

Donor performance

- Is aid allocation sensitive to the recipient's need?
- Nordic countries are selective on **poverty**
Data on total aid flows: Alesina & Dollar (2000)
- Japan is also poverty selective
Data on grant: Sawada, Yamada and Kurosaki (2007)
- Which donors are selective in which sectors?
Indicators for **sectoral need**: Kasuga (2007)

MDGs: selected targets and indicators

| Sector | Example of Indicators |
|---------------------------|---------------------------------------|
| T2: Hunger | malnutrition % |
| T3: Basic education | school enrollment % |
| T4: Gender equality | girls/boys in education |
| T5: Child mortality | mortality % under 5 |
| T7: HIV/AIDS | prevalence % |
| T10: Water and sanitation | % with access |
| T18: Telecommunications | % with access |
| Control variables | GDP per capita, population, democracy |

Result: Basic education

| | USA | GBR | NLD | JPN | SWE |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| school enrollment | 0.013 (0.019) | 0.232 (0.062)*** | 0.028 (0.030) | 0.011 (0.017) | 0.119 (0.062)* |
| GDP per capita | -0.020 (0.007)*** | -0.060 (0.015)*** | -0.034 (0.008)*** | -0.024 (0.005)*** | -0.066 (0.020)*** |
| population | 0.009 (0.004)*** | 0.028 (0.012)** | 0.010 (0.003)*** | 0.006 (0.003)** | 0.016 (0.008)** |
| democracy | -0.002 (0.002) | -0.008 (0.006) | -0.008 (0.003)*** | -0.006 (0.002)*** | -0.007 (0.007) |
| observations | 237 | 237 | 237 | 237 | 237 |

Dependent: $Aid_{r,p,t}/Aid_{p,t}$, Tobit model with endogenous regressors

- Sensitive to income but not to the need
- Small country bias (impact of pop < 1)
- Policy (Democracy) selective: Japan and the Netherlands

Evaluation

| | Food | Health | Water | School | Women | AIDS | Telecom |
|-----|------|--------|-------|--------|-------|------|---------|
| DEU | A | B | B | B | B | A | B |
| DNK | A | B | B | B | B | A | B |
| FRA | | B | | A | A | A | A |
| GBR | B | B | B | B | B | A | B |
| JPN | A | B | | B | | | B |
| NLD | B | B | B | B | B | A | A |
| NOR | A | B | B | B | B | A | B |
| SWE | | B | B | B | B | A | B |
| USA | A | A | B | B | B | A | B |

A: Sensitive to at least one sectoral indicator

B: Sensitive to GDP per capita only

Summary

- Evaluating each donor's effort aimed at achieving the MDGs:
Most donors are poverty selective but not sensitive to sectoral need
- No clear improvements are found after the Millennium Declaration
- In defense of Japan: Japan is a large donor and selective in large sectors such as food, health and telecommunications.
Japan contributes to the overall selectivity of aid.
- Inefficient **inter-sectoral** allocation: Kasuga (2008)
Failure of coordination among donors
Bad governance in recipient countries