

# The Hollow Ring of Donor Commitment: Country Concentration and the Decoupling of Aid-Effectiveness Norms from Donor Practice

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*The fragmentation of a donor's foreign aid across too many recipient countries is widely believed to be detrimental to aid effectiveness. This article explores the origins of a new norm – recipient concentration – and assesses the extent to which it can be expected to improve aid effectiveness. It also examines 23 donors' actual record of country concentration, and finds that, though there are some potential explanations for donors' behaviour, their collective failure to implement country concentration has very little consequence in theory or in practice.*

**Key words:** Aid, donors, concentration, fragmentation, effectiveness, decoupling, norms

## 1 Introduction

Since the late 1990s, a new norm has emerged among OECD Development Assistance Committee (DAC) donors: recipient country concentration.<sup>1</sup> Rather than spreading aid too thinly, according to this view, donors should spend a greater proportion of it in fewer recipient countries, thus increasing the effectiveness of their assistance. Country concentration has become a ubiquitous yet generally unquestioned component of the aid-effectiveness agenda.<sup>2</sup>

The first half of this article examines the origins of the norm and assesses the extent to which country concentration can truly be expected to improve aid effectiveness. It asks: How did the imperative of country focus emerge as a central preoccupation of DAC donors? To what extent are there evidence-based reasons to believe that increased concentration translates into better aid? The article's second half addresses donors' actual

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1. The Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) is a 24-member group of bilateral donors and acts as the primary intergovernmental body dealing with official development assistance (ODA) at the global level.
2. Elsewhere in the aid-effectiveness literature this concept is often referred to as the need to combat donor fragmentation or dispersion. Rather than alternating between the synonymous expressions, we frame our discussion here around the idea of donors actively concentrating their aid, which is what is required to reduce fragmentation and dispersion.

record of country concentration. Drawing on a new dataset mapping global bilateral ODA flows, we assess the evolution of concrete aid flows and whether they reflect the new norm. We ask: to what extent are DAC donors increasingly concentrating their aid among their top recipients? To what extent have donors provided aid to fewer countries since the emergence of the aid-effectiveness agenda? Section 7 attempts to explain the findings, lifting the lid on donor governments' attitudes and behaviour, while the conclusion discusses the implications.

The analysis of DAC documents and bilateral donors' aid flows suggests that the norm of country concentration emerged in the late 1990s and was strongly reinforced mutually among the DAC donors throughout the 2000s, even though there is little empirical evidence that it actually improves the effectiveness of aid. Despite the widespread rhetoric on the importance of country concentration, the norm itself is reflected only weakly in the evolution of DAC donors' aid from 1990 to 2008 – which, upon reflection, is not as surprising as it might initially seem. Once adjusted for small, discretionary aid spending by non-aid actors, the fluctuating total number of countries eligible for ODA and the effects of inflation, the strong diffusion of the norm appears to have almost no effect at all on aid flows. Our analysis points to the pervasive decoupling of the aid-effectiveness norm of concentration from donor practice. As a dynamic of donor behaviour, this decoupling has received insufficient attention, and yet, if our data and analysis are correct, the donors' lack of implementation of country concentration has very little consequence in theory or in practice. Attention would be better spent on identifying and putting into practice other ways of improving aid effectiveness.

## 2 The emergence of the country-concentration norm

Until the mid-1990s, multilateral and bilateral donors generally attributed most of the blame for the modest impact of development assistance to the recipient governments. Recipient countries, donors variously argued, were corrupt, excessively bureaucratised, inefficient and did not put in place a suitable policy environment for aid to translate into growth. Starting in the mid-1990s, however, DAC members' bilateral donor agencies began to consider seriously how the way they themselves delivered aid could be detrimental to development outcomes, for instance through the common practice of tying aid to procurement in the donor country. The increasing recognition of shared or donors' responsibility for disappointing results was made explicit in the DAC's 1996 document, *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*, which summarised the donor consensus at that point. Stressing the importance of improving donor-recipient partnerships, it committed DAC donors to 'mutual commitments' with recipients, increasing aid volume, improving aid co-ordination for recipient countries' own strategies, and increasing the coherence between donors' aid and non-aid policies that affect recipient countries (DAC, 1996: 2). The list of donor responsibilities, however, did not refer to the principle of country concentration, though it did mention the need to 'adhere to agreed international guidelines for effective aid', without specifying what they were (ibid.: 15).

Around that same time, the emerging norm of country concentration spread among the DAC donors. Starting in the late 1990s, the 'peer reviews' of each other that DAC members carry out every 4-5 years consistently reflected the shared belief that, in order to improve the effectiveness of aid, donors should allocate a greater proportion of their official

development assistance (ODA) to their top recipients and reduce the total number of countries to which they contribute aid. A comprehensive study of the last two reviews of 23 DAC bilateral donors, spanning from 2001 to 2010, revealed that every single one contained explicit recommendations for more aid to fewer countries, with only one partial exception.<sup>3</sup> All other reviews strongly urged that the donor in question achieve greater country concentration or resist any further dispersal or fragmentation. Many of these documents referred to similar recommendations in previous reviews conducted between 1994 and 2001.<sup>4</sup> The relatively few countries that the peer reviews praised on this issue were mainly small countries, such as Ireland, Luxembourg and Portugal, with small aid budgets that almost automatically precluded them from setting up programmes in a large number of countries.<sup>5</sup> The DAC's 24th member, South Korea, joined only in 2009 and has not yet submitted to a peer review. Korea nonetheless underwent a 'special review' in 2008, prior to joining the DAC, that also reinforced the norm, as it commended Korea's efforts to increase concentration and focus (DAC, 2008: 16).

DAC countries consistently recommend to each other greater focus on fewer recipients. Almost all their peer reviews over the past decade either commended donors for reducing the length of their lists of priority recipients or pressed them to do so. As a further sign of the norm's entrenchment, a summary of the 12 main lessons from DAC peer reviews, published in 2008, includes the need to focus on fewer countries (as well as fewer sectors and activities) (OECD, 2008a: 16-17). This new norm, firmly established by 2001, if not earlier, has been restated and reinforced in a number of significant international documents that reflect a new consensus. For instance, the *Paris Declaration on Aid Effectiveness*, under the rubric of 'harmonisation', asserts that '[e]xcessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs' (OECD, 2005: 6). Similarly, the subsequent *Accra Agenda for Action* resolves to 'reduce the fragmentation of aid by improving the complementarity of donors' efforts and the division of labour among donors' (OECD, 2008b: 3).

The internalisation of the country concentration norm is not limited to the DAC and its member states. Outside assessments of donor agencies very often criticise the aid-dispersion level and recommend greater concentration, from newspaper columnists and op-ed authors to think-tank studies on how to improve the delivery and impact of foreign aid.<sup>6</sup> Having established the new norm's presence in the current consensus on aid effectiveness, we now assess if country concentration can indeed be expected to lead to better aid.

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3. The peer reviews of the United States, carried out in 2002 and 2006, only implicitly expressed concern for the large – and growing – number of countries to which the US provides assistance. The toning down of norm-related criticism is probably due to the belief that the normal rules need not apply to the US because of its status as global aid and non-aid hegemon with extraordinary imperatives – perhaps also due to power dynamics within the DAC, which could make criticism of the US far more difficult than for any other donor country.

4. This demonstrates that the norm had already begun to spread, albeit unevenly, before the publication of *Shaping the 21st Century*.

5. Denmark and Japan were the only other countries explicitly praised for their level of country concentration. The peer reviews also expressed concern that some countries' recent increases in aid disbursements might lead to aid becoming more fragmented.

6. See Munro (2005: 427-9) for a more comprehensive review of actors that recommend greater focus.

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### 3 Increased effectiveness?

For most observers, country concentration as a means of greater aid effectiveness makes intuitive sense. To them, it seems almost obvious that it is preferable to focus one's efforts and not spread aid around too thinly. Together, the 40-odd DAC peer reviews studied for this article provide a consistent narrative of benefits.<sup>7</sup> The reports often cite the main advantages of reducing high transaction costs (for instance, due to multiple missions and reporting requirements or other forms of unnecessary duplication) and exploiting donors' comparative advantage. Greater concentration also increases a donor's weight in specific recipient countries, which should improve the donor's policy influence with the recipient government and in donor co-ordination exercises. Since 2005, DAC reports often cite the Paris and Accra principles to further enhance the validity of these recommendations.

Often left unexplored, however, are the measures that must accompany greater country concentration for the recommendation to be plausible. DAC peer reviews often mention – without explaining – the need for a concomitant international division of labour if greater concentration is to meet its goals. The co-ordination required for this, it should be noted, adds a new transaction cost to donors, albeit one that would probably be smaller than the extra transaction costs to the government because of duplication. Some recipient countries might actually object to too much co-ordination among donors, as their bargaining power is lower when they are faced with a donor 'cartel'. Unless the principle of recipient-country ownership is respected – which it rarely is – this could lead to a greater degree of donor-policy imposition, which, as history has shown, can often have highly detrimental effects, notably in the case of structural adjustment in the 1980s and early 1990s.

If donors do not proactively consult each other and adequately co-ordinate the countries in which specific donors will concentrate their efforts, there is a high risk of aid orphans, that is to say, 'unpopular' recipient countries to which no donor wishes to provide a critical mass of aid. Such defunding could have devastating effects on so-called fragile states and the poor people who live in them. Conversely, numerous donors might choose the same 'star performers' and exceed the country's absorptive capacity or at least be faced with diminishing returns (low marginal utility). For instance, Finland's 2007 peer review criticised the government for spending too much money on 'aid darlings', where, as a relatively small donor, Finland could not add much value. The DAC reviews also faulted a few other countries for not spending enough on fragile states and low-income countries. By way of contrast, the 2006 review of the UK criticised its aid agency for too great a focus on fragile states – where it is harder to obtain results, the lack of which could jeopardise public support for foreign aid.

Despite the oft-repeated need for donor co-ordination, there are few signs that donors are actually considering their complementarity with existing aid programmes from other DAC countries when choosing their own countries of focus or the levels of aid they provide to specific recipients (OECD, 2009: 17). The DAC peer reviews mention only two cases of a donor taking into account a recipient country's ability to mobilise sufficient funds from other donors (Sweden's 2009 review) or consulting other donors before closing down

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7. The article does not provide references to individual peer reviews, as this would be too cumbersome. They are available on the OECD website at <http://www.oecd.org/dac/peer-reviews/peerreviewsofdacmembers.htm>

offices in recipient countries (the 2010 review of the UK). The model also depends on long-term continuity in donor-recipient partnerships and predictability of flows. No benefits in effectiveness will accrue if aid flows are too volatile to permit adequate planning or if the frequent change of countries of focus impedes the development of strong partnerships.<sup>8</sup>

The academic and policy literature evaluating the implementation and effects of donor concentration/fragmentation has been limited. According to Munro (2005: 430-1), 'There seems to have been no systematic empirical study, indeed no evidence whatsoever beyond the impressionistic and purely anecdotal, to back up the claim that an aid organisation with more focus is a more effective one ... The link between focus and effectiveness has become axiomatic, an article of faith.' Similarly, Acharya et al. (2008: 4), note that 'there is little hard evidence on, or useful analysis of, the problems stemming from aid proliferation'. A rare exception, Knack and Rahman (2007) provide evidence of how donor fragmentation led to decreased 'bureaucratic quality' in aid-recipient countries over the 1982-2001 period, mainly because of donors 'poaching' government staff rather than building the state's capacity. Their study is one of the few that provides evidence, albeit on only one specific issue, on the negative effect that aid fragmentation can actually have on development outcomes in recipient countries. Likewise, Annen and Kosempel (2009) model the mediating effects of donor fragmentation on the relationship between technical assistance and economic growth, finding that increased donor fragmentation negates the otherwise positive association between certain types of aid and economic productivity.

Some research into this phenomenon suggests that the link between focus (geographical or sectoral) and effectiveness is tenuous. Munro, for instance, argues that the Ricardian notion of static trade-related comparative advantage cannot be usefully transposed to foreign aid delivery (Munro, 2005: 431-3). He also challenges commonly held assumptions regarding how a donor's 'critical mass' of programming in a recipient country is quasi-automatically more effective. He points out that synergies and economies of scale could just as well take place among donors as within a single donor or across recipient countries, and, moreover, that bigger projects are not necessarily better ones. Though concentration might give a specific donor more influence in policy discussions on development strategies in recipient countries, Munro notes that this does not necessarily lead to more effective aid; it will depend on the value of specific policies that the donor is advocating when throwing around its newfound weight (*ibid.*: 435-8). Donors' strongest incentive in favour of concentration is the reduction of administrative costs, notably through the closure of aid offices in recipient countries. Nonetheless, though lower transaction costs can make aid cheaper, they do not necessarily make it better (*ibid.*: 438-9).

In a study published by the Spanish think-tank FRIDE, Schulz (2009) examines further problems that can emerge as donors increase their country concentration, especially with regard to two of the fundamental principles of the Paris Declaration on Aid Effectiveness: ownership and mutual accountability. Donors' unilateral decisions to shut down country programmes, he argues, are based on their own priorities and interests, not those of their partners. This undermines recipient countries' leadership role, including in the process of donor co-ordination and the identification of individual donor 'comparative

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8. In Canada, for instance, 12 countries that the Liberal government added to the list of priority recipients in 2005 were removed by the Conservative government in 2009 (Brown, 2011: 477).

advantages', consistent with the Paris Declaration and further enshrined in the Accra Agenda for Action (Schulz, 2009: 5-8). It contradicts the ownership principle, whereby the recipient country's development plan should be the basis of decisions regarding the allocation of funds. (Only India has thus far requested that less important donors close down their assistance programmes.)

Even if the principle of harmonisation is respected (i.e., if an effective division of labour takes place among donors, but without being in alignment with recipient strategies), the lack of consultation with the recipient country and the ensuing unpredictability of aid resources can harm not only the recipient's planning process, but also its relations with the exiting donor, thereby also contradicting the Paris Declaration's principles of mutual accountability. A donor's decision to exit a recipient country made in isolation, as they almost invariably are, can 'cause ... risks, damages and losses in delicate areas for the country's development', thereby proving ineffective (Schulz, 2009: 11).

In sum, there is little evidence that country concentration either increases or decreases aid effectiveness. Rather, there are reasons to be sceptical of the dominant stance that it favours effectiveness, as well as some serious concerns about the negative side-effects of concentration, especially if donors continue to decide from where to withdraw and to design their exit strategies unilaterally – or even in a concerted division of labour with other donors, but not in consultation with the recipient governments.

Having reviewed the arguments and limited evidence for and against country concentration, we now turn to various attempts to quantify donors' levels of concentration.

#### **4 Existing efforts to measure concentration and fragmentation**

Few studies have tried to measure and track over time the fragmentation of individual donors' ODA. For instance, Knack and Rahman (2007), mentioned above, calculate fragmentation not on a donor-by-donor basis, as we do below, but instead by recipient country, identifying in which recipients aid is more or less fragmented over time. Although highlighting the negative impact of fragmentation, this research tells us little about whether donors are adhering to the norm of country concentration.

Acharya et al. (2006) provide one of the first studies to examine aid concentration/fragmentation from the donor perspective. Averaging data over a three-year period from 1999 to 2001, Acharya and his co-authors calculate an Index of Donor Proliferation that ranks donors according to both the number of countries to which they provide aid and the relative allocation of aid among those countries. This index allows them to compare proliferation between donors, but not within specific donors over time because of the cross-sectional nature of their data. Although a valuable snapshot of donor patterns during the 1999-2001 period, Acharya et al.'s index does not enable us to develop a longitudinal understanding of the impact of the aid-effectiveness norm on concentration.

Likewise, Easterly and Pfutze (2008) examine donor fragmentation as one component of their ranking of bilateral and multilateral donors on aid best practices. The fact that the authors deemed a low degree of fragmentation a best practice is indicative of the norm's place in the global discourse on aid effectiveness. Using a Herfindahl index approach more commonly used for assessing concentration/competition in market share, they calculate a measure of fragmentation based on the countries and sectors to which donors provided aid

in 2004. This snapshot again ranks donors according to their level of fragmentation, and Easterly and Pfutze blame high levels of fragmentation on the arrival of ‘new trendy targets for aid’ leading to a ‘splintering of aid into many causes’ (Easterly and Pfutze, 2008: 41). Knack et al. (2010) also offer a similar ranking of donors that tracks geographic specialisation measured using a similar index as one component of donor quality.

Very few studies track changes in country concentration or fragmentation over time. One is the *2009 OECD Report on Division of Labour: Assessing Fragmentation and Concentration of Aid across Countries*. By comparing data from 2004 and 2008, the study finds that, despite the adoption of the Paris Declaration, average concentration ratios actually declined slightly (OECD, 2009: 12). Comparing data from only two years, however, does not provide a robust identification of trends. To avoid any distortion from single-year anomalies, it is preferable to compare multi-year averages. A second study assessing the proliferation of aid over time uses a sample of only ten donors to examine three time periods using Theil index values, and finds that only two donors (France and the Netherlands) are in fact focusing their aid more selectively (Aldasoro et al., 2010). Unfortunately, given the limited sample of donors, we are left with questions about the extent to which country concentration has been implemented among the rest of the DAC members.

These prior efforts to measure concentration/fragmentation of aid highlight two key concerns surrounding the implementation of the norm around donor fragmentation: (i) despite only limited evidence pointing towards the actual link of increased donor concentration to effective aid, the norm of donor concentration has become entrenched in the aid-effectiveness discourse; and (ii) little effort has been made to assess changes in the implementation of this norm over time by all the DAC donors. In the next section, we attempt to rectify this second point.

## 5 Assessing country concentration over time

In contrast to earlier studies on donor concentration and fragmentation, which provide a snapshot and ranking of donors at a single time point or looking at only a limited sample of donors, our analysis centres around comparing change within all DAC member countries over an 18-year period. Rather than use the market-share approach adopted by previous researchers, our analysis focuses on the concentration of aid in top recipients and employs a network-analysis approach to examine changes over time in the number funded.<sup>9</sup>

### 5.1 Data

Our assessment of country concentration examines two separate sources of data on aid flows: (i) the proportion of aid concentrated in top recipients, and (ii) the total number of countries to which donors provide aid. First, we examine the amount of aid provided by the DAC donors to their top recipients of aid. Drawn from the OECD’s annual *Development*

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9. A network-analysis approach treats each donor and recipient as a node on the global network of bilateral aid. A positive flow of ODA between donor and recipient is counted as a network tie. This network approach allows for the easy counting of aid ties, and also permits other forms of analysis regarding the changing shape of the global aid network or specific donors’ networks over time.

*Co-operation Reports* (DCRs), we compiled these data from 1970 to 2008. The DCRs indicate what percentage of gross ODA disbursement is provided to each of the top 15 recipients by donor. Donors with more concentrated aid will have higher total percentages devoted to their top 15 recipients. Likewise, donors whose aid is more fragmented will demonstrate lower total percentages disbursed to their top recipients. For the analysis below, the focus is on the period from 1990 to 2008.<sup>10</sup>

Second, we examine the number of countries to which a given donor provides aid. Using a network dataset that maps all ODA ties between bilateral donors and recipients in the period from 1960 to 2008, we are able to calculate and compare the total number of recipients to which donors provide aid over time.<sup>11</sup> In social network-analysis parlance, this figure is the total out-degree centrality of donors in the global bilateral aid network (Knoke and Yang, 2008; Freeman, 1978). We calculated out-degree centrality for all aid ties and for only those that reflected ODA flows greater than one million current US dollars. The use of aid network ties to measure aid concentration/fragmentation most closely resembles the fragmentation measure developed by Acharya et al. (2006). Again, in the following analysis we focus on the period from 1990 to 2008. Furthermore, as a way of standardising the number of ties between countries, we also calculated the proportion of ODA-eligible countries covered by the network ties of each donor. Using DAC lists of eligible countries, we compile an annual number of possible recipients and calculate the proportion to which donors actually provide aid. By standardising the aid ties in this manner we shall also be able to take account of the changing number of countries to which donors can provide aid that counts as ODA.

To examine whether the aid-effectiveness norm of concentration is actually affecting donors we compare the decade of the 1990s with the 2000-8 period.<sup>12</sup> As outlined earlier, we characterise the post-2000 period as the aid-effectiveness era and expect that, if the norm of concentration is being applied by donors, we should see a reduction in the number of recipients to which donors provide aid and an increased focus of total ODA in the top

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10. Though our data would permit a longer timeframe for the analysis, we chose to begin the analysis in 1990 to include only the post-Cold War era prior to the emergence of the concentration norm. At the time of writing, data were not yet available for 2009, so we stop our analysis in 2008. We included only the DAC member countries, and excluded the European Union because of its multilateral composition.

11. This dataset was prepared as part of a larger project on the institutionalisation of the global aid network by coding the relationships contained in the OECD's Query Wizard for International Development Statistics (QWIDS) online database. Relationships were coded at two levels: (i) any aid provided; and (ii) aid flows of over \$1 million. This threshold was used to eliminate those network ties that might be nothing more than small funds administered at the discretion of donor-country ambassadors, scholarships or the imputed cost of the first year of refugees' stay in the donor country. Acharya et al. (2006) use a similar threshold set at \$500,000 to denote the difference between 'All aid events' and 'Significant aid events'. OECD (2009) uses a threshold of \$250,000. We also repeated our analysis using thresholds above \$5 million and \$10 million and the results echoed those we describe in the next Section. However, we chose not to use these higher threshold levels because we felt that they eliminate too many aid relationships which could be characterised as significant in nature.

12. We also conducted additional analyses which broke the time period into three periods: 1990-5; 1996-2001; and 2002-8. The patterns emerging from that comparison were consistent with what we report here.



recipients of each donor.<sup>13</sup> Looking at means for both measures and comparing over the two periods, we are able to examine whether donors are actively concentrating their aid in the aid-effectiveness period.

### *5.2 Percentage of total ODA devoted to top 15 recipients by DAC donors*

Table 1 shows the average percentage of gross ODA disbursed to each donor's top 15 recipients for the two time periods, ordered by the mean difference, ranging from the highest increase (Greece, 12.92%) to the sharpest decline (Spain, -9.88%).

**Table 1: Percentage of gross ODA disbursed to top 15 recipients**

Donor	Mean 1990-9	Mean 2000-8	Mean Difference
Greece	22.9	35.82	12.92
UK	28.54	36.61	8.07
Ireland	35.26	42.09	6.83
Luxembourg	39.67	45.70	6.03
Belgium	26.51	32.36	5.85
Canada	21.88	23.31	1.43
Denmark	31.81	33.06	1.25
Total DAC	29.10	29.04	-0.06
Japan	53.26	52.99	-0.27
Australia	55.62	55.13	-0.49
US	40.68	39.32	-1.36
Germany	34.95	33.26	-1.69
Austria	50.71	48.60	-2.11
France	42.14	39.02	-3.12
Switzerland	26.35	23.11	-3.24
Netherlands	29.89	25.99	-3.90
Italy	32.35	28.38	-3.97
New Zealand	47.16	40.98	-6.18
Portugal	66.57	60.04	-6.53
Norway	36.17	28.41	-7.76
Finland	35.80	27.06	-8.74
Sweden	33.10	23.47	-9.63

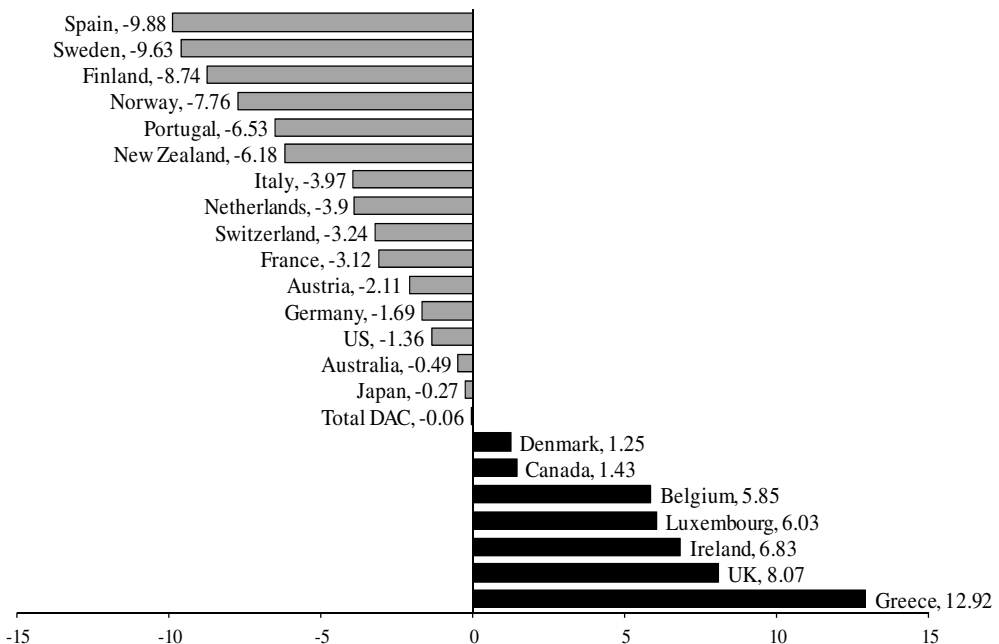
13. Above, we argued that the country concentration norm emerged in the late 1990s. We nonetheless retain 2000 as the year where we should begin looking for a concentration effect, given that there is normally a lag of a few years before the effects of new policies show up in our disbursement data.

Spain	42.18	32.30	-9.88
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Source: OECD, *Development Co-operation Reports*.

Figure 1 visualises this difference. Countries with a positive percentage change between the two periods are those where we see aid becoming increasingly concentrated in their top recipients. Seven countries show this trend of concentration and are depicted in black on the right-hand side of Figure 1. The remainder of the DAC, instead, show increasing fragmentation of their aid. Aside from the outlier of Greece, which sharply focused its aid in the latter period, the remaining donors which show increased concentration of their aid disbursed up to 8.1% more of their ODA to the top fifteen recipients. This means that, Greece aside, even the largest injection of aid by the UK represents just over an 8% increase.

**Figure 1: Difference in mean percentage of total aid to top 15 recipients, 1990s to 2000s**



Source: Authors' calculations.

Likewise, donors that have reduced the amount of aid flowing to their top recipients, in effect fragmenting their aid more widely, decreased the percentage of gross ODA for top recipients by up to almost 10%. With 15 out of 23 DAC donors showing some decrease in the amount of aid dedicated to their top 15 recipients, the evidence for support of country concentration is not particularly compelling. The average mean difference is a 4.6%

reduction in the later period when compared to the 1990s. By this measure, the majority of donors, instead of concentrating their aid more fully in their top 15 recipients, are actually dispersing their aid more widely. Rather than demonstrating country concentration, these donors are further fragmenting their aid in the latter period.

### 5.3 Number of ODA recipients per DAC donor

Assessing country concentration via focusing of aid dollars in top recipients suggested that concentration was occurring in only 8 out of 23 DAC donors. Tables 2 and 3 examine the implementation of the concentration norm from a different perspective: by examining the actual number of recipient countries to which a donor provides ODA. Table 2 compares two lenses through which to view these network data. First, the column 'All ODA recipients' tracks all countries with which a donor had positive ODA flows in a given year, averaged over the two time periods 1990-9 and 2000-8. Likewise, the column 'ODA Recipients over \$1m.' counts only those network ties where the aid flows exceeded one million constant year 2000 US dollars.

**Table 2: Change in total number of ODA recipient countries**

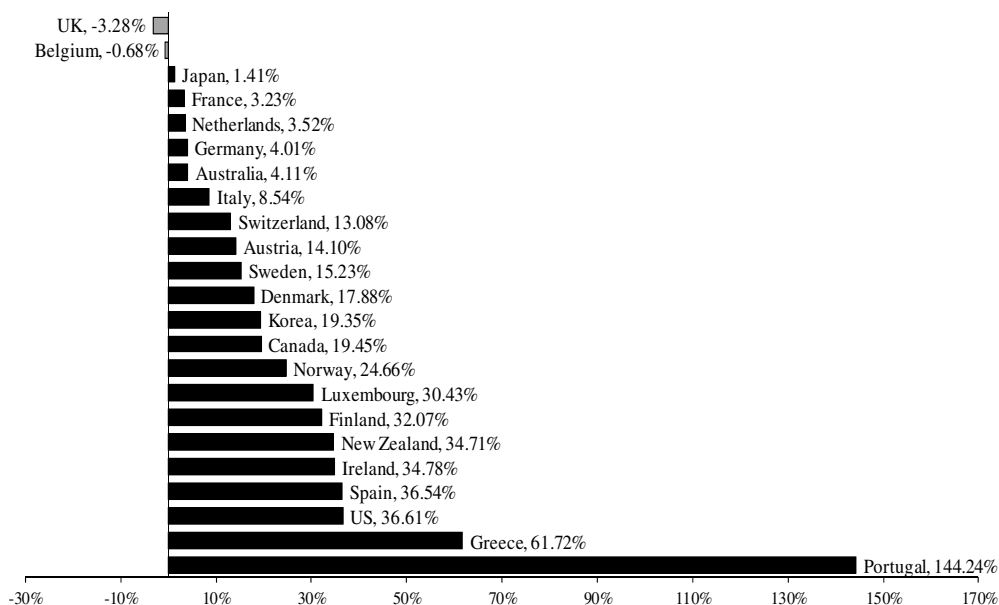
Donor	All ODA recipients				ODA recipients over \$1m.			
	Mean 1990s	Mean 2000s	Difference	% change	Mean 1990s	Mean 2000s	Difference	% change
Australia	83.9	79.29	-4.61	<b>-5.49</b>	43	39.56	-3.44	<b>-8.01</b>
Austria	104.7	108.77	4.07	3.89	43.3	42.89	-0.41	<b>-0.95</b>
Belgium	106.1	95.91	-10.19	<b>-9.60</b>	53	55.56	2.56	4.82
Canada	123.5	134.25	10.75	8.70	72.3	83.89	11.59	16.03
Denmark	74.8	80.38	5.58	7.46	49.4	49.33	-0.07	<b>-0.13</b>
Finland	80.6	96.96	16.36	20.30	32	37.67	5.67	17.71
France	137.1	128.81	-8.29	<b>-6.05</b>	107.9	99.33	-8.57	<b>-7.94</b>
Germany	133.8	126.58	-7.22	<b>-5.40</b>	106.7	100.56	-6.14	<b>-5.76</b>
Greece	53.5	78.24	27.95	52.24	2.5	16.22	13.72	548.89
Ireland	71.4	87.64	16.24	22.75	12.9	35.89	22.99	178.21
Italy	94.6	93.26	-1.34	<b>-1.42</b>	63.2	51.44	-11.76	<b>-18.60</b>
Japan	144.4	133.34	-11.06	<b>-7.66</b>	108.7	109.56	0.86	0.79
Korea	106.9	115.89	8.99	8.41	10	31.00	21.00	210.00
Luxembourg	64.8	76.78	11.98	18.49	13.6	25.89	12.29	90.36
Netherlands	120.3	113.33	-6.97	<b>-5.79</b>	84.3	77.67	-6.63	<b>-7.87</b>
New Zealand	70.9	86.99	16.09	22.69	15.9	23.11	7.21	45.35
Norway	98.6	111.86	13.26	13.45	58.9	75.11	16.21	27.52
Portugal	19.4	42.94	23.54	121.34	5.6	11.22	5.62	100.40

Spain	80.8	100.48	19.68	24.36	43.4	66.33	22.93	52.84
Sweden	103.4	108.34	4.94	4.78	64.3	70.78	6.48	10.07
Switzerland	105.2	108.32	3.12	2.97	68	71.78	3.78	5.56
UK	130.3	114.73	-15.57	<b>-11.95</b>	85	76.67	-8.33	<b>-9.80</b>
US	98.2	121.92	23.72	24.15	93.2	104.22	11.02	11.83

Note: Bold figures indicate a reduction in the number of the countries to which the donor provided aid.

Source: Authors' calculations.

**Figure 2: Change in number of aid recipients as proportion of ODA-eligible countries, 1990s to 2000s**



Source: Authors' calculations.

Looking first at the change in means for all ODA recipients, we find that 8 donors – Australia, Belgium, France, Germany, Italy, Japan, the Netherlands, and the UK – experienced a decrease between the two time periods, suggesting more concentration of their aid in fewer countries. The average decrease was 6.67%, the largest decrease being in the UK, where the average number of recipients dropped by almost 12% from approximately 130 in the 1990s to fewer than 115 in the 2000-8 period.

If we compare the changes in the number of recipient countries with the changes in the number where aid flows exceeded \$1 million, we can focus on those ties which might be more substantial flows of aid – eliminating recipients whose ODA from a specific donor is limited to small ‘slush funds’ often administered by embassies and high commissions in the relevant countries, as well as the value of donor-country scholarships and the imputed

cost of refugees from the recipient country. In comparison with the first measure of ties, we also see 8 donors decreasing the number of countries to which they provide aid above this threshold, with an average 7.38% decline. Italy shows the largest reduction, decreasing from a 1990s average of 63 recipients over \$1m. to only 51 in the 2000s – a more than 18% decrease. Interestingly, the country with the largest overall decrease in total aid ties – the UK – experiences a smaller reduction in the number of countries to which it supplies more than the equivalent of \$1m. in aid. This suggests that most of the concentration in the British case is happening at the expense of countries in receipt of only very small amounts of British aid. Two countries that appear to be concentrating their aid in the count of all recipients – Belgium and Japan – are actually increasing the number of beneficiaries above the \$1m. threshold, suggesting that their reduction in the total number of recipients comes at the expense of countries already receiving a minimal amount of aid.

Table 2 also shows that most donors are actually increasing the number of countries to which they provide aid. In the case of those donors that increase the number of network ties above the \$1m. threshold, we see several smaller donors expanding the number of countries to which they provide a significant amount of ODA (Ireland increasing by 178% from 13 on average in the 1990s to almost 36 in the 2000s; Greece increasing more than 5 times by adding almost 14 more recipients above the \$1m. threshold). More surprising than sharp increases by relatively small donors is certain significant increases by established donors that are vocal supporters of concentration. For instance, Norway, Canada, the US and Sweden all show an increase greater than 10% in the number to which they provide more than \$1m. in aid. Indeed, both Norway's and Canada's figures grew by more than 16%. If we take country concentration as a measure of how many countries donors provide aid to, these figures suggest that concentration as a norm of aid effectiveness has seen only limited implementation. With only a minority of DAC donors (8 out of 23) showing a reduced number of aid recipients and a similar minority reducing the number of countries to which they provide more than \$1m. in aid, country concentration appears to have been implemented only weakly.

If we look at the number of each donor's aid recipients as a proportion of all ODA-eligible countries in a given year (Table 3), the evidence for country concentration is weakened further.<sup>14</sup> By dividing the number of aid ties by the number of possible recipients we arrive at the proportion of recipients to which a donor provides aid. This takes into account the fact that since the 1990s there has been a decline in the number of countries deemed ODA-eligible by the OECD DAC. From a peak in 1994 of 179 countries, the list of eligible countries has shrunk to 153 by 2008, implying that even if donors are reducing the total number of countries to which they provide aid, they may not be decreasing the *proportion* of eligible countries to which they provide aid.<sup>15</sup> Table 3 shows this to be the case. In both instances – all aid recipients and only those over \$1m. – when we take account of the total number of countries to which a donor *could* provide ODA, the limited extent of concentration is made starkly clear. When comparing the proportion of all aid ties to ODA-eligible countries, only 2 countries mathematically reduced the extent of their aid when

14. We used the official DAC lists of ODA eligible countries to calculate the denominator of all possible recipients in a given year.

15. This rules out the hypothesis that donors provided ODA to more recipient countries because the number of ODA-eligible countries increased.

contrasting the 1990s with the 2000-8 period: the UK and Belgium. With rounding, Belgium's decline is insignificant. Thus, out of 23 DAC donors, only the UK actually reduced its number of aid recipients as a proportion of total possible recipients.

When examining the proportion of recipients exceeding \$1m. to all eligible recipients, the extent of concentration is even more limited. Every donor but Italy actually increased its ratio of recipients when compared with the eligible countries. Figures 2 and 3 depict this stark failure of the vast majority of donors to concentrate when the pool of eligible ODA recipients is taken into account. In Figure 3, even if we exclude outliers above 200%, the average increase is nearly 31% – a sharp contradiction to the spirit of country concentration and efforts to combat donor fragmentation.

**Table 3: Change in number of recipients as proportion of all ODA-eligible countries**

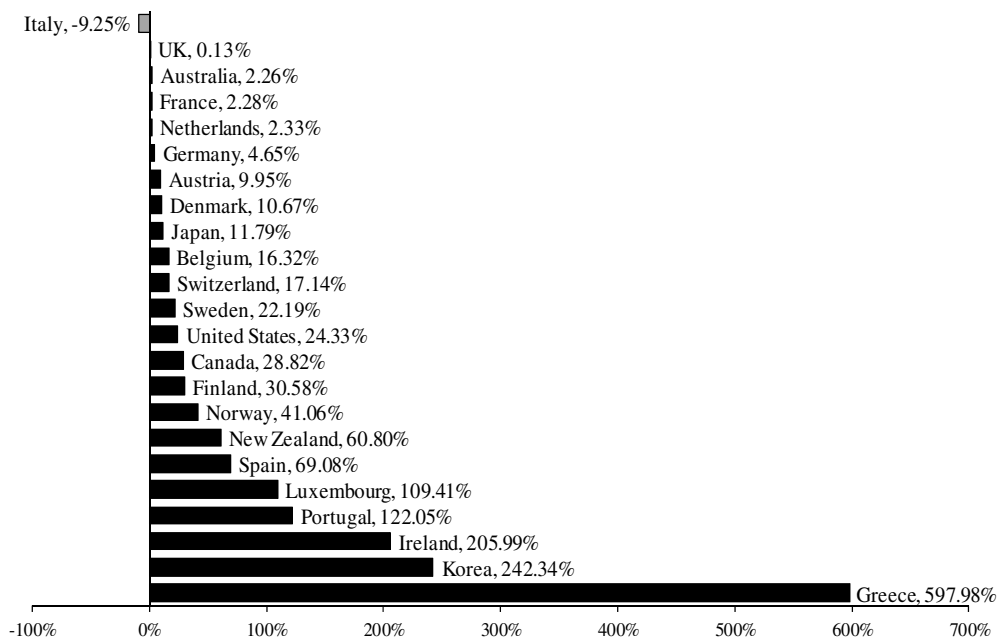
Donor	All recipients as proportion of eligible countries				All recipients of more than \$1m. as proportion of eligible countries			
	Mean 1990s	Mean 2000s	Difference	% change	Mean 1990s	Mean 2000s	Difference	% change
Australia	0.49	0.51	0.02	4.11	0.25	0.26	0.01	2.26
Austria	0.61	0.70	0.09	14.10	0.25	0.28	0.03	9.95
Belgium	0.62	0.62	0.00	<b>-0.68</b>	0.31	0.36	0.05	16.32
Canada	0.72	0.87	0.14	19.45	0.42	0.55	0.12	28.82
Denmark	0.44	0.52	0.08	17.88	0.29	0.32	0.03	10.67
Finland	0.47	0.63	0.15	32.07	0.19	0.25	0.06	30.58
France	0.80	0.83	0.03	3.23	0.63	0.65	0.01	2.28
Germany	0.78	0.82	0.03	4.01	0.63	0.65	0.03	4.65
Greece	0.33	0.53	0.20	61.72	0.02	0.11	0.09	597.98
Ireland	0.42	0.57	0.15	34.78	0.08	0.23	0.16	205.99
Italy	0.55	0.60	0.05	8.54	0.37	0.33	-0.03	<b>-9.25</b>
Japan	0.85	0.86	0.01	1.41	0.64	0.71	0.08	11.79
Korea	0.63	0.75	0.12	19.35	0.06	0.20	0.14	242.34
Luxembourg	0.38	0.50	0.12	30.43	0.08	0.17	0.09	109.41
Netherlands	0.71	0.73	0.02	3.52	0.49	0.51	0.01	2.33
New Zealand	0.42	0.56	0.14	34.71	0.09	0.15	0.06	60.80
Norway	0.58	0.72	0.14	24.66	0.35	0.49	0.14	41.06
Portugal	0.11	0.28	0.16	144.24	0.03	0.07	0.04	122.05
Spain	0.48	0.65	0.17	36.54	0.26	0.43	0.18	69.08
Sweden	0.61	0.70	0.09	15.23	0.38	0.46	0.08	22.19
Switzerland	0.62	0.70	0.08	13.08	0.40	0.47	0.07	17.14

UK	0.76	0.74	-0.03	<b>-3.28</b>	0.50	0.50	0.00	0.13
US	0.58	0.79	0.21	36.61	0.55	0.68	0.13	24.33

Note: As for Table 2.

Source: Authors' calculations.

**Figure 3: Change in number of aid recipients greater than \$1m. (constant 2000 US\$) as proportion of ODA-eligible countries, 1990s to 2000s**



Source: Authors' calculations.

## 6 Weak implementation of country concentration over time

The above results suggest that the norm of country concentration is being applied in only a very limited fashion, if at all. Rhetoric from donors regarding the need to concentrate has as yet not been followed by a concerted reallocation of their aid in a less fragmented way. Evidence of concentration over time is strongest when considering how much aid is being allocated to the top 15 recipients (Table 1). Evidence of concentration in terms of donors providing aid to fewer countries is much weaker. Indeed, once flows of under \$1m. are discarded and the total number of possible recipients is controlled for, evidence of concentration of more significant aid relationships is almost non-existent (Tables 2 and 3).

These findings appear to directly contradict the professed objectives of the majority of donors that, since 2000, if not earlier, have announced lists of countries in which they will focus their aid. As we alluded to earlier, such lists have become in vogue among bilateral donors, with some countries issuing multiple proclamations of this nature over the past decade,

often cutting the number of countries on them. Recent examples include the Dutch government's decision in March 2011 to reduce aid-recipient countries from a list of 33 to only 15 (Netherlands Ministry of Foreign Affairs, 2011). In the same month, the UK's *Bilateral Aid Review* announced the government's intent to 'concentrate resources' on 27 countries, while ending British bilateral aid to another 16 (DFID, 2011). Canada issued similar lists of focus countries in both 2005 and 2009, with the latest list aimed at concentrating 80% of Canadian bilateral aid in 20 priority countries (down from 25). Most other donors have taken similar steps, including Germany (57 countries, from 84), Sweden (from 67 to 33) and Switzerland (12 from 17). The repeated trimming of lists of focus, partner, programme or priority countries suggests that there may be more concerted efforts to focus bilateral aid in the future. Nevertheless, with more than a decade in which the themes of focus, concentration, and the perils of fragmentation have circulated in donor discourse, it is surprising to see so little concrete evidence of this norm of aid effectiveness being implemented.

## 7 Decoupling as donor dynamic

Our comparison of the pre-aid-effectiveness decade of the 1990s with the period 2000-8 demonstrates what can be termed a decoupling of donor practice from their norm of greater country concentration. Donors are rhetorically very supportive of this norm. They have worked together to craft aid-effectiveness declarations in Paris and Accra that include reference to the need to reduce fragmentation, and many have released lists of countries in which they intend to concentrate their aid. Nevertheless, implementation of this norm seems to be minimal at best. In this respect, donor practice is decoupled from the norms of effectiveness they claim to support.

Decoupling or loose coupling of policy to practice, norm to implementation, is a commonly identified dynamic of policy or norm compliance (Meyer et al., 1997; Drori et al., 2003; Hafner-Burton and Tsutsui, 2005; Clark, 2010; Swiss, 2009, 2011). Given bureaucratic inertia and resistance to change within government departments, it is not surprising that organisations like donor agencies may not meet expectations of which they are rhetorically supportive. Part of voicing this support in concert with their peers involves seeking legitimacy on the global stage (Meyer et al., 1997; Swiss, 2009, 2011; Clark, 2010). It becomes expected that an organisation participates in the formulation of a global norm – in this case linked to aid effectiveness – in order to maintain legitimacy as an aid agency. However, adoption of aid-effectiveness norms at the policy level or around the table at the DAC in no way guarantees active implementation of the same. Especially in the case of norms with weak enforcement mechanisms or with minimal consequences for non-compliance, the likelihood of decoupling increases. Indeed, in some instances evidence can be seen of policy adoption where the resulting implementation actually contradicts the spirit of the norm or policy, leading to what has been labelled 'radical decoupling' (Hafner-Burton and Tsutsui, 2005). The evidence we provide here around the norm of country concentration points to the possibility of such a radical decoupling at play within the donor community. Not only have the majority of donors failed to concentrate their aid, almost all have instead shifted in the opposite direction altogether and spread their development assistance among a *greater* number of recipients. The majority have also provided a smaller – rather than a larger – percentage of their ODA to their top 15 recipients.



We can only speculate on context-specific reasons why the ubiquitous norm is so rarely reflected in practice, as the data do not reveal their secrets. One possible reason is that aid allocations are usually quite political. Especially since 11 September 2001, followed by the invasions of Afghanistan and Iraq, important donor governments are aligning their aid programmes with security and diplomatic interests, rather than focusing on ‘best practices’ for aid effectiveness. Also, cutting off partner countries is a highly delicate enterprise. What some would call ‘opportunities to achieve some rationalisation’ (OECD, 2009: 23) can actually be potential crises for bilateral ties. Ministries of Foreign Affairs may want to retain at least some aid in order to promote diplomatic goodwill. Aid agencies might also be taking the path of least resistance.

Another explanatory factor could be the fact that most donors cut ODA in the 1990s, several quite dramatically, whereas aid budgets expanded in the 2000s, in some cases actually doubling. Limited absorptive capacity or a declining rate of return among current recipients could lead donors to spend their extra monies elsewhere. It could also be that we have not allowed sufficient time for the norm to be reflected in aid flows. Perhaps five or ten years from now the data will show increased concentration.<sup>16</sup>

This dynamic of decoupling in the case of country concentration is not unique if we consider other norms of aid effectiveness. Harmonisation, predictability, and recipient-country ownership have been put into practice to only a limited extent. Given the highly politicised nature of development assistance and its links to objectives beyond simply stamping out poverty, it is perhaps not so surprising that donors would fail to implement fully norms of how aid should be structured to be most effective if such norms were deemed in opposition to other donor national interests. Country concentration in particular would seem to be challenged by these competing motivations for donors. Should donors concentrate their aid at the risk of souring relations with possible trade partners or diplomatic allies? Norms of aid effectiveness would suggest yes, but clearly the answers provided by actual donor implementation of these norms is nothing more than a resounding maybe. These political and commercial exigencies are only two of the pressures on donors that help explain the dynamic of decoupling we identify here.

## 8 Conclusion

This article presents a genealogy of the emerging norm of country concentration, analyses its rationale as a tool of aid effectiveness, and determines to what extent DAC donors have modified their practices in accordance with the new norm. Surprisingly, given the extent to which the norm is reflected in donors’ reviews of each other since the late 1990s and repeated in major international consensus documents on aid effectiveness, such as the Paris Declaration and the Accra Agenda for Action, only a minority of donors have reduced the fragmentation of their aid between the 1990s (before the norm could alter aid flows) and the

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16. Different metrics could also reveal different results. For instance, it would be worth replicating the OECD’s (2009) use of ‘country programmable aid’, which excludes flows to which the country-concentration argument does not apply, such as debt relief, core funding to donor-country NGOs, refugee resettlement costs, humanitarian assistance and scholarships. We somewhat arbitrarily set a \$1m. threshold above which aid ties would be considered significant. However, more research and thinking might also be required on the most suitable level.

period 2000-8 (when the norm should have been firmly entrenched). Indeed, only 8 out of 23 DAC donors increased the average percentage of ODA that they provided to their top 15 recipient countries. Similarly, only 8 donors reduced the mean number of recipient countries. When limited to recipients of at least \$1m., only 6 donors cut their number of recipients. If we control for the total number of ODA-eligible countries at the time, only one country actually meaningfully reduced the number of recipients, whether we count all aid flows or only bilateral assistance of at least \$1m.

Upon further consideration, there are several reasons a donor government might be keen to embrace the widely shared norm publicly, even if the government – and potentially its aid agency – might be reluctant to put the policy into practice. These include weak enforcement of the norm; national priorities, including security, trade or diplomatic interests, that outweigh aid-effectiveness principles; and the opportunity cost of ending longstanding aid relationships.

This article contributes to a better understanding of the norm of country concentration, as well as how and why the donor herd almost unanimously endorses a specific policy on aid effectiveness and then does nothing or even the opposite. It is the first to consider the extent to which changes in ODA flows from all the DAC donors over a period of almost 20 years actually reflect the entrenched belief. Having found such a limited application of the norm and its ambiguous theoretical benefits for aid effectiveness, it would be more productive for donors to worry less about fragmentation and try instead to identify more effective means of improving the quality of aid.

*first submitted February 2012*

*final revision accepted September 2012*

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