distributed between recipient governments and donors, even if in most case donor resources for the management of aid may be taken as a given.

Fragmented, sometimes competing donor practices, especially where there are many small donors and no large donors acting as leads or “anchors” for others, erode the administrative capacity of recipient partner governments.² Notwithstanding the fact that small targeted aid programmes can still have a significant impact, this report urges donors to rationalise by concentrating on fewer partnerships, which in turn will reduce transactions costs at both ends of the delivery chain. It is important to try to assess the impact of these interventions versus the transaction costs avoided.

If reallocation decisions are made, they necessitate careful, coherent and coordinated approaches, to ensure optimal portfolio allocation of aid resources across countries and donors.

At present, individual donors decide unilaterally which country programmes and which international organizations to assist and to what extent, and tend to do so well upstream of

1. DFID and UNDP: Aid transaction costs in Vietnam, June 2000: www.oecd.org/dataoecd/18/62/2080794.pdf.
2. Knack and Rhaman, 2007

specific country contexts (the natural focus of within-country division of labour efforts). In particular, they do not internalise the allocation decisions of most other donors in establishing their own. This complex and uncoordinated nature of aid allocation patterns across countries entails transaction costs and uncertainties. There are economies of scale that can be attained through rationalisation of aid allocations, and some bilateral donors have already started to concentrate on fewer countries. At the same time, however, geographical gaps and overlaps (commonly referred to as aid orphans and darlings) tend to emerge as a result of such multiple decision processes. The specific issue of aid orphans is not discussed in the current paper.³

3. OECD Development Brief, Issue 1/2009, Aid Orphans: Whose Responsibility? www.oecd.org/dataoecd/14/34/43853485.pdf.

Chapter 3

Stylised picture of donors' aid allocations

Key aid metric: Country Programmable Aid or core aid

The analysis of donor allocations across countries needs to be based on actual co-operation between individual development agencies and recipient countries, or in other words “one relationship at a time”.

To assess the volume of these flows, the OECD/DAC has introduced a new measure for aid: country programmable aid (CPA), hereafter referred to as core aid. This measure is much closer than Official Development Assistance (ODA) to capturing the amount of aid which is relevant for the aid effectiveness agenda.¹

Core aid is derived from gross ODA, by subtracting aid that:
is unpredictable by nature (humanitarian aid and debt relief);

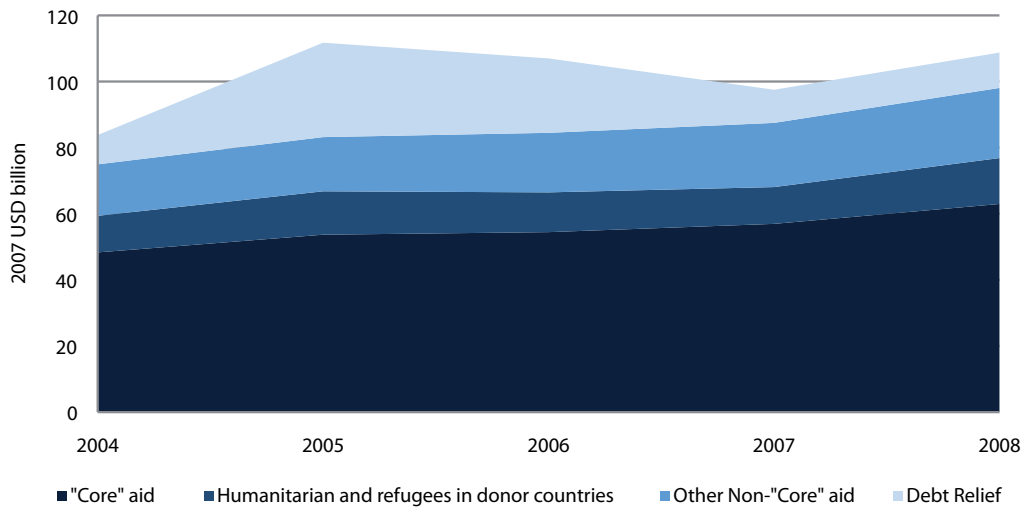
- entails no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in donor countries);
- does not form part of co-operation agreements between governments (food aid and aid from local governments); and
- is not country programmable by the donor (*e.g.* core funding of NGOs).
- Core aid is measured in disbursement terms, *i.e.* the actual transfer of resources, rather than commitments which reflect an agreement between a donor and a recipient country to make transfers (over a number of years).

Provisional 2008 bilateral and multilateral amounts to USD 83.5 billion in 2008, with multilateral agencies accounting for 25% of the flows. For bilateral donors, core aid has been growing at a rate of 7% per year in line with the overall gross ODA growth rate. For bilateral donors, core aid has on average in the past 5 years represented 54% of their gross bilateral ODA, as shown in Figure 3.2 below.²

1. A recent OECD/DGF study has demonstrated that the CPA/core aid measure provides a good approximation of the overall flows recorded at country level (www.oecd.org/dataoecd/0/27/43908328.pdf).

2. In this report all figures are (unless otherwise stated) in constant 2007 US dollars. The 2008 figures are provisional. The data cover 44 donors: 24 bilateral donors (DAC members plus Korea, which will join the DAC in 2010) and 22 major multilateral agencies, covering development bank, global funds and major UN agencies. Note that the European Commission is considered in this report as a bilateral donor. (See Annex 1 for the list of donors and Annex 2 for more information on trends in core aid over the past 5 years.)

Figure 3.1. Composition of Gross bilateral ODA



Micro-aid “noise” adjustment

In addition to excluding aid that is not country programmable by the donor, we also exclude “noise” generated by very small official sector aid activities, sometimes referred to as “small grant schemes”. The Secretariat has applied a country-level threshold of USD 250 000. For each donor, country level aid operations below this level are excluded from the analysis. The threshold is only applied to bilateral donors, as these types of activities under small grants are not generally applicable to most multilateral donors. These types of small grants often take the form of non-project technical co-operation, which includes activities such as scholarships, volunteers and trainees and minor grants channelled through NGOs or multilateral organisations. **These small grants schemes amounted to USD 55.2 million in 2008 or just 0.1% of total core aid, but made up over a quarter of the total donor-recipient country relationships.** Removing them leaves 3 099 donor-recipient country aid relations in the analysis. (See Annex 3 for more information on the threshold.)

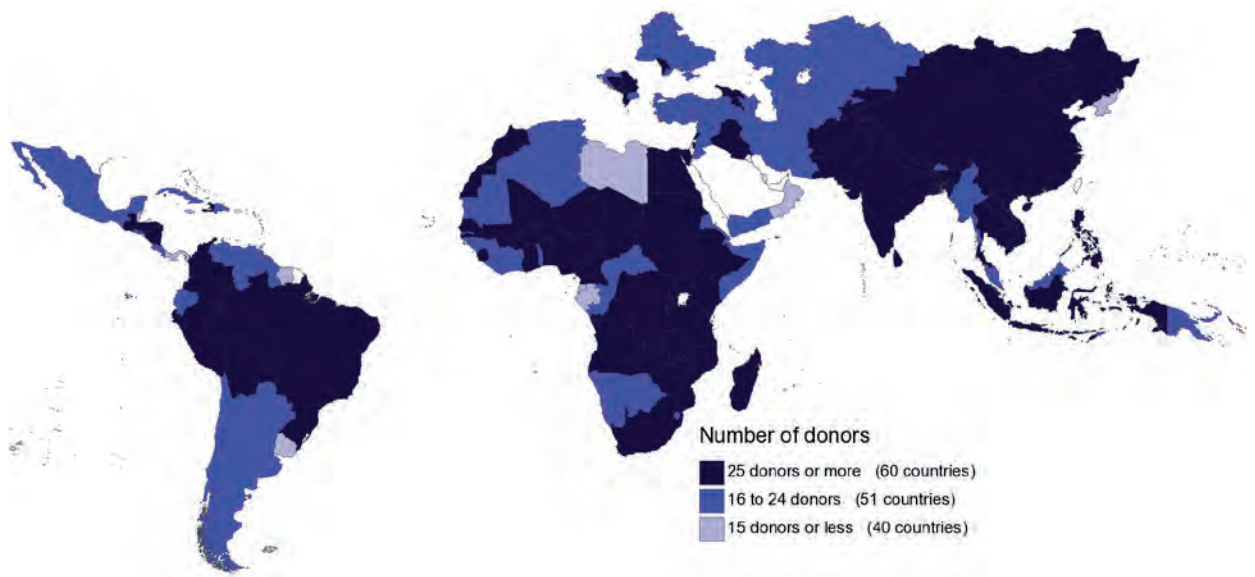
Global aid allocations

Recipient countries have between 2 and 35 donors (see Figure 3.2). The maximum is 35 (Ethiopia and Vietnam) and the minimum is 2 (small Island States, such as Anguilla, Mayotte, St. Helena, Tokelau and Wallis & Futuna). The distribution of the number of donors is illustrated in the map below (the largest group having 25 donors or more and Small Island States will in most case have 15 donors or less).

Bilateral allocations

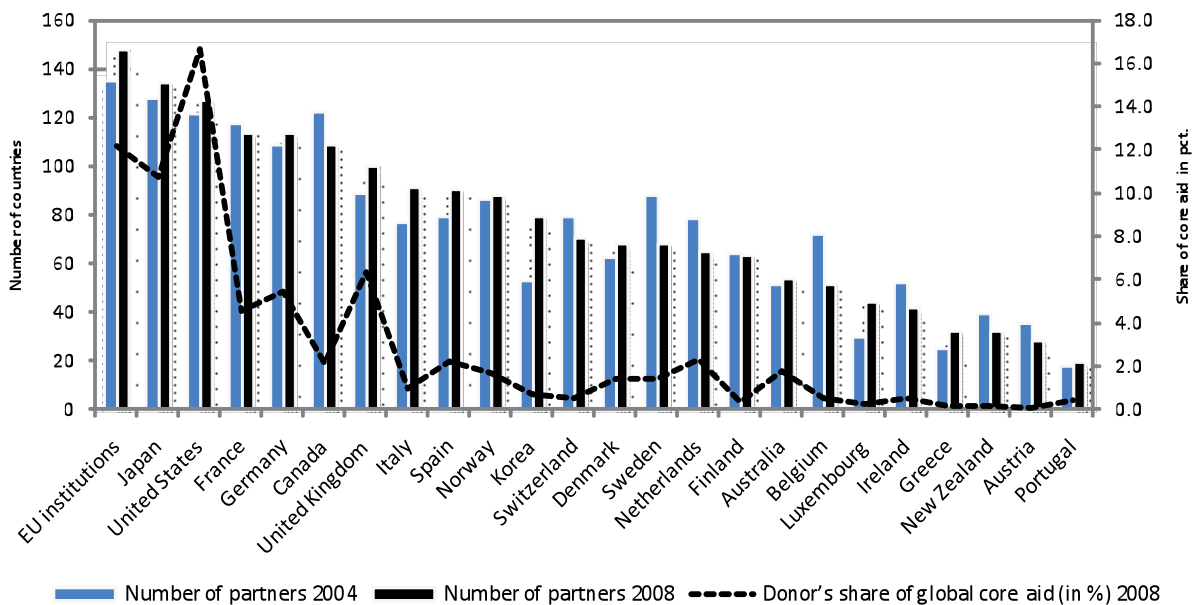
Bilateral donors represent about 75% of global core aid. Every recipient country has at least one bilateral donor and some have nearly all bilateral and multilateral donors present. The chart below shows the number of recipient countries for each bilateral donor in 2004 and 2008, and each donor’s share of global core aid in 2008. The countries in the chart are ranked by the number of recipient countries in 2008.

Figure 3.2. Map of total number of donors per recipient country



Overall, the share of aid of bilateral donors has increased slightly by 2 percentage points, mainly due to increased aid from the EU institutions. However, the number of partner countries has been more or less stable since 2004, with individual donors showing different patterns. 10 donors have decreased their number of recipient countries; the remaining have all increased their number of countries. The most notable increase in the number of recipient countries is Korea, which has built up an expanded aid co-operation programme since 2004 as part of its DAC accession process, including 26 more partner countries. Other important increases (between 11 and 14 additional countries) were reported for the EU institutions, Italy, Luxembourg, Spain and the United Kingdom.

Figure 3.3. Bilateral donors: number of partner countries and share of core aid (2004-2008)



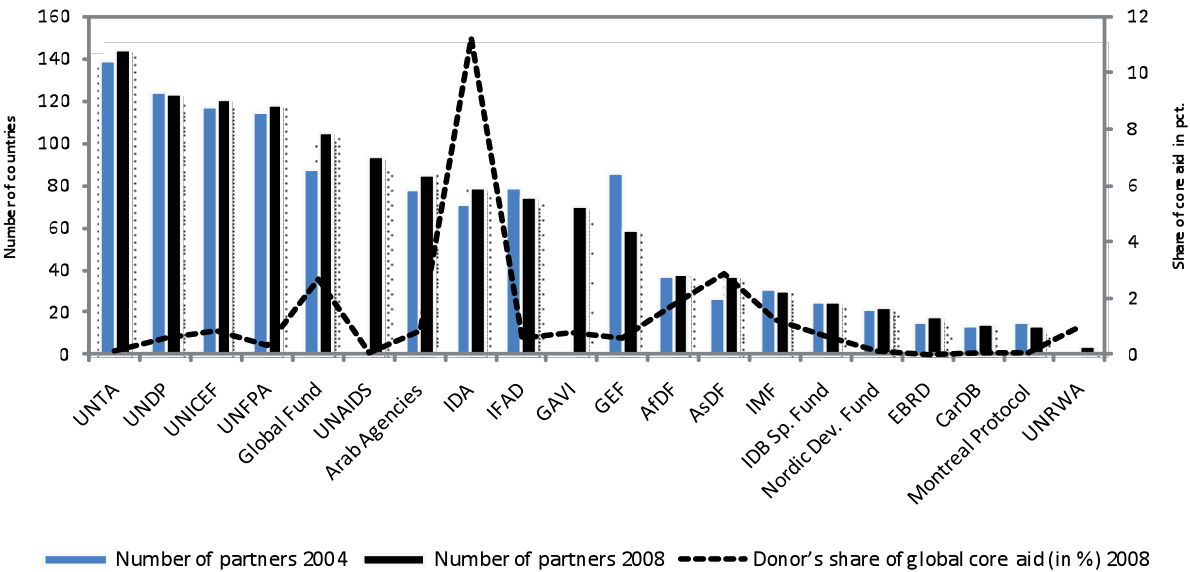
It is interesting to note the relationship between donors’ core aid volume and the number of countries covered is not very strong, as illustrated in Figure 3.3 above. Donors with similar shares of core aid have very different numbers of recipient countries, *e.g.* Canada, Netherlands and Spain all have shares of global core aid of 2.1-2.3% in 2008, but had 109, 65 and 90 recipient countries respectively.

Multilateral allocations

The presence of a multilateral agency in a partner country is largely determined by the mandate of the agency. The graph below shows the distribution of the number of partner countries for each agency. Many UN agencies operate in most countries (UNTA operates in 144 countries)³, whereas some like the UNRWA with its focused mandate to carry out direct relief and programmes for Palestinian Refugees in the Middle East has operations in only 4 countries. Organisations with regional mandates, such as Asian Development Bank (AsDF), African Development Fund (AfDF), Caribbean Development Bank (CarDB), European Bank for Reconstruction (EBRD) and Inter-American Development Bank Special Fund (IDB Sp. Fund) and UNRWA operate in fewer countries (on average 23) than agencies with a global mandate (on average 102).

Since 2004, the most notable increase in number of partner countries has been for the global funds (especially The Global Fund and GAVI). Despite increased funding to these global funds, the overall share of aid from multilateral agencies has decreased slightly (by 2 percentage points), mainly due to decreases in IDA disbursements (which in 2004 accounted for 16% of global core aid).

Figure 3.4. Multilateral agencies: number of partner countries and share of core aid (2004-2008)



Notes: The Arab agencies include: Arab Bank for Economic Development in Africa, Islamic Development Bank and OPEC Fund. The Nordic Development Fund has ceased new lending activities since 2005: the data reported relates to project activities committed prior to 2005.

3. UNTA is the technical assistance expenditures incurred by the UN specialised agencies (WHO, UNESCO, FAO, ILO and UNIDO) from their regular budget.

Chapter 4

Introducing fragmentation and concentration measures

There is no universal measure of fragmentation of aid. Different techniques and methods can be used depending on the scope of the analysis. The objective here is to propose a measure of fragmentation that will prompt some rationalisation in the aid distribution across countries (*i.e.* reduce “too many contributing too little in too many recipient countries”) and to look at the recent trends in donors’ allocations, whether this has contributed to a more fragmented picture of aid.

Recipient view: Donors’ relative presence in-country

The amount of aid extended to a given country may be very low (compared to the amount given to other countries) and also ranks low in a donor’s core aid portfolio, but this does not mean that the donor’s presence is not significant seen from the recipient country’s perspective. **The policy inference is that where an aid relation is neither significant from the donor’s own point nor from the recipient point of view, there is an opportunity to achieve some rationalisation.**

This report proposes two tests of aid concentration to assess significance of each donor-recipient aid relationship:

1. Does the donor provide a higher percentage of this recipient’s aid than it provides of total global aid?
2. Is the donor among the larger donors that together account for at least 90% of this recipient’s aid (In other words, is the donor among the “top 90%” of the largest donors to this recipient)?

The first test shows whether the donors gives a higher than average priority to a given recipient, in other words whether the donor is concentrated. The second test shows whether the donor’s contribution is significant from the recipient’s perspective, in other words whether, the donor is important.

Using these criteria, four types of aid relationships can be distinguished:

- A. Concentrated and important:** The donor gives more aid to this recipient than its global share of aid would suggest, and is among the larger donors that together provide at least 90% of this recipient’s aid (*i.e.* the answer to both questions above is *yes*).
- B. Concentrated:** The donor gives more aid to this recipient than its global share of aid would suggest, but is still among the smaller donors that together account for less than 10% of this recipient’s aid (*i.e.* *yes* to question 1 and *no* to question 2).

- C. Important:** The donor gives less aid to this recipient than its global share of aid would suggest, but is among the larger donors that together account for at least 90% of this recipient's aid (*i.e.* *no* to question 1 and *yes* to question 2).
- D. Non-significant:** The donor gives less aid to this recipient than its global share of aid would suggest, and is among the smaller donors that together account for less than 10% of this recipient's aid (*i.e.* *no* to both questions).

Box 4.1. Examples of a donor's relative presence at country level

Sweden's core aid amounted to USD 1.1 billion in 2008, representing 1.5% of global core aid. This was extended to 68 recipient countries, of which 31 were priority countries (which received 79% of total Swedish core aid). The average core aid in its priority countries was USD 28 million - versus an average in its non priority countries of USD 6 million.

- In Macedonia, FYR, Sweden provided USD 9 million in 2008 representing 4.9% of all core aid to the country. Therefore Sweden's core aid contribution to Macedonia, FYR is concentrated. Furthermore, Sweden is among the "top 90%" donors in Macedonia, FYR and therefore important in terms of significance. This aid relationship is in category A (concentrated and important).
- In Sudan, Sweden provided USD 12.3 million, representing 1.6% of total core aid to the country and therefore above its global share. However, in Sudan, Sweden is not among the top 90% donors. This aid relationship is in category B (concentrated).
- In Vietnam, Sweden extended USD 32.6 million representing 1.3% of core aid to the country. Despite this smaller share, Sweden is among the top 90% donors. This aid relationship is in category C (important).
- In Sri Lanka, Sweden provided USD 6.4 million, representing 0.7% of total core aid to the country, significantly below its global share. Sweden is also not among the top 90% donors to that country. This aid relationship is in category D (non-significant).

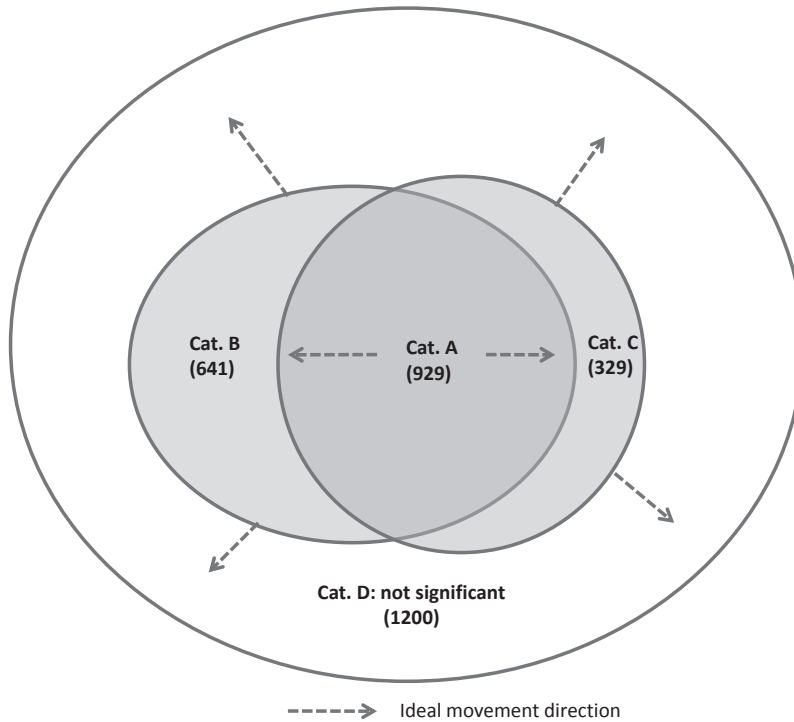
Figure 4.1 below illustrates these 4 possible situations of donors' core aid allocations.

Globally, the situation is that **39% of donors-partner countries' relationships are insignificant**. For bilateral donors, these -insignificant relationships account for 42% of bilateral relationships (up from a level of 39% in 2004), whereas for multilateral donors, these relationships only represent 35% of total multilateral relationships (same level as in 2004).

The direction of improvement would be to decrease the number of recipients in category D by expanding the number of recipients in category A, B or C. This could be done by allocating additional resources to less significant partnerships or, if that is not feasible, by (i) reallocating from non-significant relationships to significant relationships or (ii) leaving funding unchanged and channel the resources through other agencies, in the case that the donors wish to maintain these non-significant country allocations.¹

1. Obviously, 100% of country presence above global average is a hypothetical situation and not a desirable aim for all donors at the same time. But, improvements in scores of relative performance are possible rather than an absolute target level.

Figure 4.1. Illustration of core aid allocations to recipient countries (total relationships 3 099)



Proposing concentration ratios (“narrow” and “broad” definition)

The optimal aid allocation situation is the case where the recipient is a significant partner country not only from the donor’s perspective but also from the recipients’ perspective, *i.e.* recipients in category A. For a donor, the higher proportion of recipients in this group, the better. This generates a “narrow” concentration ratio, *i.e.* the number of significant recipient countries divided by the overall number of recipient countries (A divided by A+B+C+D).

However, to achieve a high concentration ratio (proportion of A) would be very challenging for small donors, as they would have to concentrate on dramatically fewer and smaller recipient countries (smaller countries so that the donor can be among the top donors).

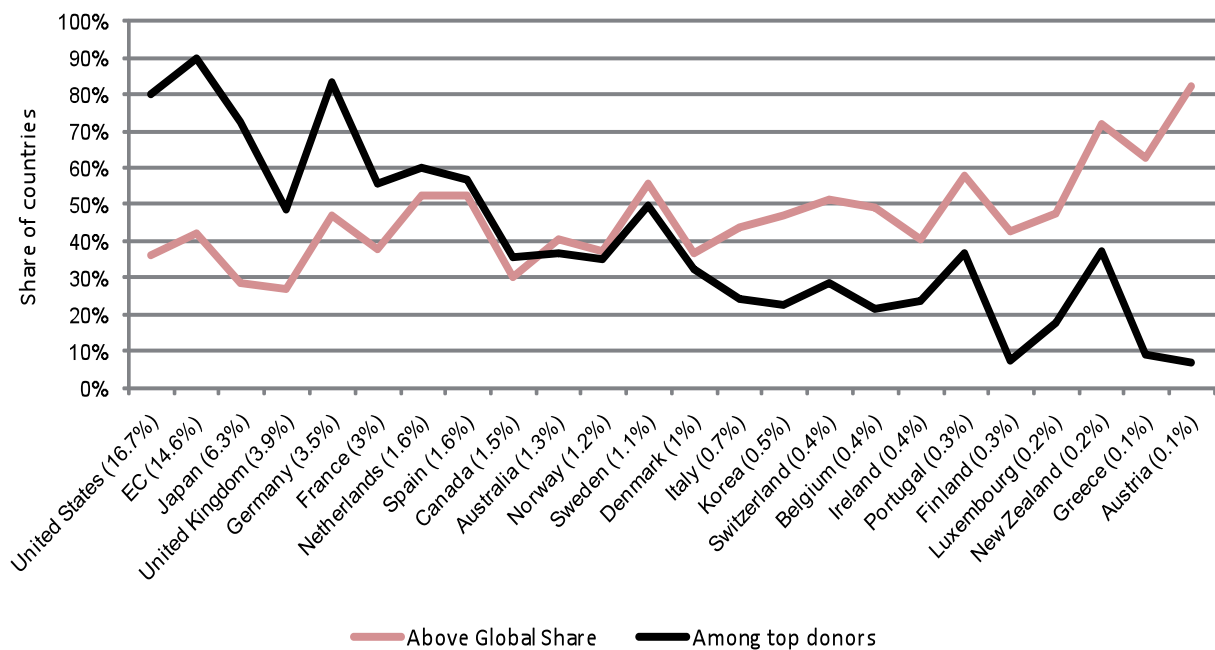
Therefore, a “broader” definition of the concentration ratio is also proposed, which also takes into account relationships which are only significant in one of the two dimensions, *i.e.* includes all the aid relationships in category A, B and C as a percentage of the total [(A+B+C) divided by (A+B+C+D)]. This draws the attention increasingly to the need to reduce D, which is the group that is sub-optimal from every point of view.

Difference from last year’s report

Note that the concentration measure proposed in last year’s report² only considered countries where a donor provides a share of aid that is above its global share (*i.e.* Category A and B). This measure is biased towards small donors to the detriment of large donors.³ Using only the top donors’ criterion will create a similar bias to large donors, who can have impact quite easily even where they are not concentrated. The graph below illustrates these biases. By combining these two criteria, as proposed above, we compensate for both small and large donor bias.

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

Figure 4.2. Large and small donor bias, using different measures



For more information, the matrix table in Annex 7 shows which donors are working in which recipient countries. The matrix uses highlighting to indicate the significant aid relationship under the two criteria and the non-highlighted cells represent aid relations that are not significant.

Proposing a fragmentation ratio (recipient point of view)

From a recipient country’s perspective, the map below illustrates the proliferation of less significant partnerships in individual recipient countries. Countries shaded dark blue are those which present the greatest opportunities for concentration and which merit particular attention.

2. See OECD (2008), Scaling up: Aid fragmentation, Aid Allocation and Aid Predictability. www.oecd.org/dataoecd/37/20/40636926.pdf.
3. Very small donors benefit the most from the assumption of removing micro-aid relationships.

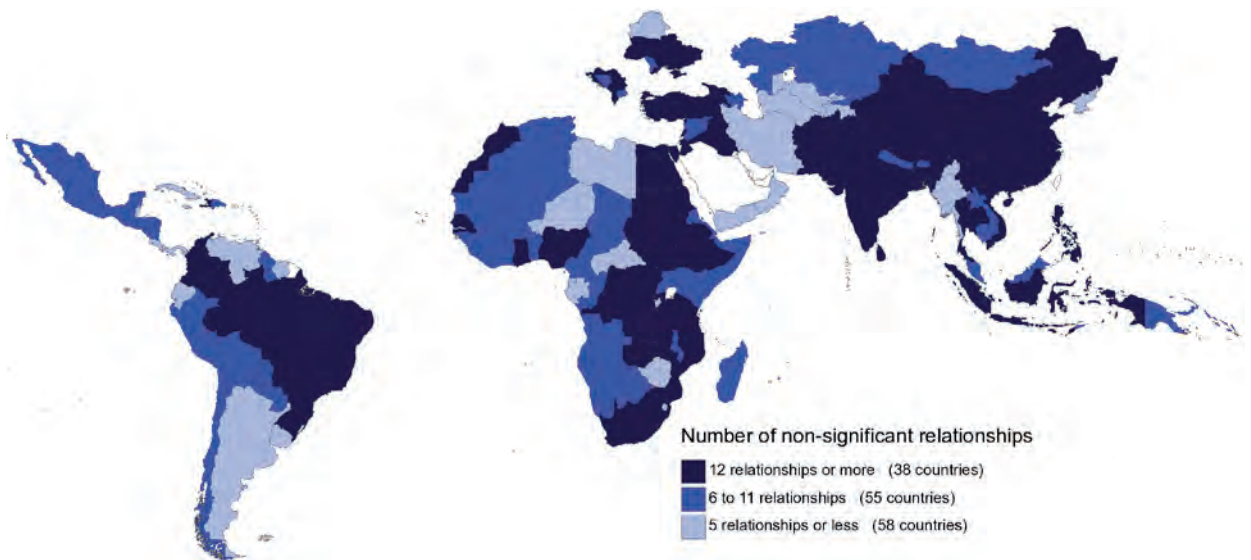
These non-significant relations can be used to derive a country fragmentation ratio; this will be computed as the number of non-significant relations as a percentage of total number of relations (*i.e.* $D/(A+B+C+D)$) for each recipient country. In this case, the smaller the percentage of non-significant relations, the better. The extreme case of fragmentation is Iraq of 88%, followed by India of 76%. In overall, the average fragmentation ratio is 39%, meaning that for each recipient country more than a third of its relationships' with donors are non-significant. Countries with the greatest opportunities for concentration, *i.e.* the countries with 12 non-significant relationships or more have a fragmentation ratio of 59%, some 20 percentage points higher than the average fragmentation ratio. The picture is that the LICs on overall score below this average (34%) whereas LMICs score above (46%). This is presented in Table 4.1 below.

Table 4.1. **Fragmentation ratio by income groups (2008)**

	Number of countries	All relationships	Donors in Cat. A (both B and C) "concentrated and important"	Donors in only Cat. B "concentrated"	Donors in only Cat. C "important"	Donors in Cat. D "not-significant"	Fragmentation ratio $D/(A+B+C+D)$
LICs	61	1 474	468	308	187	511	35%
LMICs	47	1 064	279	200	100	485	46%
UMICs	43	561	182	133	42	204	36%
Global	151	3 099	929	641	329	1 200	39%

The matrix in Annex 7 also provides the detail of individual recipient countries' fragmentation ratios.

Figure 4.3. **Opportunities for concentration (2008)**



Concentration of bilateral donors

This section presents the concentration ratios developed in the previous section *i.e.*:

- **Concentration ratio “narrow definition”** = the share of concentrated and important relationships in the donor’s total relationships. $[A/(A+B+C+D)]$
- **Concentration ratio “broad definition”** = the share of all significant relationships in the donor’s total relationships. $[(A+B+C)/(A+B+C+D)]$.

Table 4.2 below provides an overview of the concentration ratio (“narrow” definition), where a high ratio indicates that the donor aid portfolio has a high share of significant recipient countries and a low ratio indicates that there are too many countries in the tail receiving too little. The donors highlighted in the table are the donors that have a concentration ratio above the average bilateral ratio of 33%.

Table 4.2. Donors’ concentration ratio – narrow definition (2008)

Bilateral Donors	Category A “concentrated and important”	Category B “concentrated”	Category C “important”	Category D “not-significant”	Total relationships (number of partner countries)	Concentration Ratio (narrow definition) $A/(A+B+C+D)$
Netherlands	34	-	5	26	65	52%
Spain	45	2	6	37	90	50%
Sweden	32	6	2	28	68	47%
Germany	53	-	40	20	113	47%
EU institutions	62	-	70	16	148	42%
France	44	-	19	50	113	39%
Australia	20	2	-	32	54	37%
Portugal	7	4	-	8	19	37%
United States	46	-	54	27	127	36%
New Zealand	11	12	-	9	32	34%
Norway	30	3	1	54	88	34%
Denmark	22	3	-	43	68	32%
Japan	39	-	58	37	134	29%
Switzerland	20	16	-	34	70	29%
Canada	30	3	9	67	109	28%
United Kingdom	27	-	21	52	100	27%
Italy	22	18	-	51	91	24%
Ireland	10	7	-	25	42	24%
Belgium	11	14	-	26	51	22%
Luxembourg	8	13	-	23	44	18%
Finland	5	22	-	36	63	8%
Austria	2	21	-	5	28	7%
Greece	2	18	-	12	32	6%
Total DAC	582	164	285	718	1 749	33%
Korea	17	20	-	42	79	22%
Total bilateral	599	184	285	760	1 828	33%

Table 4.3 below provides an overview of the concentration ratio using the “broad” definition. A high ratio indicates that the donor aid portfolio has a high share of recipient countries that are either A, B or C. Donors highlighted in the table are the donors that score above the bilateral average of 58%.

Table 4.3. Donors’ concentration ratio – broad definition (2008)

Bilateral Donors	Category A “concentrated and important”	Category B “concentrated”	Category C “important”	Category D “not-significant”	Total relationships (number of partner countries)	Concentration Ratio (broad definition)
						(A+B+C) / (A+B+C+D)
EU institutions	62	-	70	16	148	89%
Germany	53	-	40	20	113	82%
Austria	2	21	-	5	28	82%
United States	46	-	54	27	127	79%
New Zealand	11	12	-	9	32	72%
Japan	39	-	58	37	134	72%
Greece	2	18	-	12	32	63%
Netherlands	34	-	5	26	65	60%
Spain	45	2	6	37	90	59%
Sweden	32	6	2	28	68	59%
Portugal	7	4	-	8	19	58%
France	44	-	19	50	113	56%
Switzerland	20	16	-	34	70	51%
Belgium	11	14	-	26	51	49%
United Kingdom	27	-	21	52	100	48%
Luxembourg	8	13	-	23	44	48%
Italy	22	18	-	51	91	44%
Finland	5	22	-	36	63	43%
Australia	20	2	-	32	54	41%
Ireland	10	7	-	25	42	40%
Norway	30	3	1	54	88	39%
Canada	30	3	9	67	109	39%
Denmark	22	3	-	43	68	37%
Total DAC	582	164	285	718	1 749	59%
Korea	17	20	-	42	79	47%
Total bilateral	599	184	285	760	1 828	58%

This global concentration picture is also applicable to donor involvement in LICs, as illustrated in Table 4.4 below. Donors’ allocation patterns to LICs deserve a specific attention, as these countries are among the poorest, with the least institutional capacity to cope with fragmentation. The average bilateral concentration ratio is 60% and except for Switzerland and the UK (which perform better in the case of the LICs), it is the same donors that are above the average bilateral concentration ratio.

Table 4.4. **Donors' concentration ratio in LICs – broad definition (2008)**

Bilateral Donors - Low income countries only	Category A "concentrated and important"	Category B "concentrated"	Category C "important"	Category D "not-significant"	Total relationships (number of partner countries)	Concentration Ratio (broad definition)
						(A+B+C) / (A+B+C+D)
EU institutions	20	0	37	4	61	93%
Germany	12	0	28	8	48	83%
United Kingdom	19	0	13	8	40	80%
Austria	1	10	0	3	14	79%
United States	13	0	29	12	54	78%
Japan	10	0	31	15	56	73%
Sweden	19	3	2	10	34	71%
New Zealand	6	7	0	6	19	68%
Netherlands	19	0	2	10	31	68%
Switzerland	8	13	0	13	34	62%
Portugal	4	2	0	4	10	60%
France	19	0	6	22	47	53%
Ireland	9	4	0	12	25	52%
Australia	14	0	0	14	28	50%
Denmark	16	1	0	18	35	49%
Finland	2	13	0	17	32	47%
Belgium	8	6	0	16	30	47%
Canada	15	0	8	27	50	46%
Luxembourg	3	7	0	12	22	45%
Norway	17	0	1	24	42	43%
Spain	12	0	3	25	40	38%
Italy	8	3	0	30	41	27%
Greece	0	2	0	7	9	22%
Total DAC	254	71	160	317	802	60%
Korea	6	5	0	23	34	32%
Total bilateral	260	76	160	340	836	59%

Concentration of multilateral agencies

Multilateral agencies show somewhat different patterns compared to bilateral donors: the multilateral donors will either be above their global share (which is the case of the UN agencies or very small agencies) or be in the group of top donors (mostly the case of the development banks and agencies with a very narrow geographical scope).

Table 4.5 below shows both concentration ratios. Looking at the narrow definition, multilateral agencies score on average lower than the bilateral donors, whereas they score higher on the broad definition. This pattern is normal because of the global mandate of the smaller multilateral agencies (such as the UN agencies), where it would be difficult to be in both categories (*i.e.* A) but will typically score high on B. However, it is interesting to note that UNRWA scores 100% using both concentration ratios. This is an example of a highly concentrated agency, which represents 1% of global core aid, carries out operations in only 4 countries, and it represents a share between 15% and 35% core aid to those countries, and thereby is among the top 90% donors.

Table 4.5. **Concentration ratio for multilateral agencies (2008)**

Multilateral Agencies	Concentration Ratio (narrow definition)	Concentration Ratio (broad definition)
AfDF	84%	84%
Arab Agencies	38%	58%
AsDF	46%	62%
CarDB	71%	100%
EBRD	0%	94%
GAVI	20%	50%
GEF	25%	61%
Global Fund	50%	62%
IDA	54%	90%
IDB Sp. Fund	64%	96%
IFAD	26%	59%
IMF	77%	87%
Montreal Protocol	15%	62%
Nordic Dev. Fund	0%	73%
UNAIDS	1%	72%
UNDP	12%	60%
UNFPA	7%	62%
UNICEF	22%	46%
UNRWA	100%	100%
UNTA	0%	68%
Total Multilateral	26%	65%

Significance of priority countries

Most bilateral donors have a strategic framework for engaging in a subset of recipient countries, which are often referred to as priority partner countries. These frameworks often set out the need and rationale for donors' interventions and outline the operations (sectors and modalities). The DAC has collected (through the survey on donors' forward spending plans) the list of each donor's priority partner countries. Excluding the EC, Japan, Korea and the United States, which do not operate with the concept of priority countries as such, nearly **three quarters** of core aid is extended to DAC members' priority countries (of which 60% are LICs). Nonetheless, the number of priority countries represents on average **a third** of all partner countries. This is illustrated in the pie chart, Figure 4.4, below.

In their priority countries, members are serious about maintaining important partnerships; the average core aid to priority countries is USD 41 million compared to an average of USD 8 million to non priority countries. Yet it is important to note that this average core aid in priority countries covers all aid levels ranging from USD 0.6 million (Australia to Cook Islands) to USD 817 million (United Kingdom to India). Such large variations may not necessarily mean that donors are spreading too thinly, *e.g.* Australia in the Cook Islands is among the top donors and represents 10.4% of aid extended to this country.

As indicated in Figures 4.4 and 4.5, most priority countries are significant aid relations, but it is interesting to note that on average 14% of the priority countries do not represent significant relations (*i.e.* neither A, B or C), but the non-significant relationships in priority countries represent some USD 0.6 billion. These situations deserve particular attention (see Table 4.6 for an overview for each donor).

Figure 4.4. Distribution of relationships to priority and non-priority partner countries (2008)

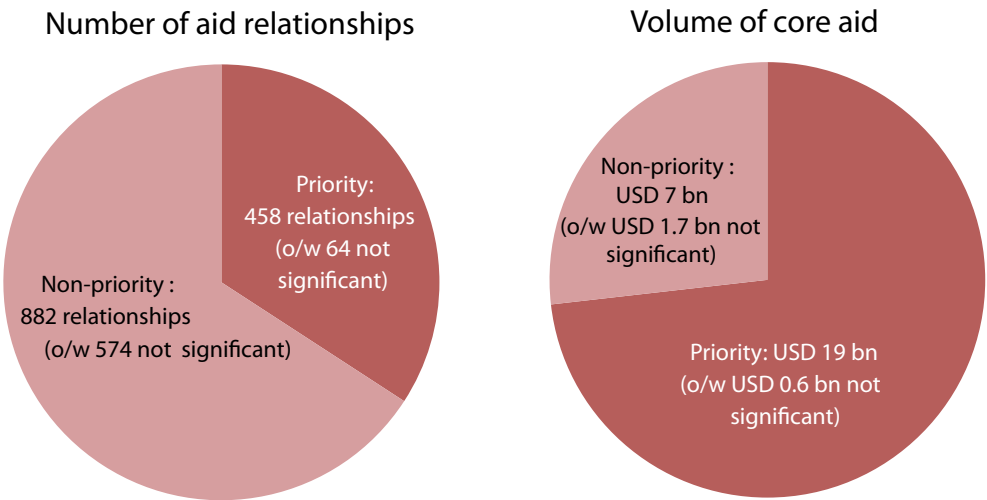
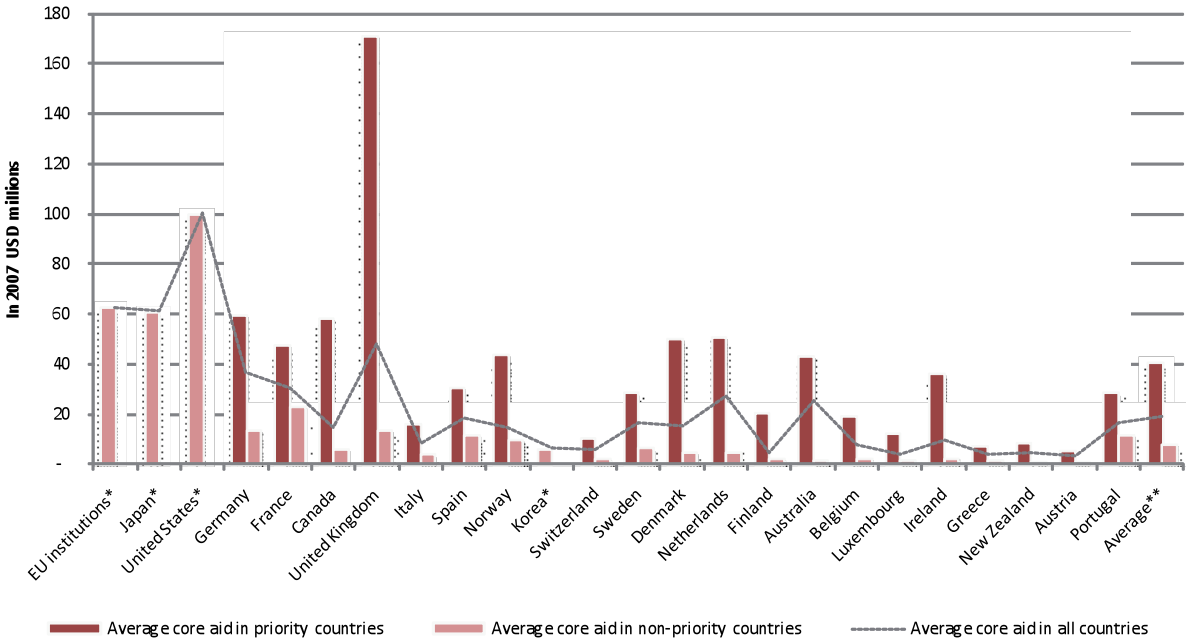


Figure 4.5. Average core aid in priority and non priority countries (2008)



* not defined for EU institutions, Japan, Korea and United States

**excluding EU institutions, Japan, Korea and United States

Table 4.6. **Number of priority countries that are not significant (2008)**

	Number of priority countries that are not significant (i.e. Category D)	Total number of priority countries
Australia	11	31
Austria		14
Belgium	2	18
Canada	3	19
Denmark	1	16
Finland		8
France	6	37
Germany	1	57
Greece	4	16
Ireland		9
Italy	12	33
Luxembourg		10
Netherlands	4	32
New Zealand		17
Norway	2	13
Portugal		6
Spain	7	35
Sweden	4	31
Switzerland	7	34
United Kingdom		22

Chapter 5

Change in composition of partnerships since 2004

As mentioned previously, the overall number of donors' in partner countries have been more or less stable since 2004, but with individual donors showing different patterns, some increasing and other decreasing the overall number of recipient countries. In any case, it is the composition of these partnerships in terms of significance that counts. As mentioned previously, 39% of the donors-partner countries' relationships are non-significant. For bilateral donors, these non-significant relationships account for 42% of relationships (up from a level of 39% in 2004), whereas for multilateral donors, these relationships represent 35% of total multilateral relationships (same level as in 2004).

Donors' perspective

Using the previously developed measures, we look at what has happened since 2004. Table 5.1 shows the “narrow” and “broad” concentration ratios. The concentration ratios are slightly declining since 2004, however with individual donors showing different patterns. 12 bilateral donors show worse concentration ratios (narrow definition): for these, fewer recipient countries in category A (above global share and among top donors) combined with increasing number of partner countries leads to a reduced concentration ratio. Using the second “broad” definition, the list expands to 16 donors, where the reduced performance can mainly be attributed to a larger share of countries below the donors' global average.

For multilateral agencies, the concentration ratios are more or less stable since 2004 (see table in Annex 5).

In terms of which donors have changed the composition of their partnerships, Table 5.2 shows the change compared to the situation in 2004 for bilateral donors. The table illustrates the different combinations of changes and highlights in particular the situations where donors have decreased number of significant recipients (broad definition, *i.e.* A+B+C) but increased the overall number of recipients. These situations merit close attention.

Partner countries' perspective

The change in partnerships from a recipient country's perspective is illustrated in the map below; where the net changes in non-significant partnerships are highlighted (dark red indicate 3 additional donors or more in category D to that country). In 79 out of 150 countries, fragmentation has increased as there are now between 1 and 9 additional donors in this group (with half of the countries having additional 1 to 2 more donors). The countries with increasing fragmentation are mostly LICs (43% of the cases).

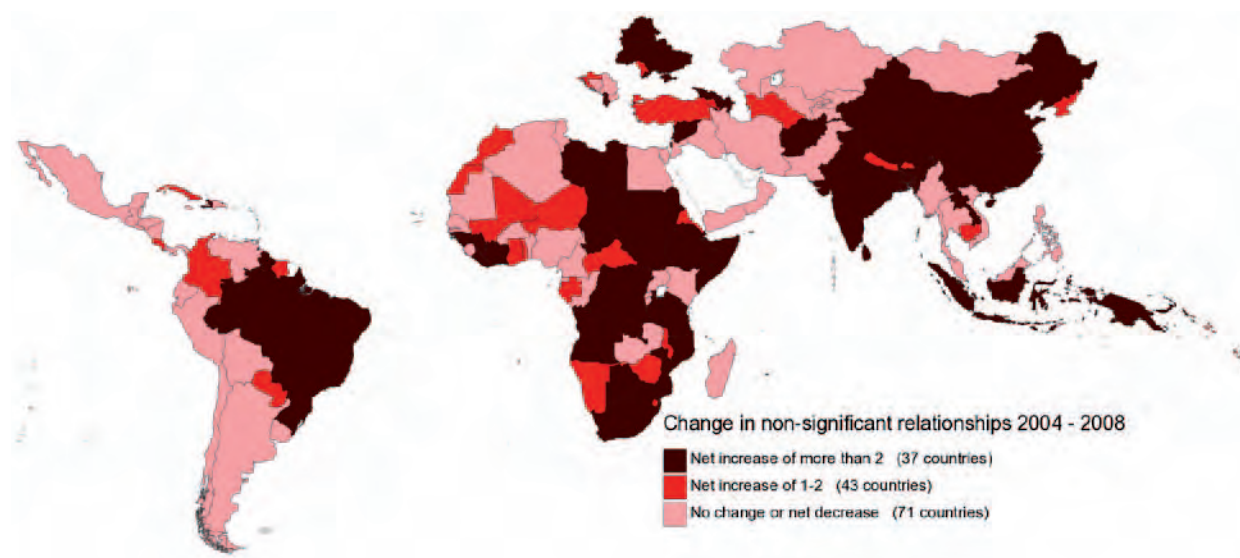
Table 5.1. **Change in concentration (2004–2008)**

	Concentration Ratio (narrow definition)		Concentration Ratio (broad definition)	
	2004	2008	2004	2008
Australia	43%	37%	53%	41%
Austria	6%	7%	77%	82%
Belgium	25%	22%	54%	49%
Canada	37%	28%	51%	39%
Denmark	40%	32%	50%	37%
EU institutions	51%	42%	95%	89%
Finland	3%	8%	53%	43%
France	44%	39%	61%	56%
Germany	48%	47%	80%	82%
Greece	12%	6%	76%	63%
Ireland	21%	24%	46%	40%
Italy	30%	24%	47%	44%
Japan	25%	29%	76%	72%
Luxembourg	20%	18%	73%	48%
Netherlands	42%	52%	49%	60%
New Zealand	28%	34%	72%	72%
Norway	42%	34%	45%	39%
Portugal	28%	37%	44%	58%
Spain	43%	50%	51%	59%
Sweden	44%	47%	48%	59%
Switzerland	27%	29%	43%	51%
United Kingdom	29%	27%	58%	48%
United States	34%	36%	80%	79%
Total DAC	35%	33%	62%	59%
Korea	15%	22%	55%	47%
Total bilateral	34%	33%	61%	58%

Table 5.2. **Change in composition of relationships for bilateral donors (2004–2008)**

	Decrease in number of recipients (A+B+C+D)	Increase in number of recipients (A+B+C+D)
Decrease in number of significant recipients (A+B+C)	Austria, Belgium, Canada, Finland, France, Ireland, New Zealand, Sweden	Australia, Denmark, Luxembourg, Norway, United Kingdom
No change in number of significant recipients (A+B+C)	n.a.	Japan
Increase in number of significant recipients (A+B+C)	Netherlands, Switzerland	EU institutions, Germany, Greece, Italy, Korea, Portugal, Spain, United States

Figure 5.1. Change in non-significant relationships (2004–2008)



Chapter 6

Possible remedies: options for rationalisation

To reduce fragmentation, there are 3 possible remedies:

1. Allocate additional resources to less significant partnerships, if aid budgets are growing. This demands not only a willingness to scale up aid resources but also to allocate these on a priority basis to less significant. This option is not treated in the current report.
2. Reallocate within each donor's aid portfolio from non-significant to significant relationships, eliminating some of the former.
3. Leave funding unchanged, but channel the resources through other bilateral and multilateral agencies to reduce the donors' administrative footprint.

The analysis in the next sections will only examine the last two options for reducing “non-significant” donor-recipient relations.

Both options assume that multilateral agencies cannot delegate or withdrawn their funding in recipient countries as they are bound by their mandates, *i.e.* they cannot do much about the volume of their individual aid relationships. The options also assume that recipient countries with 15 or fewer donors cannot lose resources. This group of 40 countries are typically small island states with lower fragmentation ratios (on average 25% compared to an average in countries with more than 15 donors of 40%).

The only relationships that are reallocated in these options cover the remaining 111 partner countries, which have between 16 and 35 donors. **In the global picture of relationships (all countries, all donors), the non-significant relations that are reallocated represent 23% of all donor-recipient relations but only 3.7% of total core aid.** NB: this is of course after eliminating micro-aid relationships (below USD 250 000) amounting to a quarter of the whole pool of relationships but just 0.1% of core aid.

Option 2: redistributing within donors' portfolios

This option assumes that each donor reinvests the resources from the non-significant aid relationships in to the more significant partnerships that are already in its portfolio. The net effect will be that some recipient countries will see their aid reduced and others increased. The results of this option are shown in Table 6.1.

The net effect is that 102 countries will get increased amount of core aid, whereas 49 countries will see their aid reduced. These are mostly countries in Europe, North Africa, Middle East and South Central Asia (all mostly LMICs and UMICs). For this group of countries, the loss is, on average by country, limited to 2% of their core aid. Even if the reallocations are limited, one needs to be careful about the impact of such reallocations on

Table 6.1. **Impact of option 2 – redistributing within donors’ portfolios**

Summary of option 2	All Recipients	Of which LICs
Total core aid (USD million)	76 214	39 359
Total number of relationships (prior to reallocation)	3 099	1 474
Total core aid of non-significant relationships (USD million)	2 824	1 258
Number of relationships to «reallocate» (white relationship the in matrix for bilateral donors)	705	329
% decrease in number of relationships	22.7%	22.3%
% of total core aid for reallocation	3.7%	3.2%
Total number of relationships after reallocation	2 394	1 145
Average size of relationship prior to reallocation (USD million)	24.6	26.7
Average size of non-significant relationship (USD million)	4.0	3.8
Average size of relationship after reallocation (USD million)	31.8	34.6
Impact of reallocation on recipients countries:		
Number of countries with increasing core aid	102	39
Average “gain” per country	+2.5%	+2.5%
Number of countries with decreasing core aid	49	22
Average “loss” per country	-2.4%	-1.8%

under aided countries. Also, the implications on the AAA principles that no country should lose aid as a result of improved division of labour should be considered.

The regions that will benefit the most from this reallocation are sub-Saharan Africa followed by Oceania (see also summary tables in Annex 6).

Overall impact of the reallocations is considerable, not only a reduction of 23% of the donor/partner relations but an increase of the average aid relationship of 29%.

Option 3: redistributing within recipient country

This option implies that less significant donors can entrust their resources to other agencies and thereby leaving country level funding unchanged. Donors can either use delegated co-operation schemes, silent partnerships or earmarking through multilateral agencies. This reduces donors’ administrative footprint and thereby reduces transactions costs for partner countries.

Overall some donors increase the amount of resources they manage (not only their own resources but also resources other donors have entrusted them), while other donors would reduce the amount of core aid they manage directly in the field and channel it through other donors that maintain more significant relationships in that particular country.

Table 6.2 presents the results of the option.

Also in this option, the impact of the reallocations is not only a reduction of 23% of the donor/partner relations but also an increase of the average aid relationship of 29%. To achieve this, the resources will be mostly channelled through the multilateral agencies. The table in Annex 6 shows the detailed results of option 3 with the net impact on each donor.

Table 6.2. **Impact of option 3 – redistributing within recipient country**

Summary of option 3	All Recipients	Of which LICs
Total core aid (USD million)	76 214	39 359
Total number of relationships (prior to reallocation)	3 099	1 474
Total core aid of non-significant relationships (USD million)	2 824	1 258
Number of relationships to «reallocate» (white relationship the in matrix for bilateral donors)	705	329
% decrease in number of relationships	22.7%	22.3%
% of total core aid reallocated	3.7%	3.2%
Total number of relationships after reallocation	2 394	1 145
Total core aid after reallocation	76 214	39 359
Average size of relationship prior to reallocation (USD million)	24.6	26.7
Average size of non-significant relationship (USD million)	4.0	3.8
Average size of relationship after reallocation (USD million)	31.8	34.4
Net impact of reallocation on donors (negative amount means using other channels than the bilateral channel)		
Bilateral donors (USD million)	-718	-470
Multilateral donors (USD million)	718	470

Annex 1

List of Donors

Bilateral donors: DAC Donors plus Korea (24)	Multilateral Donors (22)
Australia	AfDF
Austria	Arab Agencies ^a
Belgium	AsDF
Canada	CarDB
Denmark	EBRD
EU institutions ^b	GAVI
Finland	GEF
France	Global Fund
Germany	IDA
Greece	IDB Sp. Fund
Ireland	IFAD
Italy	IMF
Japan	Montreal Protocol
Korea	Nordic Dev. Fund ^c
Luxembourg	UNAIDS
Netherlands	UNDP
New Zealand	UNFPA
Norway	UNICEF
Portugal	UNRWA
Spain	UNTA ^d
Sweden	
Switzerland	
United Kingdom	
United States	

a. The Arab agencies include: Arab Bank for Economic Development in Africa, Islamic Development Bank and OPEC Fund.

b. The European Commission is considered in this report as a bilateral donor.

c. The Nordic Development Fund has ceased new lending activities since 2005: the data reported relates to project activities committed prior to 2005.

d. UNTA are technical assistance expenditures incurred by UN Specialised Agencies (WHO, UNESCO, FAO, ILO, UNIDO) from their regular budget.

Annex 2

Trend in core aid over the past 5 years

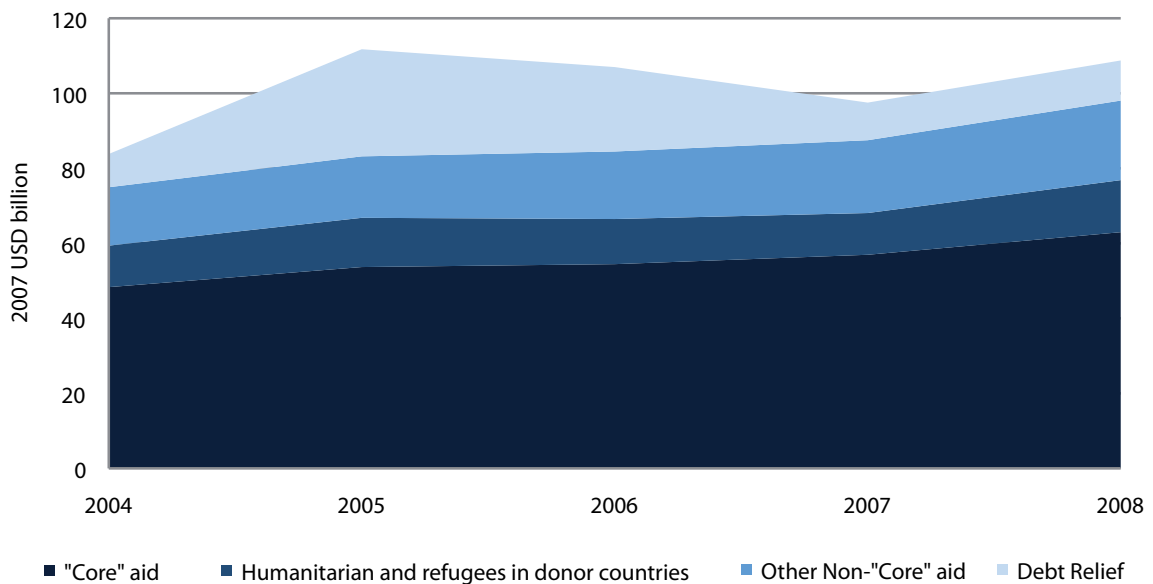
Global core aid of bilateral and multilateral donors amounted to USD 83.5 billion in 2008, with the multilateral agencies accounting for 25% of the flows. Core aid has grown at an annual rate of 7% in the past 5 years and was extended to 151 ODA eligible countries.

Bilateral core aid

For all bilateral donors, core aid has, on average in the past 5 years, represented 54% of their gross bilateral ODA, growing at a rate of 7% per year in line with the overall gross ODA growth rate. Core aid for 2008 is estimated to be USD 63 billion, up from a level of USD 48 billion in 2004.

The overall trend in core aid over the past 5 years, as illustrated in the figure below, is the growth in core aid spending is equivalent to other non-core aid items (removing the effect of the debt relief bubble in 2005 and 2006).

Figure A2.1. **Composition of Gross bilateral ODA**



The provisional 2008 core aid figures for all bilateral donors combined was USD 63 billion, up from USD 57 billion in 2007. But the core aid share of bilateral ODA has been stable. This is encouraging since with total ODA levels increases, core aid should also increase. The United States, EU institutions, Japan, Spain and Germany represent over 80% of the increase in core aid spending from 2007 to 2008.

The composition of each donor's ODA varies considerably as shown in the table below.

Table A2.1. **Core aid of bilateral donors in 2008**

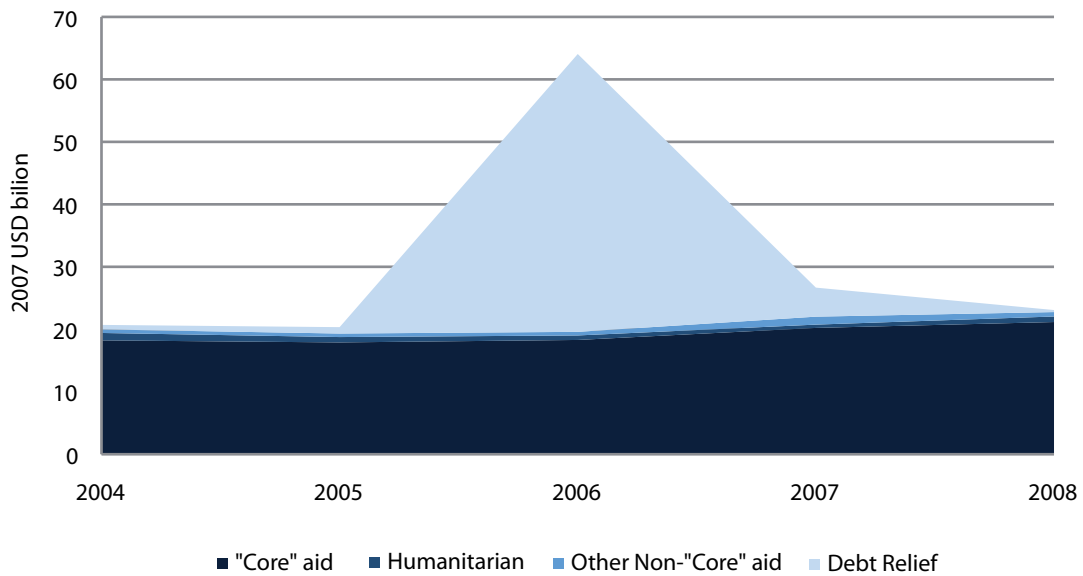
	Bilateral ODA 2007 USD Million	Of which share of				Core aid 2007 USD Million
		Debt Relief	Humanitarian Aid and Refugees in Donor Country	Non-core aid items	Core aid	
		%				
Australia	2 545	10%	14%	17%	60%	1 525
Austria	1 183	61%	7%	23%	10%	114
Belgium	1 380	7%	15%	46%	32%	441
Canada	3 289	4%	12%	9%	75%	2 462
Denmark	1 737	7%	9%	18%	66%	1 144
EU institutions	13 691	0%	15%	10%	75%	10 274
Finland	639	1%	17%	30%	53%	340
France	7 328	15%	6%	28%	50%	3 671
Germany	10 315	30%	4%	18%	49%	5 029
Greece	286	0%	9%	34%	56%	162
Ireland	892	0%	21%	32%	47%	416
Italy	1 895	43%	10%	7%	42%	788
Japan	13 045	19%	4%	11%	67%	8 695
Luxembourg	260	0%	15%	16%	70%	181
Netherlands	5 120	2%	10%	48%	40%	2 042
New Zealand	285	0%	10%	25%	65%	186
Norway	2 784	1%	17%	29%	53%	1 487
Portugal	353	0%	0%	6%	93%	330
Spain	4 968	13%	10%	24%	53%	2 652
Sweden	2 998	0%	20%	35%	45%	1 335
Switzerland	1 390	6%	27%	30%	37%	509
United Kingdom	8 399	7%	11%	20%	63%	5 284
United States	23 300	2%	23%	18%	57%	13 357
Total DAC	108 084	10%	13%	20%	58%	62 426
Korea	667	2%	4%	13%	81%	537
Total bilateral	108 751	10%	13%	20%	58%	62 964

Multilateral core aid

In the case of multilateral agencies, multilateral core aid consists of core-funded expenditures on operational activities in recipient countries. These relates to outflows (*i.e.* resource transfers of multilateral organisations to recipient countries). Note that non-core funding (*i.e.* activities funded through earmarked contributions), is counted as part of bilateral donors' core aid. For multilateral development banks, only gross concessional outflows (credits and grants) are included.

The core aid share of multilateral ODA (92%) is much higher than the bilateral core aid share. It is, however, important to note that in the case of the multilateral agencies, core aid statistics tend to overstate this share as some multilateral agencies do not report administrative costs to the DAC. Note also that the humanitarian and food aid share of multilateral ODA mainly relates to the operations of the WFP and UNHCR, therefore these agencies are not included in the analysis.

Figure A2.2. **Composition of multilateral agencies gross ODA**



Annex 3

Applying a threshold

In addition to excluding aid that is not programmable by donor, we also exclude “noise” generated by small official sector aid activities. The Secretariat has applied a country-level threshold of USD 250 000. For each donor, gross country level aid operations below this level are excluded from the analysis. The threshold is only applied to the bilateral donors, as these types of activities under small grants are not applicable to most multilateral donors.

These types of small grants will often take the form of non-project technical co-operation which includes activities such as scholarships, volunteers and trainees and minor grants channelled through NGOs or multilateral organisations, hereafter referred to as small grant schemes. The small grant schemes will do not induce any transaction costs.

The table below shows the total number of recipient countries and the number of countries that receive aid amounts below this threshold for each donor with the corresponding amounts in core aid. Ignoring these small grants schemes removed USD 55.2 million in 2008 or just 0.1% of total core aid but over a quarter of donor-recipient country relationships. On average, the number of countries and amount of small grants schemes provided by donors has more or less been stable over the past 5 years; however a closer look at the data reveals significant variations between donors.

The majority of donors have reduced their number of small grant schemes (namely Austria, Denmark, EU institutions, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, New Zealand, Netherlands, Norway and Spain), but some donors (Australia, Belgium, Canada, Finland, Greece, Portugal, Sweden, Switzerland, United Kingdom and United States) have increased their small schemes, with the extreme case being Canada which now counts additional 20 recipient countries below the threshold.

Table A3.1. **Impact of applying the threshold**

Donor	Core aid to countries		Number of Countries		Core aid below threshold		Number of countries below threshold	
	2004	2008	2004	2008	2004	2008	2004	2008
Australia	1 045	1 370	68	74	1.2	1.9	17	20
Austria	82	89	95	80	3.2	2.7	60	52
Belgium	493	413	100	87	2.6	2.2	28	36
Canada	1 300	1 623	134	141	0.9	3.7	12	32
Denmark	1 076	1 054	79	84	1.6	1.6	17	16
EU institutions	6 367	9 268	139	149	0.4	0.0	4	1
Finland	223	282	99	108	3.0	5.3	35	45
France	2 538	3 442	138	132	2.0	2.7	21	19
Germany	2 900	4 129	136	132	1.3	0.6	27	19
Greece	88	135	76	95	3.9	4.2	51	63
Ireland	358	404	87	64	3.0	2.4	35	22
Italy	604	741	106	113	2.3	2.0	29	22
Japan	7 550	8 190	139	144	1.0	0.8	11	10
Korea	388	515	121	111	5.9	2.9	68	32
Luxembourg	112	175	66	78	2.0	3.9	36	34
Netherlands	1 504	1 777	109	89	1.4	2.9	31	24
New Zealand	107	157	82	72	3.4	2.6	43	40
Norway	1 107	1 289	105	106	1.9	1.7	19	18
Portugal	115	322	41	51	1.4	2.8	23	32
Spain	1 337	1 688	104	105	2.6	1.4	25	15
Sweden	1 067	1 110	108	93	1.9	2.1	20	25
Switzerland	499	429	100	101	2.0	2.3	21	31
United Kingdom	3 675	4 812	108	123	2.5	1.9	19	23
United States	10 013	12 716	128	136	0.5	0.5	7	9

Note: Regional and multi-country categories are not included.

Annex 4

Bilateral and Multilateral aid allocations

Table A4.1. Overview of bilateral core aid allocations

	2004				2008			
	Number of recipient countries	Core aid (USD Million)	Donors' share of global CPA (in %)	Average CPA per partner (USD million)	Number of recipient countries	Core aid (USD Million)	Donors' share of global CPA (in %)	Average CPA per partner (USD million)
Australia	51	1 044	1.7	20	54	1 368	1.8	25
Austria	35	79	0.1	2	28	87	0.1	3
Belgium	72	491	0.8	7	51	411	0.5	8
Canada	122	1 300	2.1	11	109	1 619	2.1	15
Denmark	62	1 075	1.7	17	68	1 052	1.4	15
EU institutions	135	6 367	10.2	47	148	9 268	12.2	63
Finland	64	220	0.4	3	63	277	0.4	4
France	117	2 536	4.1	22	113	3 439	4.5	30
Germany	109	2 899	4.7	27	113	4 129	5.4	37
Greece	25	84	0.1	3	32	131	0.2	4
Ireland	52	355	0.6	7	42	401	0.5	10
Italy	77	602	1.0	8	91	739	1.0	8
Japan	128	7 549	12.1	59	134	8 189	10.7	61
Korea	53	382	0.6	7	79	512	0.7	6
Luxembourg	30	110	0.2	4	44	171	0.2	4
Netherlands	78	1 503	2.4	19	65	1 774	2.3	27
New Zealand	39	103	0.2	3	32	154	0.2	5
Norway	86	1 105	1.8	13	88	1 287	1.7	15
Portugal	18	114	0.2	6	19	320	0.4	17
Spain	79	1 334	2.1	17	90	1 687	2.2	19
Sweden	88	1 065	1.7	12	68	1 108	1.5	16
Switzerland	79	497	0.8	6	70	427	0.6	6
United Kingdom	89	3 673	5.9	41	100	4 810	6.3	48
United States	121	10 013	16.1	83	127	12 716	16.7	100

Note: Regional and multi-country categories are not included and threshold of USD 250 000 have been applied.

Table A4.2. **Overview of multilateral core aid allocations**

	2004				2008			
	Number of partners	Core aid (USD Million)	Donors' share of global multilateral core aid (in %)	Average core aid per partner (USD million)	Number of partners	Core aid (USD Million)	Donors' share of global core aid (in %)	Average core aid per partner (USD million)
AfDF	37	1 076	1.7	29	38	1 337	1.8	35
Arab Agencies	78	605	1.0	8	85	649	0.9	8
AsDF	26	1 227	2.0	47	37	2 178	2.9	59
CarDB	13	61	0.1	5	14	68	0.1	5
EBRD	15	34	0.1	2	18	5	0.0	0
GAVI ^b	n.a	n.a	n.a	n.a	70	594	0.8	8
GEF	86	359	0.6	4	59	424	0.6	7
Global Fund	87	652	1.0	7	105	2 037	2.7	19
IDA	71	9 940	16.0	140	79	8 534	11.2	108
IDB Sp. Fund	25	600	1.0	24	25	475	0.6	19
IFAD	79	318	0.5	4	74	467	0.6	6
IMF	31	1 361	2.2	44	30	960	1.3	32
Montreal Protocol	15	67	0.1	4	13	72	0.1	6
Nordic Dev. Fund	21	84	0.1	4	22	99	0.1	5
UNAIDS ^a	n.a	n.a	n.a	n.a	93	40	0.1	0
UNDP	124	416	0.7	3	123	440	0.6	4
UNFPA	114	208	0.3	2	118	258	0.3	2
UNICEF	117	421	0.7	4	120	641	0.8	5
UNRWA ^a	n.a	n.a	n.a	n.a	4	768	1.0	192
UNTA ^c	139	288	0.5	2	144	94	0.1	1

Note: UNTA is the technical assistance expenditures incurred by UN Specialised Agencies (WHO, UNESCO, FAO, ILO, UNIDO) from their regular budget.

a. Data collection for UNAIDS and UNRWA has only started since 2004.

b. GAVI has been established since 2004.

c. Regional and multi-country categories are not included.

Annex 5

Multilateral concentration ratios

Table A5.1. **Multilateral concentration ratios**

	Concentration Ratio (narrow definition)		Concentration Ratio (broad definition)	
	2004	2008	2004	2008
AfDF	76%	84%	76%	84%
Arab Agencies	41%	38%	62%	58%
AsDF	69%	46%	73%	62%
CarDB	85%	71%	100%	100%
EBRD	13%	0%	93%	94%
GAVI ^b	n.a.	20%	n.a.	50%
GEF	26%	25%	56%	61%
Global Fund	37%	50%	53%	62%
IDA	61%	54%	97%	90%
IDB Sp. Fund	56%	64%	84%	96%
IFAD	23%	26%	72%	59%
IMF	68%	77%	71%	87%
Montreal Protocol	7%	15%	60%	62%
Nordic Dev. Fund	14%	0%	81%	73%
UNAIDS ^a	n.a.	1%	n.a.	72%
UNDP	20%	12%	56%	60%
UNFPA	4%	7%	60%	62%
UNICEF	16%	22%	55%	46%
UNRWA ^a	n.a.	100%	n.a.	100%
UNTA ^c	15%	0%	65%	68%
Total Multilateral	29%	26%	65%	65%
Total Multilateral (excl. GAVI, UNAIDS and UNRWA)	29%	28%	65%	66%

a. Data collection for UNAIDS and UNRWA has only started since 2004.

b. GAVI has been established since 2004.

c. UNTA are technical assistance expenditures incurred by UN Specialised Agencies (WHO, UNESCO, FAO, ILO, UNIDO) from their regular budget.

Annex 6

Detailed results of the options

Table A6.1. **Impact of option 2 – redistributing within donors' portfolios (by income groups and regions)**

Impact of reallocation by income group	Number of countries with decreased core aid	Number of countries with increased core aid	Net core aid from reallocation (USD million)	Average size of relationship prior to reallocation (USD million)	Average size of relationship after reallocation (USD million)
LICs	22	39	+298	26.7	34.6
LMICs	18	29	-257	26.4	35.3
UMICs	9	34	-42	15.7	19.0
Total	49	102	0	24.6	31.8

Impact of reallocation by region	Number of countries with decreased core aid	Number of countries with increased core aid	Net core aid from reallocation (USD million)	Average size of relationship prior to reallocation (USD million)	Average size of relationship after reallocation (USD million)
Europe	3	7	-43	21.9	28.1
North Sahara	2	3	-31	33.1	44.4
South Sahara	22	28	+131	23.5	31.0
North and Central America	1	21	+98	10.2	12.4
South America	3	9	+22	13.3	16.6
Middle East	6	2	-132	34.1	49.3
South and Central Asia	9	8	-229	35.7	47.1
Far East Asia	3	8	+71	36.6	49.8
Oceania	0	16	+113	10.2	11.7
Total	49	102	0	24.6	31.8

Table A6.2. **Impact of option 3 – redistributing within recipient country (by donor)**

Donor	Total relationships prior to reallocation	Total non-significant relationships for reallocation	Core aid “entrusted to other donors” (USD million)	Core aid “entrusted by other donors” (USD million)	Average relationship core aid prior to reallocation (USD million)	Average relationship core aid after reallocation
Australia	54	29	-200	+23	25.3	47.7
Austria	28	5	-3	+3	3.1	3.8
Belgium	51	26	-48	+15	8.1	15.1
Canada	109	57	-316	+44	14.9	25.9
Denmark	68	42	-159	+26	15.5	35.4
EU institutions	148	5	-130	+376	62.6	66.5
Finland	63	36	-52	+7	4.4	8.6
France	113	46	-208	+99	30.4	49.7
Germany	113	14	-123	+168	36.5	42.2
Greece	32	12	-7	+5	4.1	6.4
Ireland	42	25	-26	+11	9.6	22.8
Italy	91	51	-162	+24	8.1	15.0
Japan	134	31	-205	+344	61.1	80.9
Luxembourg	44	23	-20	+5	3.9	7.4
Netherlands	65	25	-100	+50	27.3	43.1
New Zealand	32	9	-9	+1	4.8	6.4
Norway	88	54	-315	+34	14.6	29.6
Portugal	19	8	-20	+11	16.8	28.3
Spain	90	35	-185	+55	18.7	28.3
Sweden	68	28	-89	+35	16.3	26.4
Switzerland	70	34	-75	+12	6.1	10.1
United Kingdom	100	48	-146	+202	48.1	93.6
United States	127	20	-109	+544	100.1	122.9
Total DAC	1 749	663	-2 706	+2 094	31.8	50.6
Korea	79	42	-118	+12	6.5	11.0
Total bilateral	1 828	705	-2 824	+2 106	30.7	49.3
AfDF	38	0	0	+44	35.2	36.3
Arab Agencies	85	0	0	+22	7.6	7.9
AsDF	37	0	0	+74	58.9	60.9
CarDB	14	0	0	+1	4.8	4.9
EBRD	18	0	0	0	0.3	0.3
GAVI	70	0	0	+25	8.5	8.8
GEF	59	0	0	+18	7.2	7.5
Global Fund	105	0	0	+78	19.4	20.1
IDA	79	0	0	+320	108.0	112.1
IDB Sp. Fund	25	0	0	+13	19.0	19.5
IFAD	74	0	0	+18	6.3	6.6
IMF	30	0	0	n.a.	32.0	32.0
Montreal Protocol	13	0	0	+5	5.5	5.9
Nordic Dev. Fund	22	0	0	+3	4.5	4.6
UNAIDS	93	0	0	+1	0.4	0.4
UNDP	123	0	0	+16	3.6	3.7
UNFPA	118	0	0	+10	2.2	2.3
UNICEF	120	0	0	+27	5.3	5.6
UNRWA	4	0	0	+40	192.1	202.2
UNTA	144	0	0	+3	0.7	0.7
Total Multilateral	1 271	0	0	+718	15.8	16.4
Grand Total	3 099	705	-2 824	+2 824	24.59	31.8

Annex 7

Matrix of individual donors-partner countries relations

Table A7.1. Global Fragmentation on the basis of core aid data: 2008 Disbursements in constant 2007 USD
— Coverage: DAC members and Korea

Key		Light blue applies to donor/partner country relationships that are either in Category B (where the donor provides more than its global share of core aid to that partner country) or in Category C (where the donor is among the top donors that cumulatively provide 90% of the core aid to that partner country). Dark blue applies to donor/partner country relationships in Category A (where the donor provides more than its global share of core aid and is among the top donors that cumulatively provide 90% of the core aid to that partner country), i.e. in both Category B and C.																																			
		Cells with data, but without highlighting, denote that the donor is in the last decile of donors to that country and the country is not an above-average partner for that donor.																																			
Region/Partners	Number of donors	2	3	4	5	6	7	Grand Total														DAC countries and Korea	No. of DAC and Korea partner countries	Multilateral Agencies													
Row		1	Column	2	3	4	5	6	7	Australia	Austria	Belgium	Canada	Denmark	EU institutions	Finland	France	Germany	Greece	Ireland	Italy	Japan	Korea	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom	United States				
1	Number of partners	54	28	51	109	68	148	63	113	113	42	91	134	79	44	65	32	88	19	90	68	70	100	127	3099	1828	489	501	330	440	26	33	61	76214	56075	20139	
2	No. of partners in only Cat. B or C	2	21	14	12	3	70	22	19	40	18	7	18	58	20	13	5	12	4	8	8	16	21	54	970	469	501	330	440	26	33	61	76214	56075	20139		
3	No. of partners in Category A	20	2	11	30	22	62	5	44	53	2	10	22	39	17	8	34	11	30	7	45	32	20	27	46	929	599	330	440	26	33	61	76214	56075	20139		
4	No. of partners in Category D	32	5	26	67	43	16	36	50	20	12	25	51	37	42	23	26	9	54	8	37	28	34	52	27	1200	760	330	440	26	33	61	76214	56075	20139		
5	Concentration Ratio (Narrow in %)	37	7	22	28	32	42	8	39	47	6	24	24	29	22	18	52	34	34	37	50	47	29	27	36	30	33	65	26	33	61	76214	56075	20139			
6	Concentration Ratio (Broad in %)	41	82	49	39	37	89	43	56	82	63	40	44	72	47	48	60	72	39	58	59	51	48	79	61	58	65	26	33	61	76214	56075	20139				
7	Core aid (USD million)	1368	87	411	1619	1052	9268	277	3439	4129	131	401	739	6189	512	171	1774	154	1287	320	1687	1108	427	4810	12716	56075	20139	330	440	26	33	61	76214	56075	20139		
8	Average core aid (USD million)	25	3	8	15	15	63	4	30	37	4	10	8	61	6	4	27	5	15	17	16	6	48	100	25	31	16	26.4	33	61	76214	56075	20139				
9	Donors' share of global core aid (in %)	1.8	0.1	0.5	2.1	1.4	12.2	0.4	4.5	5.4	0.2	0.5	1.0	10.7	0.7	0.2	2.3	0.2	1.7	0.4	2.2	1.5	0.6	6.3	16.7	73.6	26.4	33	61	76214	56075	20139					
		%																				%	No.	%													
Least Developed Countries		33	7	7	19	58	3597	1.3	0.0	0.1	4.6	1.1	3.0	0.3	0.2	6.3	0.3	-	2.5	4.0	0.1	0.0	2.5	0.1	2.3	0.4	0.5	1.6	0.3	8.8	50.6	100.0	90.8	23	9.2		
Afghanistan		28	12	8	8	29	318	-	-	-	0.1	1.2	12.1	0.6	1.2	3.0	-	-	1.8	5.0	9.4	-	0.3	-	5.1	5.6	5.2	0.7	0.2	3.2	13.4	100.0	68.2	17	31.8		
Angola		33	8	6	19	58	2258	1.3	-	-	3.3	1.8	4.1	0.1	0.0	2.5	0.0	-	0.2	5.0	0.5	0.0	3.4	0.0	0.9	-	0.2	1.4	0.6	11.3	2.1	100.0	38.9	20	61.1		
Bangladesh		28	11	10	7	25	570	-	-	-	2.6	1.2	7.7	20.7	-	-	7.2	7.3	-	-	0.1	4.2	0.5	0.1	5.8	-	-	-	0.2	-	1.4	-	5.9	100.0	65.0	14	35.0
Benin		21	4	10	7	33	82	2.5	4.4	-	1.0	15.5	8.8	-	-	-	-	-	-	-	2.2	1.6	-	3.5	-	1.1	-	-	0.9	3.3	-	-	100.0	63.5	11	36.5	
Bhutan		27	8	12	7	26	870	-	0.7	0.6	3.3	4.7	14.2	-	-	13.8	4.3	-	-	0.2	1.4	-	1.3	9.0	-	-	-	-	2.4	1.9	-	0.7	100.0	58.5	14	41.5	
Burkina Faso		27	11	5	19	364	-	0.1	10.7	0.4	0.1	15.1	-	-	2.9	3.2	-	-	-	1.0	1.5	-	6.8	-	6.1	-	-	-	0.8	1.1	3.4	3.3	100.0	56.7	15	43.3	
Burundi		33	17	7	9	27	686	5.2	-	1.0	1.6	1.8	4.7	0.7	3.7	4.2	-	0.1	0.3	14.9	5.7	0.0	0.3	0.5	1.4	-	1.3	2.1	0.5	4.7	10.2	100.0	64.9	21	35.1		
Cambodia		18	6	7	5	28	150	-	-	-	0.2	-	21.0	-	-	9.5	2.9	-	-	-	0.4	0.2	-	-	-	-	-	-	-	-	-	1.2	10.1	100.0	45.6	8	54.4
Central African Rep.		26	6	10	10	38	229	-	-	-	0.2	0.6	-	40.9	-	-	10.3	9.5	0.1	-	0.3	0.8	-	0.4	-	0.4	0.9	1.5	-	2.3	-	0.5	100.0	68.9	14	31.1	
Chad		11	5	4	2	18	26	-	-	-	-	-	33.8	-	-	33.8	-	26.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	60.6	2	39.4
Comoros		30	5	10	15	50	1110	-	-	-	6.7	1.1	0.2	12.3	0.1	1.0	3.4	0.1	0.0	0.4	1.9	0.2	0.1	0.9	-	0.9	0.1	-	2.9	0.2	12.0	6.8	100.0	51.1	20	48.9	
Congo, Dem.Rep.		18	7	5	6	33	89	-	-	-	-	0.3	-	6.6	-	-	41.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3	-	100.0	58.5	7	41.5
Djibouti		10	5	4	1	10	33	-	-	-	-	-	-	9.7	-	-	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	70.2	4	29.8
Equatorial Guinea		23	6	8	9	39	93	-	-	-	2.0	-	0.8	6.3	-	-	0.7	0.8	-	-	0.9	7.5	-	0.3	-	6.3	-	-	35.6	16.2	-	6.1	100.0	58.5	7	41.5	
Eritrea		35	12	10	13	37	2042	0.1	0.3	0.1	4.4	0.2	15.2	0.6	0.6	3.9	0.0	1.5	12.8	1.7	0.2	0.0	2.7	-	1.3	-	-	1.7	2.0	0.0	4.9	10.2	100.0	54.5	22	45.5	
Ethiopia		21	9	8	4	19	77	-	-	-	0.9	-	11.8	-	-	0.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.1	1.8	100.0	28.5	8	71.5	
Gambia		24	8	10	6	25	227	-	-	-	0.5	2.6	-	14.6	-	-	9.0	6.4	-	0.2	-	4.4	0.5	0.3	-	-	-	-	-	-	0.3	7.8	100.0	46.9	12	53.1	
Guinea		22	5	7	10	45	108	-	-	-	0.4	0.7	39.3	0.2	4.0	0.5	-	-	-	0.4	0.7	0.3	-	-	-	0.3	15.3	9.3	-	-	0.6	0.6	100.0	72.0	13	28.0	
Guinea-Bissau		27	8	6	13	48	647	-	-	-	19.5	-	6.2	0.1	2.1	0.6	-	0.1	0.1	0.7	0.1	0.1	0.1	-	-	1.0	-	-	4.3	0.1	0.2	-	26.7	100.0	61.9	15	38.1

Key

Light blue applies to donor/partner country relationships that are either in Category B (where the donor provides more than its global share of core aid to that partner country) or in Category C (where the donor is among the top donors that cumulatively provide 90% of the core aid to that partner country).

Dark blue applies to donor/partner country relationships in Category A (where the donor provides more than its global share of core aid and is among the top donors that cumulatively provide 90% of the core aid to that partner country), i.e. in both Category B and C.

Cells with data, but without highlighting, denote that the donor is in the last decile of donors to that country and the country is not an above-average partner for that donor.

Table A7.1. Global Fragmentation on the basis of core aid data: 2008 Disbursements in constant 2007 USD – Coverage: DAC members and Korea (continued)

Region/Partners	Key	Light blue applies to donor/partner country relationships that are either in Category B (where the donor provides more than its global share of core aid to that partner country) or in Category C (where the donor is among the top donors that cumulatively provide 90% of the core aid to that partner country).										Dark blue applies to donor/partner country relationships in Category A (where the donor provides more than its global share of core aid and is among the top donors that cumulatively provide 90% of the core aid to that partner country), i.e. in both Category B and C.																							
		Number of donors		Donors in Cat. A		Donors in Cat. B or only Cat. C		Fragmentation Ratio (Cat. D / No. of Donors, in %)		Core aid (USD million)		Donors in Cat. A		Donors in Cat. B or only Cat. C		Donors in Cat. A		Donors in Cat. B or only Cat. C																	
Row	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20															
1	Column																																		
2	Number of partners	54	28	51	109	68	148	63	113	113	43	143	0.0	-	0.9	43.9	0.6	0.0	0.7	0.0	0.7	0.0	0.7	0.0	2.8	0.4	0.1	9.3	2.5	100.0	88.7	23	11.3		
3	No. of partners in only Cat. B or C	2	21	14	12	3	70	22	19	40	18	7	18	7	18	58	20	13	5	12	4	4	8	8	16	21	54	970	469	501	1828	56075	28		
4	No. of partners in Category A	20	2	11	30	22	62	5	44	53	2	10	22	39	17	8	34	11	8	34	11	30	7	45	32	20	27	46	929	599	330	972	12	44.9	
5	No. of partners in Category D	32	5	26	67	43	16	36	50	20	12	25	51	37	42	23	26	9	54	8	37	28	34	52	27	1200	760	440	27	1200	760	440	929	12	44.9
6	Concentration Ratio (Narrow in %)	37	7	22	28	32	47	6	24	24	29	22	48	60	72	39	58	59	51	48	79	61	33	50	47	29	27	36	33	33	33	33	33	26	
7	Concentration Ratio (Broad in %)	41	82	49	39	37	89	43	56	82	63	40	44	72	47	48	60	72	39	58	59	51	48	79	61	33	50	47	29	27	36	33	33	26	
8	Core aid (USD million)	1368	87	411	1619	1052	9268	277	3439	4129	131	401	739	8189	512	171	1774	154	1287	320	1687	1108	427	4810	12716	76214	56075	56075	56075	56075	56075	56075	56075	20139	
9	Average core aid (USD million)	25	3	8	15	15	63	4	30	37	4	10	8	61	6	4	27	5	15	17	19	16	6	48	100	25	31	31	31	31	31	31	31	16	
10	Donors' share of global core aid (in %)	1.8	0.1	0.5	2.1	1.4	12.2	0.4	4.5	5.4	0.2	0.5	1.0	10.7	0.7	0.2	2.3	0.2	1.7	0.4	2.2	1.5	0.6	6.3	16.7	100.0	73.6	73.6	73.6	73.6	73.6	73.6	26.4		
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Table A7.1. Global Fragmentation on the basis of core aid data: 2008 Disbursements in constant 2007 USD – Coverage: DAC members and Korea (continued)

Key		Light blue applies to donor/partner country relationships that are either in Category B (where the donor provides more than its global share of core aid to that partner country) or in Category C (where the donor is among the top donors that cumulatively provide 90% of the core aid to that partner country). Dark blue applies to donor/partner country relationships in Category A (where the donor provides more than its global share of core aid and is among the top donors that cumulatively provide 90% of the core aid to that partner country), i.e. in both Category B and C. 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Table A7.2. Global Fragmentation on the basis of core aid data: 2008 Disbursements in constant 2007 USD
– Coverage: Multilateral agencies

Key

Light blue applies to donor/partner country relationships that are either in Category B (where the donor provides more than its global share of core aid to that partner country) or in Category C (where the donor is among the top donors that cumulatively provide 90% of the core aid to that partner country).

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Region/Partners	Row	Number of donors		Donors in only Cat. B		Donors in only Cat. A		Donors in Cat. D		Fragmentation Ratio (Cat. D / No. of Donors, in %)		Core aid (USD million)	
		2	3	4	5	6	7	8	9	10	11	12	13
1 Column	2	38	85	37	14	18	70	59	105	79	25	74	30
2 Number of partners	3	0	17	6	4	17	21	21	12	28	8	25	3
3 No. of partners in only Cat. B or C	4	32	32	17	10	0	14	15	53	43	16	19	23
4 No. of partners in Category A	5	6	36	14	0	1	35	23	40	8	1	30	4
5 No. of partners in Category D	6	64	38	46	71	0	20	25	50	54	64	26	77
6 Concentration Ratio (Narrow in %)	7	84	58	62	100	94	50	61	62	90	96	59	87
7 Concentration Ratio (Broad in %)	8	1337	649	2178	68	5	594	424	2037	8534	475	467	960
8 Core aid (USD million)	9	35	8	59	5	0	8	7	19	108	19	6	32
9 Average core aid (USD million)	10	1.8	0.9	2.9	0.1	0.0	0.8	0.6	2.7	11.2	0.6	0.6	1.3
10 Donors' share of global core aid (in %)													
Least Developed Countries													
Afghanistan	33	7	7	19	58	3597	-	0.0	1.7	-	-	-	0.9
Angola	28	12	8	8	29	318	-	1.3	1.0	-	-	-	0.1
Bangladesh	33	8	6	19	58	2258	-	0.6	20.6	-	-	-	0.6
Benin	28	11	10	7	25	570	-	5.6	2.9	-	-	-	0.4
Bhutan	21	4	10	7	33	82	-	0.0	5.0	2.0	13.4	-	2.1
Burkina Faso	27	8	12	7	26	870	-	9.3	3.4	-	-	-	0.9
Burundi	27	11	11	5	19	364	-	3.7	1.6	-	-	-	2.0
Cambodia	33	17	7	9	27	686	-	1.0	19.6	-	-	-	1.6
Central African Rep.	18	6	7	5	28	150	-	7.1	-	-	-	-	0.4
Chad	26	6	10	10	38	229	-	6.7	5.1	-	-	-	14.6
Comoros	11	5	4	2	18	26	-	0.1	-	-	-	-	1.5
Congo, Dem. Rep.	30	5	10	15	50	1110	-	2.4	-	-	-	-	12.8
Djibouti	18	7	5	6	33	89	-	9.8	4.7	-	-	-	0.9
Equatorial Guinea	10	5	4	1	10	33	-	0.3	-	-	-	-	0.9
Eritrea	23	6	8	9	39	93	-	8.5	-	-	-	-	2.8
Ethiopia	35	12	10	13	37	2042	-	6.3	0.9	-	-	-	0.3
Gambia	21	9	8	4	19	77	-	14.7	15.5	-	-	-	3.4
Guinea	24	8	10	6	25	227	-	8.3	4.9	-	-	-	1.6
Guinea-Bissau	22	5	7	10	45	108	-	3.3	-	-	-	-	1.8
Haiti	27	8	6	13	48	647	-	0.2	-	-	-	-	1.4
Kiribati	8	1	4	3	38	25	-	-	-	-	-	-	1.6
Laos	31	8	12	11	35	377	-	0.8	15.7	-	-	-	5.1
Lesotho	21	9	6	6	29	140	-	5.1	3.2	-	-	-	1.1
Liberia	23	9	4	10	43	583	-	0.1	-	-	-	-	55.3

Table A7.2. Global Fragmentation on the basis of core aid data: 2008 Disbursements in constant 2007 USD – Coverage: Multilateral agencies (continued)

Light blue applies to donor/partner country relationships that are either in Category B (where the donor provides more than its global share of core aid to that partner country) or in Category C (where the donor is among the top donors that cumulatively provide 90% of the core aid to that partner country).
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Cells with data, but without highlighting, denote that the donor is in the last decile of donors to that country and the country is not an above-average partner for that donor.

Region/Partners	Row	Number of donors						Fragmentation Ratio (Cat. D / No. of Donors, in %)		Core aid (USD million)										Grand Total	DAC countries and Korea No. of DAC and Korea partner countries	Multilateral Agencies No. of multilateral agencies													
		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19				20	21	22	23	24	25	26						
1 Column	2	Number of partners																																	
	3	No. of partners in only Cat. B or C																																	
	4	No. of partners in Category A																																	
	5	No. of partners in Category D																																	
	6	Concentration Ratio (Narrow in %)																																	
	7	Concentration Ratio (Broad in %)																																	
	8	Core aid (USD million)																																	
	9	Average core aid (USD million)																																	
	10	Donors' share of global core aid (in %)																																	
	2	25	12	7	6	24	728	10.6	1.2	-	-	-	1.3	-	2.2	28.3	-	0.8	7.7	-	-	-	0.1	1.0	0.5	2.1	-	0.2	100.0	44.1	13	55.9	12	%	No.
29		11	7	11	38	808	5.7	0.7	-	-	-	1.4	-	10.9	6.2	-	0.4	11.4	-	-	0.0	0.1	1.1	0.5	1.1	-	0.1	100.0	60.4	16	39.6	13			
16		6	8	2	13	25	-	0.5	-	-	-	-	-	-	16.1	-	-	-	-	-	-	2.1	2.0	1.0	-	-	0.2	100.0	66.4	9	33.6	7			
27		9	11	7	26	866	6.6	4.3	-	-	-	1.0	-	2.3	12.4	-	0.5	3.1	-	-	0.1	0.7	0.3	1.2	-	-	0.1	100.0	67.3	15	32.7	12			
23		7	10	6	26	217	7.7	7.6	-	-	-	0.5	-	3.3	19.6	-	2.6	1.3	-	-	-	0.1	0.9	1.3	1.1	-	0.3	100.0	53.5	11	46.5	12			
34		7	14	13	38	1796	3.7	1.4	-	-	-	0.3	0.4	2.8	14.8	-	0.3	-	-	-	0.7	0.0	0.5	0.3	0.7	-	0.0	100.0	73.8	21	26.2	13			
22		8	10	4	18	165	-	1.3	-	-	-	1.9	-	-	-	-	-	-	-	-	-	0.6	8.5	3.5	7.3	-	0.7	100.0	76.3	15	23.7	7			
30		11	9	10	33	691	-	0.7	17.8	-	-	1.5	-	1.7	14.0	-	0.3	-	-	-	1.5	0.1	1.4	0.8	0.8	-	0.2	100.0	59.3	18	40.7	12			
27		8	14	5	19	468	4.9	2.6	-	-	-	2.6	-	4.1	12.6	-	2.2	2.4	-	-	0.1	1.3	0.5	3.8	-	-	0.1	100.0	62.7	15	37.3	12			
32		12	8	12	38	842	7.5	1.5	-	-	-	0.7	-	9.2	15.8	-	3.4	0.4	-	-	1.2	0.1	0.7	0.3	0.9	-	0.1	100.0	58.2	19	41.8	13			
Rwanda		10	5	4	1	10	42	-	1.9	9.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3	100.0	80.4	5	19.6	5			
Sao Tome & Principe		16	5	8	3	19	37	1.3	2.8	-	-	0.0	-	7.0	22.9	-	2.7	3.5	-	-	-	-	-	2.4	1.5	1.9	-	0.5	100.0	53.4	5	46.6	11		
Senegal		32	10	10	12	38	840	10.0	3.1	-	-	0.7	0.9	1.4	15.2	-	0.8	4.3	-	-	0.3	0.0	0.3	0.2	0.6	-	0.2	100.0	62.1	18	37.9	14			
Sierra Leone		25	10	8	7	28	319	7.3	3.6	-	-	1.2	-	4.3	15.2	-	0.2	5.4	-	-	-	0.2	1.8	0.9	2.5	-	0.3	100.0	57.3	13	42.7	12			
Solomon Islands		9	0	2	7	78	212	-	-	0.8	-	-	0.1	-	-	0.2	-	-	-	-	-	-	-	-	-	-	-	0.0	100.0	98.8	5	1.2	4		
Somalia		22	7	8	7	32	158	-	0.2	-	-	-	-	8.0	-	-	-	-	-	-	-	0.2	5.8	1.2	6.0	-	-	0.0	100.0	78.6	15	21.4	7		
Sudan		31	7	11	13	42	795	0.5	3.8	-	-	-	2.1	-	6.9	-	3.2	-	-	-	-	0.1	0.6	0.9	2.1	-	0.1	100.0	79.8	21	20.2	10			
Tanzania		34	7	9	18	53	2146	4.3	0.6	-	-	0.5	0.3	7.6	18.7	-	0.8	-	-	-	0.1	0.0	0.4	0.2	0.8	-	0.0	100.0	65.7	21	34.3	13			
Timor-Leste		22	10	6	6	27	235	-	-	2.6	-	-	1.5	-	0.4	1.9	-	15.2	-	-	-	-	1.0	0.8	0.5	-	0.2	100.0	92.6	15	7.4	7			
Togo		20	9	4	7	35	309	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	100.0	25.4	10	74.6	10			
Tuvalu		6	2	3	1	17	15	-	-	4.4	-	-	-	-	3.2	50.7	-	-	-	-	-	-	-	-	-	-	-	0.2	100.0	95.5	4	4.5	2		
Uganda		31	10	10	11	35	1297	8.0	0.3	-	-	-	1.3	0.1	0.5	13.3	-	0.9	-	-	0.3	0.0	0.8	0.5	1.5	-	0.1	100.0	72.6	18	27.4	13			
Vanuatu		9	1	5	3	33	88	-	-	0.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	100.0	99.4	7	0.6	2		
Yemen		22	10	7	5	23	349	-	2.5	-	-	-	3.5	0.6	2.4	37.5	-	1.7	-	-	-	0.0	0.7	0.7	2.1	-	0.3	100.0	48.0	11	52.0	11			
Zambia		32	9	9	14	44	1027	4.2	0.1	-	-	-	0.8	0.5	9.5	5.5	-	0.3	1.0	-	0.2	0.1	1.2	0.3	0.8	-	0.2	100.0	75.5	18	24.5	14			

Table A7.2. Global Fragmentation on the basis of core aid data: 2008 Disbursements in constant 2007 USD – Coverage: Multilateral agencies (continued)

Light blue applies to donor/partner country relationships that are either in Category B (where the donor provides more than its global share of core aid to that partner country) or in Category C (where the donor is among the top donors that cumulatively provide 90% of the core aid to that partner country).
Dark blue applies to donor/partner country relationships in Category A (where the donor provides more than its global share of core aid and is among the top donors that cumulatively provide 90% of the core aid to that partner country), i.e. in both Category B and C.

Cells with data, but without highlighting, denote that the donor is in the last decile of donors to that country and the country is not an above-average partner for that donor.

Region/Partners	Row	Number of donors					Fragmentation Ratio (Cat. D / No. of Donors; in %)		Core aid (USD million)																		
		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24			
1	Column																										
2	Number of partners																										
3	No. of partners in only Cat. B or C																										
4	No. of partners in Category A																										
5	No. of partners in Category D																										
6	Concentration Ratio (Narrow in %)																										
7	Concentration Ratio (Broad in %)																										
8	Core aid (USD million)																										
9	Average core aid (USD million)																										
10	Donors' share of global core aid (in %)																										
Upper Middle Income Countries	Swaziland	17	7	7	3	18	70	29.5	3.6	-	-	-	-	15.3	-	-	-	-	-	-	-	-	-	-	100.0	42.1	8
	Syria	21	6	6	9	43	156	0.1	-	-	-	-	0.7	-	-	-	-	-	-	-	-	-	-	-	100.0	57.8	13
	Thailand	26	8	4	14	54	235	-	0.1	0.4	-	-	-	17.4	-	-	-	-	-	-	-	-	-	-	100.0	78.7	16
	Tokelau	2	1	1	0	0	22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	100.0	2
	Tonga	9	2	4	3	33	25	-	-	-	-	-	-	-	2.7	-	-	-	-	-	-	-	-	-	100.0	91.7	6
	Tunisia	21	6	4	11	52	563	-	-	-	-	-	-	0.5	0.2	-	-	-	-	-	-	-	-	-	100.0	97.8	13
	Turkmenistan	16	7	5	4	25	29	-	0.4	0.1	-	-	-	3.2	-	-	-	-	-	-	-	-	-	-	100.0	85.6	7
	Ukraine	24	6	6	12	50	493	-	0.3	0.0	-	-	-	6.7	-	-	-	-	-	-	-	-	-	-	100.0	91.4	15
	Wallis & Futuna	2	0	1	1	50	122	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	100.0	2
Upper Middle Income Countries	Anguilla	2	1	1	0	0	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	94.4	1
	Antigua & Barbuda	5	2	3	0	0	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	34.5	2
	Argentina	22	11	6	5	23	136	-	-	-	-	-	-	38.2	-	-	-	-	-	-	-	-	-	-	100.0	75.2	13
	Barbados	7	4	3	0	0	8	-	-	-	-	-	-	11.6	4.6	-	-	-	-	-	-	-	-	-	100.0	63.1	2
	Belarus	18	7	7	4	22	68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	86.9	11
	Belize	12	7	4	1	8	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	63.8	5
	Botswana	18	6	1	11	61	281	-	-	-	-	-	-	2.0	1.2	-	-	-	-	-	-	-	-	-	100.0	96.2	11
	Brazil	28	7	7	14	50	510	-	-	-	-	-	-	6.0	1.3	-	-	-	-	-	-	-	-	-	100.0	88.7	20
	Chile	21	8	7	6	29	71	-	-	-	-	-	-	7.8	2.2	-	-	-	-	-	-	-	-	-	100.0	82.1	13
	Cook Islands	4	1	3	0	0	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	70.5	2
	Costa Rica	19	9	6	4	21	96	-	-	-	-	-	-	-	0.4	-	-	-	-	-	-	-	-	-	100.0	94.8	12
	Croatia	16	2	2	12	75	370	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	99.2	10
	Cuba	19	8	7	4	21	64	-	-	-	-	-	-	8.0	4.8	-	-	-	-	-	-	-	-	-	100.0	59.7	12
	Dominica	7	2	2	3	43	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0	75.0	4

2009 OECD Report on Division of Labour

Addressing fragmentation and concentration of aid across countries

Developing countries differ greatly in their potential for development and in the challenges they face, but at least in one respect, many share a common problem: **too little aid from too many donors**. The report traces up to 4 000 aid relationships between all 151 aid recipient countries and the 46 largest donors, covering all DAC members and the largest multilateral agencies. This is often referred to as fragmentation of aid.

The 2009 Report on Division of Labour is the second in the series. It examines the concept of aid fragmentation across countries and what has happened since the adoption of the Paris Declaration. It also proposes measures for concentration and fragmentation and options for tackling excessive fragmentation. The policy principle is that where a donor/partner aid relation is particularly neither significant from the donor's point of view, nor from the recipient's point of view, there is an opportunity to achieve some rationalisation. The report shows that a decrease of 23% in the number of relationships is possible when only 4% of aid is reorganised. This reorganisation would lead to an increase in the volume of the average donor/partner aid relation by 30%.