

# Aid Fragmentation or Aid Pluralism? The Effect of Multiple Donors on Child Survival in Developing Countries, 1990–2010

LU HAN<sup>a</sup> and MATHIAS KOENIG-ARCHIBUGI<sup>b,\*</sup>

<sup>a</sup> *University of York, UK*

<sup>b</sup> *London School of Economics and Political Science, UK*

**Summary.** — While most policy-makers and researchers stress the negative impact of “aid fragmentation” on development outcomes in recipient countries, we argue that the greater diversity of perspectives entailed by higher multiplicity of donors can help select better policies. We hypothesize a U-shaped relationship: countries with a moderate number of donors fare better than countries with either few or many donors. The hypothesis is supported by a generalized method of moments (GMM) analysis of the relationship between health aid donors and child survival in 110 low- and middle-income countries during 1990–2010.  
© 2015 Elsevier Ltd. All rights reserved.

*Key words* — development assistance for health, aid fragmentation, health policy, child mortality, collective wisdom, diversity

## 1. INTRODUCTION

Over the past decades, the number of donors who contribute development assistance to the typical recipient country has grown considerably. On average, a developing country received aid from less than two donors in 1960 and from more than 28 in 2006 (Frot & Santiso, 2008). This trend is continuing in low-income countries, while it is showing signs of being reversed in lower middle-income recipients (OECD, 2011).<sup>1</sup> Warnings about the negative impact of the fragmentation of development aid – understood here as “the extent of dispersion in the sources of aid received by an aid recipient” (Acharya, Fuzzo De Lima, & Moore, 2006, p. 12) – have been voiced for over 30 years, but political and scholarly attention to the issue has increased considerably during the 2000s. The 2004 World Development Report discussed its disadvantages and gave the example of Tanzanian government officials having to prepare about 2,000 reports of different kinds to donors and receiving more than 1,000 donor delegations each year (World Bank, 2003). Donor and recipient governments have repeatedly pledged to take steps to address the perceived problem. In the 2005 Paris Declaration on Aid Effectiveness, major players in official development assistance (ODA) acknowledged that “[e]xcessive fragmentation of aid at global, country or sector level impairs aid effectiveness” and committed themselves to a division of labor based on their respective comparative advantage at sector or country level. These commitments were reaffirmed in the 2008 Accra Agenda for Action and other contexts, and the Organization for Economic Cooperation and Development (OECD) systematically monitors and analyzes trends in the fragmentation of aid provided by the member states represented in its Development Assistance Committee (DAC). In 2007, the European Union member states committed themselves to implement the principles of a Code of Conduct on Complementarity and the Division of Labour in Development Policy, which requires EU member states to focus their active involvement in a recipient country on a maximum of three sectors (Council of the European Union, 2007).<sup>2</sup>

The widely shared view that fragmentation harms the effectiveness of development aid is supported by quantitative

empirical evidence, which indicates that aid fragmentation decreases bureaucratic quality, increases corruption, and hampers economic growth in recipient countries (Djankov, Montalvo, & Reynal-Querol, 2009; Kimura, Mori, & Sawada, 2012; Knack & Rahman, 2007). However, while the existing literature has provided important theoretical and empirical assessments of the *costs* of aid fragmentation, systematic analyses of its potential *benefits* are still lacking. This paper aims at filling this gap by focusing on one particular domain of aid: development assistance for health (DAH). Without denying that fragmentation entails costs, we argue that there are good reasons to expect that interacting with a broad range of DAH donors also has positive effects on the ability of developing countries to achieve health goals, and in particular to reduce child mortality.

The existing literature on fragmentation stresses the transaction cost that interacting with multiple donors imposes on recipients and the obstacles that higher numbers pose in the way of solving collective action problems among donors. Collective action problems arise from the fact that donors have the common goal of promoting the long-term development in the recipient country, but at the same time they also have a number of “private” goals. Such collective action problems are more difficult to overcome when the number of donors is large, which results in donors pursuing private goals by engaging in harmful practices such as funding personal projects rather than providing budget support, poaching capable managers from the recipient’s administration, releasing funds without adequate checks, and tying aid to purchases from the donor. We do not deny that donor multiplicity may have such harmful consequences. But we argue that more attention should be devoted to examining how a larger and more diverse pool of donors can help in the pursuit of those goals that donors share with each other, and with the recipient.

\* The Agence Française de Développement provided financial support for the research reported in this article. The design of the study, the collection, analysis and interpretation of data, and the writing of the report was conducted exclusively by the authors. We are grateful to Kai Spiekermann and Joachim Wehner for insightful comments. The authors remain responsible for any shortcoming. Final revision accepted: July 15, 2015.

Our assumption is that it is not always clear which policies would be more effective in promoting those shared goals, and we draw on recent theories of “collective wisdom” to argue that the greater diversity of perspectives that larger numbers of donors entail can help select better policies. Because we expect the benefits of donor multiplicity to display decreasing returns to scale, we hypothesize that its relationship with child survival has the shape of an inverted U: countries with a moderate number of donors fare better than countries with either few or many donors.

This hypothesis is confirmed by a statistical analysis of a sample of 110 low- and middle-income countries during 1990–2010. Crucially, the analysis has to address the problem of selection, whereby recipients have higher levels of donor multiplicity due to unobserved conditions that are systematically related to our dependent variable, child mortality. Thus, we fit a generalized method of moments (GMM) model to address the self-dependence in child mortality over time, the potential endogeneity of some independent variables, country-specific fixed effect, and possible heteroskedasticity and autocorrelation in the error terms.

The paper is structured as follows. In the next section, we provide an overview of the drawbacks of aid fragmentation. Since these are well covered in the existing literature, the section is short in order to leave more space for the subsequent discussion of why we should expect some benefits from a multiplicity of donors. We do this in the third section from the perspective of the theoretical literature on collective problem-solving and in the fourth section by specifically addressing the domain of development aid for health. The fifth section develops a number of hypotheses, the sixth section presents our research design, the seventh section summarizes our findings, and the eighth section discusses some additional analyses. In the conclusions, we discuss how our arguments relate to aid given to sectors other than health.

A note on terminology. Labeling the extent of dispersion in the sources of aid received by an aid recipient “fragmentation” carries negative connotations that may or may not be justified empirically. We prefer the more neutral term “donor multiplicity” to denote that dispersion, but given the entrenched use of “aid fragmentation” in academic and policy literatures, we will use the two terms interchangeably in this paper.

## 2. THE DRAWBACKS OF DONOR MULTIPLICITY

The literature on aid fragmentation has identified several reasons for expecting fragmentation to have a negative effect on the desired outcomes of development aid. These reasons can be divided in two broad categories. First, managing relationships with donors absorbs significant amounts of time on the part of recipients, and the larger the number of donors, the more attention and effort is diverted away from other tasks that may be more productive. Meeting numerous separate donor missions is time-consuming and wastes effort because of duplication. Moreover, since donor reporting requirements are seldom standardized, bureaucracies in recipient countries spend considerable time in learning how to comply with the various requirements as well as retrieving and presenting the requested information. Knack and Rahman point at some egregious instances of this problem: “In Vietnam, it took 18 months and the involvement of 150 government workers to purchase five vehicles for a donor-funded project, because of differences in procurement policies among aid agencies. . . In Bolivia, five donors sponsoring a single poverty survey each

required separate financial and technical reporting, leading the government official assigned to the project to spend nearly as much of her time meeting these requirements as in undertaking the actual survey” (Knack & Rahman, 2007, p. 178). In Cambodia, senior government officials are said to be spending half their working hours meeting with donors (Fengler & Kharas, 2011).

The second category of reasons why aid fragmentation decreases the effectiveness of aid is that higher numbers make it more difficult for donors to solve collective action problems and hence to prioritize their shared interest in the long-term development of the recipient over their more “private” interests (Acharya *et al.*, 2006; Knack & Rahman, 2007). Failure to solve collective action problems can have a number of consequences. First, donors may decide to prioritize support for individual projects that provide opportunities for claiming credit in the short-term and neglect activities that strengthen governmental capabilities, such as budget support, which are likely to have a stronger long-term impact, but for which political credit will be diluted among many donors (Arimoto & Kono, 2009). Second, if donors have less of a stake in the recipient’s overall policy effectiveness, they will be more interested in the success of their own individual projects and “poach” the most qualified managers from the recipient’s bureaucracy, which worsens the quality of the latter (Knack & Rahman, 2007). Third, competition among donors may lead them to disburse funds more quickly and with less supervision, which facilitates the appropriation of funds through corrupt practices (Djankov *et al.*, 2009). Fourth, donors that have a smaller share in the recipient’s aid are less interested to maximize the development impact of their aid by tying less of it to purchases from the donor country (Knack & Smets, 2012).

Harmful practices such as underfinancing government budgets, poaching managers, lax financial management, and aid tying are reputed to be less common when one or very few donors occupy a dominant position in a particular sector in a particular recipient. Cross-national statistical studies on the consequences of aid fragmentation are still scarce, but they tend to support such assessments: higher levels of fragmentation are associated with lower bureaucratic quality, more corruption, more aid-tying and less economic growth in recipient countries (Djankov *et al.*, 2009; Kimura *et al.*, 2012; Knack & Rahman, 2007; Knack & Smets, 2012).

Donors have acknowledged the problems of uncoordinated aid and since the 1990s responded with various measures, most notably by committing to direct more aid toward general budget support, setting up sector-wide approaches (SWAPs), and creating a variety of coordination and consultation forums involving donors and government agencies at various levels. Several researchers who have studied how such initiatives work in practice have expressed scepticism about their impact. For instance, an analyst of aid relationships in Mali found that, despite the establishment of a SWAP in the health sector in 1999 (named PRODESS), the thirty donors providing health aid to the country continued to use different modalities to deliver their funds and promoted their individual priorities rather than aligning their activities with plans developed by the government of Mali. She concluded that the “multiplication of projects and aid modalities within the PRODESS framework, as well as the complexity and number of donor demands in terms of control, procedures, and project evaluation, prevent the personnel within the Ministry of Health from focusing on the actual needs and problems facing the sector” (Bergamaschi, 2008, p. 230). Mozambique had taken steps toward increasing donor coordination even earlier than Mali,

Download English Version:

<https://daneshyari.com/en/article/7393573>

Download Persian Version:

<https://daneshyari.com/article/7393573>

[Daneshyari.com](https://daneshyari.com)