

# Development Ministers:

Implications for  
aid quality and  
quantity

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## Context: Italy aid

In November 2011, the Italian cabinet went through a total reshuffle amidst the perilous challenges of a global economic crisis that was, and still is, keeping the national economy under siege due of a heavy national debt and low growth rates.

To face these challenges, Mario Monti was selected to lead the national government and to appoint a cabinet made up of academics and experts regardless of their political loyalties. The basic assumption was that the new cabinet would swiftly introduce measures to curb public spending.

In the middle of such a difficult scenario, the first ever Italian Minister for Development Cooperation was appointed. The majority of observers were surprised by such a dramatic move, which apparently rectifies years of adversity that the Italian cooperation community had faced, with grave intensity, since 2006.

The assumption and hope was that the appointment of a minister in charge of development cooperation could mark a positive turn that may lift Italy's Official Development Assistance and development cooperation from the bottom of the donors ranking. Italy's aid did increase from 0.15% of GNI to 0.195 of GNI in 2011 but this was mostly due to inflated aid (funding that is counted as aid but does not actually reach developing countries such as refugees costs and debt relief) and more importantly, it is expected to rapidly fall back to 0.12% of GNI in 2012 and stay at this low level for the coming years. In short, Italy alone is responsible for approximately 40% of total European aid gap. ActionAid, for instance, estimates a moral debt – namely the difference between what Italy should have given if it had stayed on track over the past 10 years and what it has in reality given over the same period of time – of more than US\$20 billion, which is a huge loss in terms of human lives and capital.

ActionAid Italy has a long record of researching Italian ODA; it publishes the annual report, *Italy and the fight against poverty*, and both ActionAid Italy and Bond are active members of the pan-European group, AidWatch, which tracks and monitors the aid quantity and quality of member states. Both organisations are interested in supporting positive changes in the ODA systems throughout the EU.

This paper is a joint initiative that seeks to present solid evidence that supports the hypothesis that a cabinet rank figure in charge of development cooperation and better aid policies go hand in hand. From ActionAid Italy and Bond's perspective, this paper presents clear evidence that a cabinet rank minister has a positive impact of both aid levels and aid quality.

The conclusions of the research are explicit in demonstrating that there is a positive correlation between a cabinet rank minister and better development systems including aid commitments being honored, aid levels that are less volatile and an increase in aid quality and effectiveness.

As we acknowledge in the report, this would benefit from further exploration but the evidence presented is a tool for those who seek to advance aid quality and quantity and development policies overall.

**Luca De Fraia** (ActionAid Italy) and **Joanna Rea** (Bond)  
July 2012

## Introduction

In times of credit crunch and economic austerity, one of the first items in the public budget to be revised and cut is international cooperation: recipients of Official Development Assistance (ODA) are not members of the domestic political constituency and maintaining the aid budget during a crisis is not necessarily a vote-winner. In addition, now more than ever, best practices have to be implemented to make constant or shrinking aid flows more effective. Keeping aid targets on track, improving the effectiveness of aid delivery and ring-fencing aid budgets from fiscal consolidation and budget tightening call for strong political leadership and commitment to a development agenda.

Against this backdrop, this paper will test **whether the presence of a Minister for International Cooperation at cabinet level and his/her political leadership and public accountability does matter for aid volumes and the effectiveness of aid delivery.**

Our descriptive and comparative analysis tries to shed some light on a series of questions, such as:

- Have EU member states been able to meet their individual intermediate ODA target in 2010? If so, is there any association with the presence of a Minister for International Cooperation at cabinet level?
- Have aid levels been significantly higher in those DAC (Development Assistance Committee) countries characterised by political leadership for development cooperation over the last decade? Have their aid flows expanded faster? Have their ODA budgets been more resilient to fiscal consolidation and budget tightening undertaken in the aftermath of the 2008-09 financial and economic crisis? Has this group of donor countries outperformed in terms of the effectiveness of aid delivery?

We discuss these issues by assessing **whether any significant correlation** exists between **both aid quantity and quality** and the **presence of a Minister for International Cooperation at cabinet level among DAC donors** in the last decade. Even though it is accepted that a correlation between two variables does not necessarily imply direct causality, this paper aims to investigate whether those DAC donors having a Minister for International Cooperation at cabinet level have systematically outperformed compared to those DAC countries whose development policy is led by the Minister of Foreign Affairs only, regarding both aid quantity and aid quality measures. Furthermore, we review and compare governance, political and budgetary models and structures across DAC donors.

**In this paper:**

**Section 1** reviews the literature looking into the implications of organisational and managerial structures as well as political leadership for development cooperation on aid effectiveness.

**Section 2** analyses and compares the different organisational, political and budgetary structures for aid delivery in DAC countries.

**Section 3** moves into the empirical analysis and tests whether both quantitative and qualitative dimensions of aid policy are significantly different when a Minister for International Cooperation is a member of the cabinet.

**Section 4** concludes.



**Does the presence of a Minister for International Cooperation at cabinet level matter for aid volumes and the effectiveness of aid delivery?**





## Do organisational and managerial structures of aid delivery in DAC countries matter for aid volumes and aid effectiveness? A literature review

1. Preliminary figures for 2011 indicate that ODA flows increased by 33%, because an increase in debt forgiveness grants as well as an upsurge in refugee arrivals from North Africa (OECD, 2012).

2. As an example, the Irish Constitution (art. 28) sets a minimum (7) and a maximum number of ministers (15) seating in the cabinet.

Organisational and managerial structures of development cooperation policy largely depend on and reflect political institutions and decisions. Furthermore, the Paris Declaration on Aid Effectiveness – agreed in 2005 and reaffirmed and expanded in Accra in 2008 – triggered and accelerated behavioural and institutional changes in DAC donors (OECD, 2011:3): the application of these principles has been associated with streamlined development cooperation systems and re-shaped aid systems to deliver aid better (OECD, 2011:3).

Against a backdrop of economic and political turmoil, in November 2011 the new Italian government appointed a Minister for International Development and Integration, establishing this role for development cooperation policy at cabinet level for the first time ever. The new minister promised his action will “turn over the negative picture of the Italian cooperation”. For instance, in 2010, Italy’s ODA/GNI ratio was 0.15%<sup>1</sup> – only Korea recorded a lower ratio among DAC donors – and these figures are still far from the individual ODA/GNI target of 0.51% – agreed in 2005 among EU members for 2010. Only between 2006 and 2008 was development cooperation policy- led by a deputy minister, a period associated with real improvements in ODA volumes (Wild and Viciani, 2012).

Against this backdrop, this section briefly reviews main lessons emerging from **DAC Peer Reviews** and comparative case studies investigating whether and how organisational and managerial models for aid delivery, as well as political leadership for development cooperation policy, affected aid quantity and aid effectiveness.

It is important to note that this **is an under-researched area**. Literature is rather narrow and almost exclusively qualitative, most of contributions analyse individual case studies and do not compare models among DAC donors. Also, to the best of our knowledge, there is no study evaluating the implications of different models and political leadership for development cooperation on aid volumes: all the studies reviewed in this section mainly assess how each model performs in terms of the effectiveness of aid delivery. Moreover, **implications of governance, managerial and political structures on the effectiveness of aid flows have been almost entirely investigated from the perspective of recipient countries** (for an extensive review see Temple 2010) or analyses considered whether donors’ governance had any impact on a single dimension of aid effectiveness (eg. aid fragmentation and project size, see Kilby 2011).

**Why is this area under-researched?** For example, the decision of assigning a cabinet to international cooperation and development separated from the Ministry of Foreign Affairs is often driven by political motivations and public sector management systems. For instance, drawing evidence from DAC Peer Reviews, **OECD (1999) concludes that it is difficult to identify an ideal organisational structure as political arguments come into play**. In addition, there could be a cap on the size of the cabinet imposed by legislative bill,<sup>2</sup> and even though OECD (2009) attempts to provide a taxonomy of organisational structures for managing aid based on four different models, **each DAC donor presents not only a peculiar but also evolving structure that makes empirical analysis rather challenging**. Finally, the presence of a minister in the cabinet should be analysed together with the political priority attributed to development cooperation policy within the entire government especially either in the Prime Minister or in the Ministry of Finance’s agenda. Nevertheless, it is rather challenging to assess and to incorporate this dimension in a cross-country qualitative and quantitative analysis.

3. DAC Peer Reviews have not so far necessarily followed a similar structure and they are mainly based on qualitative rather than quantitative analysis.

Reviewing the literature analysing the implications of governance, organisational and management structures on aid effectiveness:

First OECD (1999), OECD (2008) and OECD (2009) summarise main findings emerging from DAC Peer Reviews across DAC donors.<sup>3</sup> OECD (2009:11) suggests that the effectiveness of development assistance “may vary considerably among countries which operate superficially similar models” and that what really matters – at least in very broad terms – for the “proper functioning of any system’ are ‘clarity of responsibility and accountability, professionalism and effective co-ordination” as well as the rationalisation of “bilateral aid structured to facilitate coherent action at country level”. In other words, **there would not be any systematic evidence so far identifying which particular organisational and political model has to be recommended to improve the effectiveness of aid delivery.** However, independently from the model adopted, OECD (2009) finds that **political leadership contributes to the delivery of effective development cooperation.** Specifically, OECD (2009:34) defines **leadership** as the presence of “a sufficiently senior and publicly accountable figure with clear responsibility at the **political level” for development cooperation policy.** This is the definition we consider in our quantitative analysis in section 3.

Second, in a comparative study of the Canadian development cooperation programme with the cases of UK and Norway, Gulrajani (2010:2) finds that “neither case offers easy answers for squeezing out higher levels of performance from a development programme” and that “there is much more than governance structure that cultivates donor performance”. However, from this comparative study, Gulrajani (2010:3) also asserts that a “separate development ministry that is centrally embedded in government processes is the only institutional arrangement that can ensure development policy is both strong and coherent”.

Each DAC donor presents not only a peculiar but also evolving structure that makes empirical analysis challenging.



## Do organisational and managerial structures of aid delivery in DAC countries matter for aid volumes and aid effectiveness? A literature review **Continued**

4. See review in Gulrajani (2010) but also Barder (2010) in terms of how DFID has improved its overall aid flows, poverty focus, evidence-based policymaking and public support and awareness of development issues.

Third, on the basis of an extensive review of development cooperation policy in the UK since 1960 and a thorough analysis of the establishment of the Department for International Development (DFID) and its history since 1997, Barder (2005) provides a series of motivations why the British development assistance model has been successful in delivering its objectives (DFID is often considered as a benchmark for other DAC donors<sup>4</sup>), including the “responsibility for all aid in a single Government department” (Barder, 2005: 29) and the establishment of “an integrated development ministry” (Barder, 2005: 29).

Fourth, Wild and Viciani (2012) identify the lack of political leadership as one of the main weaknesses for the accountability of the Italian aid system. More specifically, when development cooperation was administered by a deputy minister – even though still within the Ministry for Foreign Affairs – ODA volumes improved as well as engagement with civil society organisations intensified. We further elaborate on this point in section 2, in particular in figure 1.

Fifth, in an extensive review of Spanish development cooperation policy, de la Iglesia-Caruncho (2011) recommends that budget and responsibilities of aid policy should be concentrated in a single ministry, a Development Ministry, as happens in other advanced donor countries such as the UK.

Finally, Steer and Wathne (2009) report that the lack of top leadership in determining organisational priorities was recognised as one of the factors limiting the scaling up of donors’ aid flows for basic education in most of their interviews.

Although there is no clear-cut evidence identifying the best organisational model for aid delivery among DAC donors to keep aid volumes on track and to improve the effectiveness of aid flows, from the analysis of qualitative OECD Peer Review documents (OECD 1999, 2008, 2009) and the (comparative) case studies here considered, we can conclude that the presence of a sufficiently politically accountable figure for development cooperation policy can play a determinative role for improving aid effectiveness.

# Aid effectiveness

# Managerial structures





## ➤ Organisational, political and budget structures of aid delivery in DAC countries

5. Table A.1 in the Annex also reports the actual definition of the cabinet-rank minister; in the main text we refer to 'Minister for International Cooperation' for all the DAC countries indicated in Part A of Table A.1.

6. In the case of Ireland the minister has also responsibility for trade policy.

The aim of this paper is to compare performance across DAC donors – in terms of both aid quantity and quality – on the basis of the presence (or lack) of a Minister for Development Cooperation at cabinet-rank level<sup>5</sup> or, in other words, where there is a “sufficiently senior and publicly accountable figure with clear responsibility at the political level” (OECD, 2009) for development cooperation policy.

Table A.1 in Annex A.1 summarises organisational and political structures in DAC donors, their governance models and their budget frameworks. First, Panel A includes all DAC donors where a **Minister for International Cooperation had cabinet-rank** during the last decade, describing their level, their latest and current definition, whether governance has significantly evolved and changed during last decade (as was the case of Denmark and the Netherlands).

Summarising Panel A of Table A.1, 11 DAC member countries (out of the 23 considered in this study) **had a dedicated cabinet-rank Minister over the last decade, even though with a different hierarchy peculiar to the system:** a Minister for International Cooperation entirely separated from Ministry of Foreign Affairs (Canada, Germany and UK or a Development Minister in a combined Ministry (Belgium, Denmark, Finland, Luxembourg, Netherlands, Norway) or a junior Minister (Ireland<sup>6</sup> and Sweden).

Panel B of Table A.1 reviews structures of development cooperation policy and budget frameworks for the 12 DAC member countries where there is no Minister for International Cooperation at cabinet level. Even though models for policy decisions and implementation are different (for example aid programmes can be implemented by a separate agency), in all these countries policy making on development cooperation is usually concentrated within the Ministry of Foreign Affairs.

11 DAC member countries had a dedicated cabinet-rank Minister over the last decade

7. Country Programmable Aid (CPA) measures aid flows actually disbursed to recipient countries in a predictable way (not including for example debt relief, humanitarian assistance, administrative costs of aid agencies and development research. For its definition see *Benn et al.* (2010).

This section discusses whether the performance of DAC countries having a Minister for International Cooperation at cabinet level with political and public accountability for development cooperation policy (Panel A in Table A.1) has been significantly different from those DAC members where development cooperation policy does not have a separate Minister but is solely led by the Minister for Foreign Affairs (Panel B in Table A.1) in the last decade. We consider measures and robustness tests for both aid quantity and 'aid quality' dimensions.

First, we test whether DAC donors with a cabinet-rank Minister for International Cooperation have been characterised on average by significantly higher ODA/GNI ratios, whether their ODA volumes have increased faster during the last decade and whether their ODA flows have been more resilient (or less affected) by fiscal consolidation and budget cuts in the aftermath of the 2008-09 financial and economic crisis.

Second, we provide a preliminary and quantitative assessment investigating whether there is any significant difference between the two groups of donor countries in terms of a) the effectiveness of aid flows and b) the coherence of national policies vis-à-vis overall development objectives. For this purpose, we consider three different set of indicators, namely the 'donor quality' index by Knack et al. (2011), the QuODA [Quality of Official Development Assistance] assessment (Birsdall and Kharas, 2010) and the 'Commitment to Development' index (CGDev, 2011).

### 3.1 Aid quantity

ODA volumes have expanded over the last decade achieving their highest peak ever of US\$128.7 billion in 2010 and decreased in 2011 for the first time since 1997 as a consequence of the global recession (a decline of 2.7% in real terms from 2010 figures). Among DAC countries and for the purpose of our analysis, the case of Italy stands out. ODA flows have been particularly volatile (Figure 1, light-blue line) from 2000 to 2010. Once one-off components such as debt relief which are excluded from ODA and Country Programmable Aid<sup>7</sup> figures are analysed, a different picture emerges (Figure 1, dark-blue line), where Country Programmable Aid flows are far less volatile than ODA. It is worth noting that the only period when ODA and Country Programmable Aid flows had a very similar positive path coincides with the presence of a Deputy Minister in charge of development cooperation within the Ministry of Foreign Affairs from 2006 to 2008 (the red-shaded area in Figure 1).

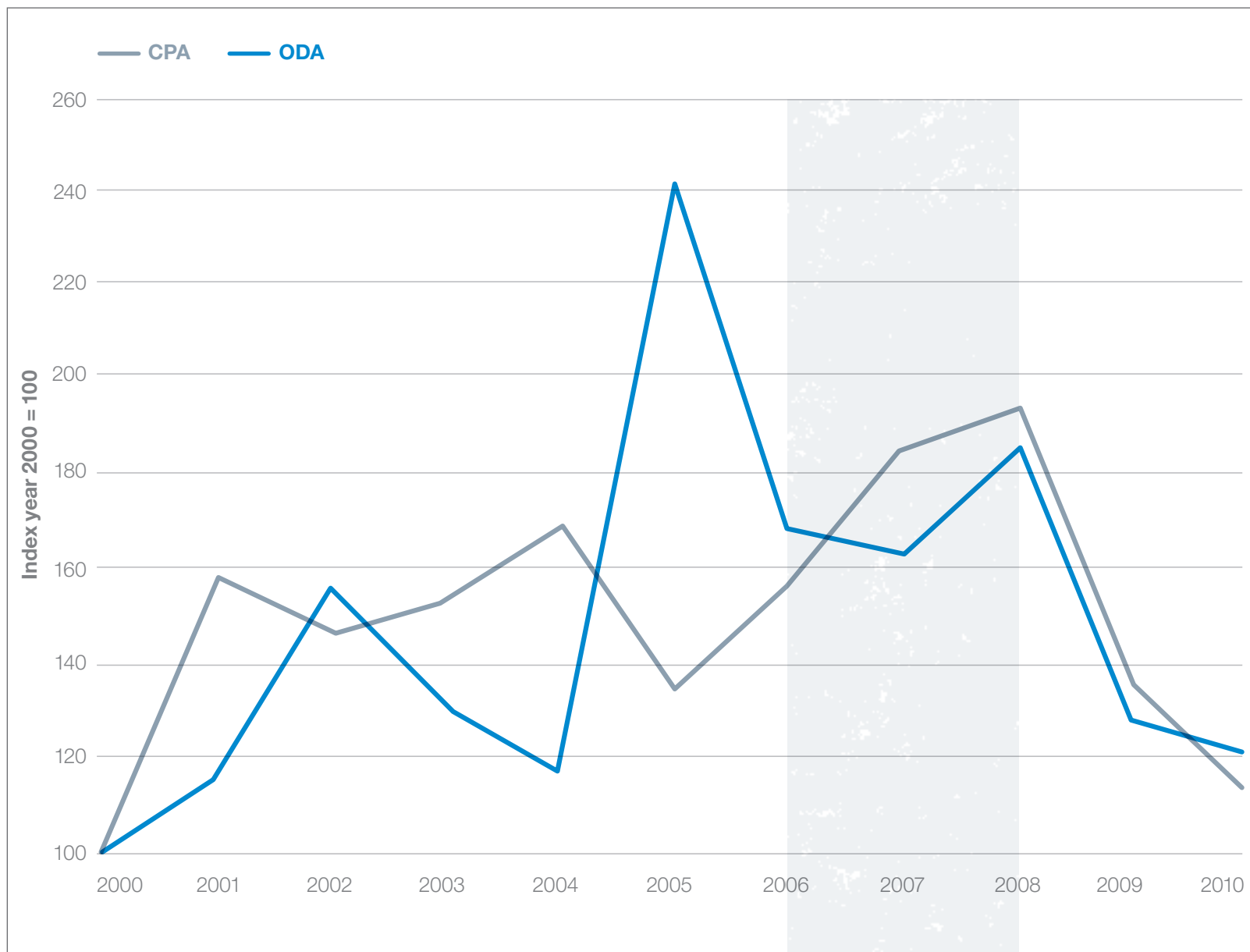
# Aid quantity and quality



# Aid delivery

**Figure 1**  
 Official Development Assistance and Country  
 Programmable Aid flows – Italy – 2000-2010

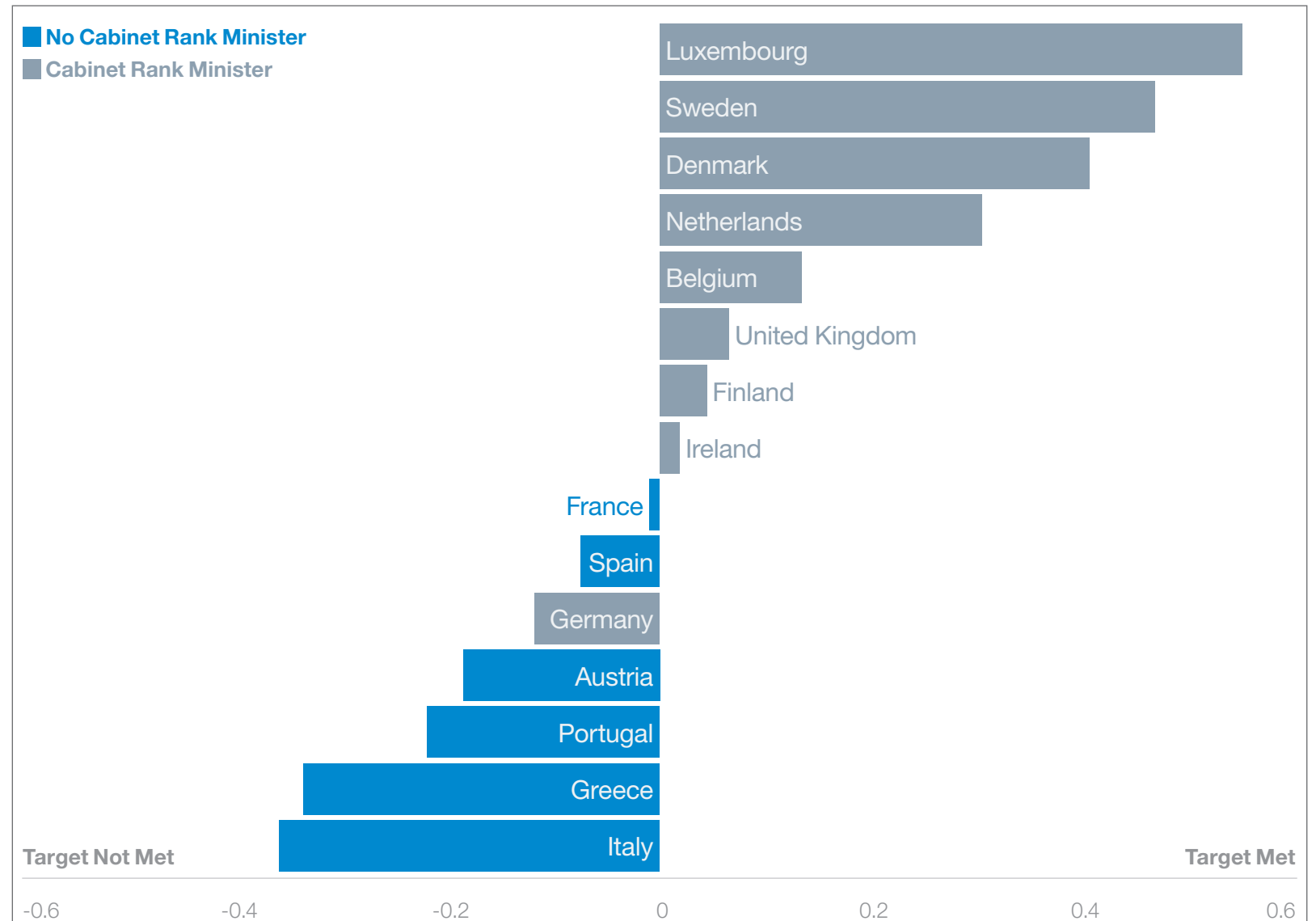
Source: OECD.Stat (2012) on the basis of net disbursement and constant 2010 prices for ODA figure; constant 2009 prices for Country Programmable Aid. The red-shaded area corresponds to the period when development cooperation policy was led by a Deputy Minister for International Cooperation within the Ministry of Foreign Affairs.



**Figure 2**

Difference between actual ODA/GNI ratio in 2010 and the individual EU15 Minimum ODA/GNI target for 2010

Source: OECD.Stat (2012)  
on the basis of 2010 data.



**Figure 3**  
ODA/GNI ratio (%) and the presence of a Minister for International Cooperation at Cabinet level in DAC countries, 2000-2011 data

Source Elaboration on the basis of OECD (2012) and Table A.1.<sup>10</sup>

8. According to OECD (2009), Belgium was committed to achieve ODA levels up to 0.7% GNI target by 2010 (programme law 24 December 2002), Denmark announced in 2009 that aid levels would have been at least 0.8% of GNI, Ireland was committed to achieve the 0.7% target by 2012, Luxembourg 1%, previous Dutch

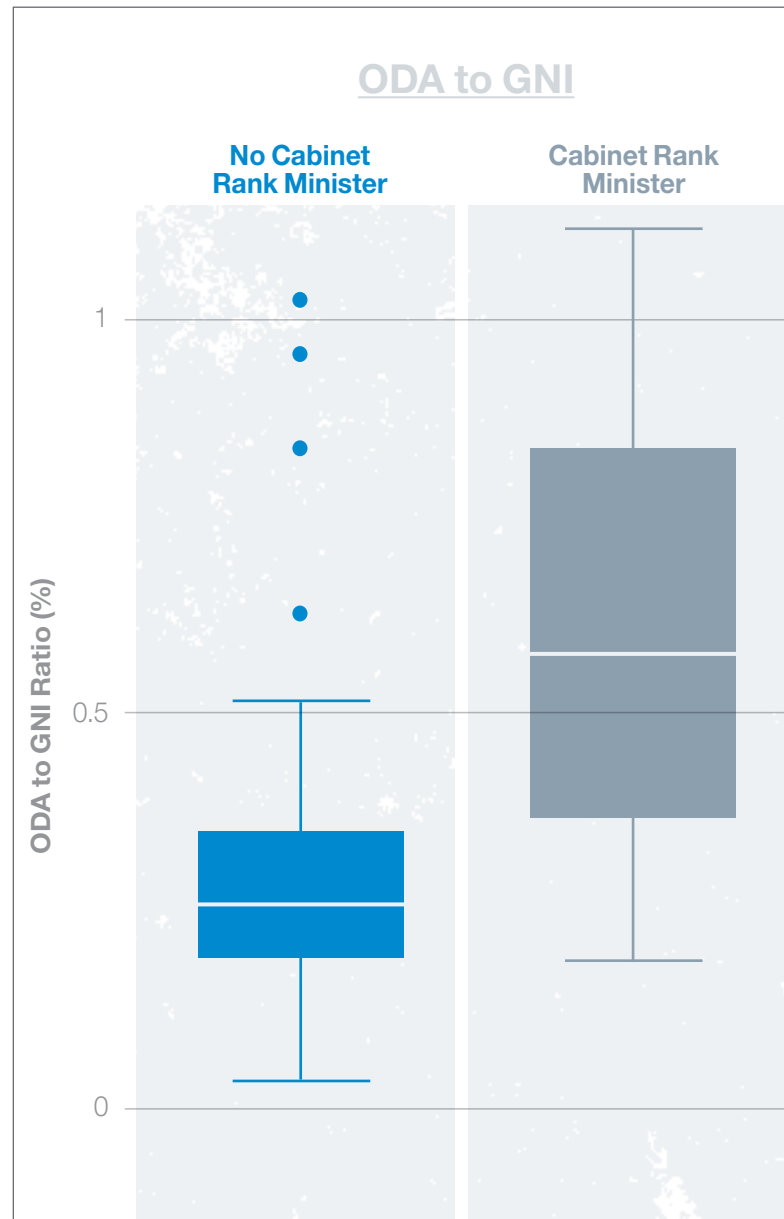
9. Please note that the 0.51% deferred to 2012 for Greece. governments confirmed a 0.8% target, Sweden 1% for the period 2008-10.

10. Dots correspond to outliers (on the left-hand side it corresponds to Denmark in those years where cooperation policy was defined within the Ministry of Foreign Affairs).

11. We consider here ODA/GNI ratios to adjust for differences in the size of the donor country.

12. On the methodology adopted and the interpretation of the box plot graph see Annex A.2.

13. See page 14.



How did the 15 EU member states perform vis-à-vis their aid commitments agreed in 2005? While being aware that other more ambitious targets at national level have been set in several of the 15 EU countries<sup>8</sup> and the collective target has been agreed at 0.56% of GNI for 2010, in Figure 2 we compare the intermediate individual minimum target of 0.51% of GNI by 2010 with actual 2010 figures.<sup>9</sup> Positive values in Figure 2 indicate and measure how much the actual donor's ODA/GNI ratio exceeded the target in 2010; negative values indicate that the target has not been met and the absolute value quantifies the gap to be filled in order to achieve the target in 2010; when the value in Figure 2 corresponds to zero it means that the country hit the 0.51% ODA/GNI target. All the countries that have been able to meet (and sometimes well-exceed) the EU ODA/GNI target in 2010 had a Minister for International Cooperation in their cabinet (red bar in Figure 2). Conversely, among those seven EU member states not achieving the intermediate target, six of them did not have a cabinet-rank level Minister for International Cooperation (blue bar); the only exception is Germany.

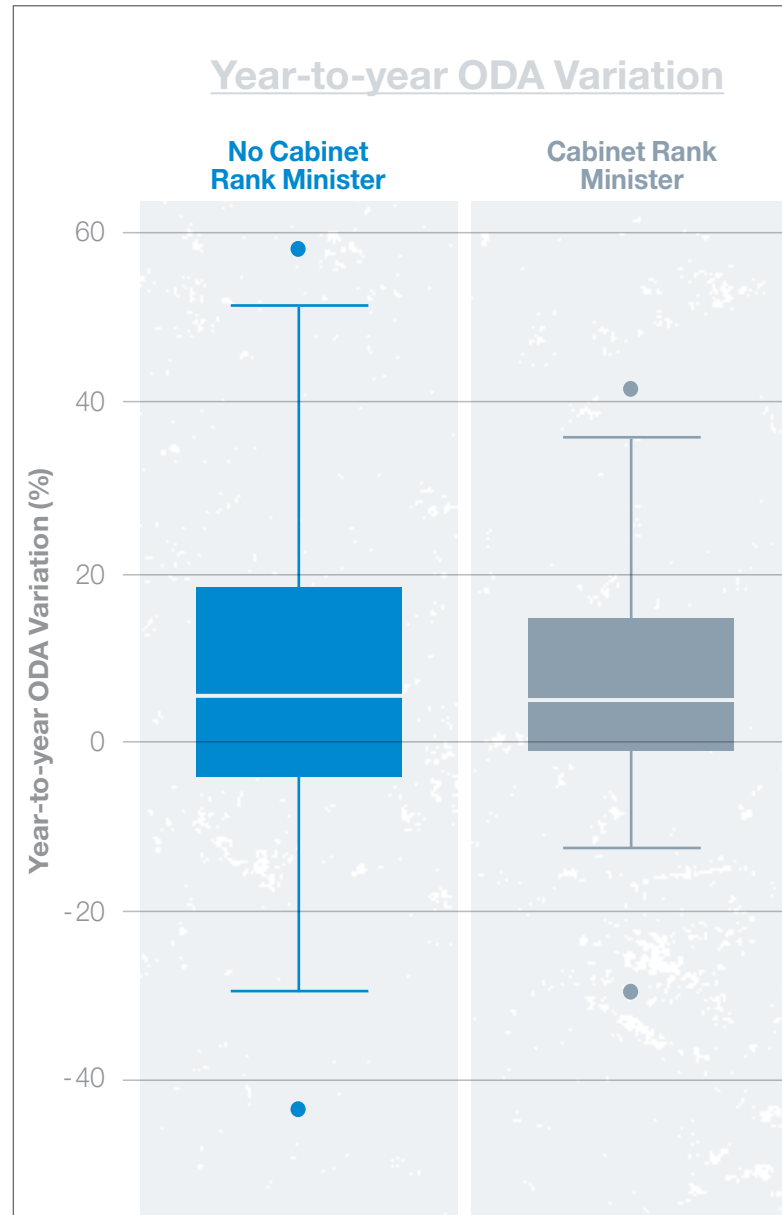
First, we test whether those DAC donors that appointed a sufficiently senior and publicly accountable figure with clear responsibility at the political level for development cooperation policy had on average higher ODA/GNI ratios<sup>11</sup> than in those without political leadership at cabinet level between 2000 and 2011. By looking at the box plot graphs<sup>12</sup> for the two groups of DAC donors (Figure 3), the median ODA/GNI ratio (the straight horizontal line in the box) is much higher in those DAC countries whose Minister for International Cooperation belongs to the cabinet. The mean difference between the two distributions is also statically significant. This implies that the **ODA/GNI ratios were higher in those donors where a Minister for International Cooperation was a cabinet member, 0.63% compared to 0.23% ODA/GNI ratio in the other group in the period 2000-2011.**<sup>13</sup>



**Figure 4**  
Annual ODA variation (%) and the presence of a Minister for International Cooperation at Cabinet level in DAC countries, 2000-2008 data

Source: Elaboration on the basis of OECD (2012) and Table A.1.

13. We verify the robustness of this result by modifying the analysis in two different ways. First, we tested for differences between the two groups focusing on Country Programmable Aid rather than on ODA figures – therefore concentrating on those programmable and less volatile components of ODA flows and on those flows implying cross-border transactions to recipient countries. The mean difference between the two distributions is still statistically significant. Mean values are 0.23% and 0.11% Country Programmable Aid/GNI ratio for the cabinet-rank Minister and no cabinet-rank Minister groups, respectively. Second, as budget decisions are usually implemented with a lag of one year, we tested whether results would have been different if donors' performance had been evaluated bearing in mind this lag effect. Average ODA/GNI ratios are still statistically significantly higher in DAC donors characterized by a cabinet-rank Minister for International Cooperation.



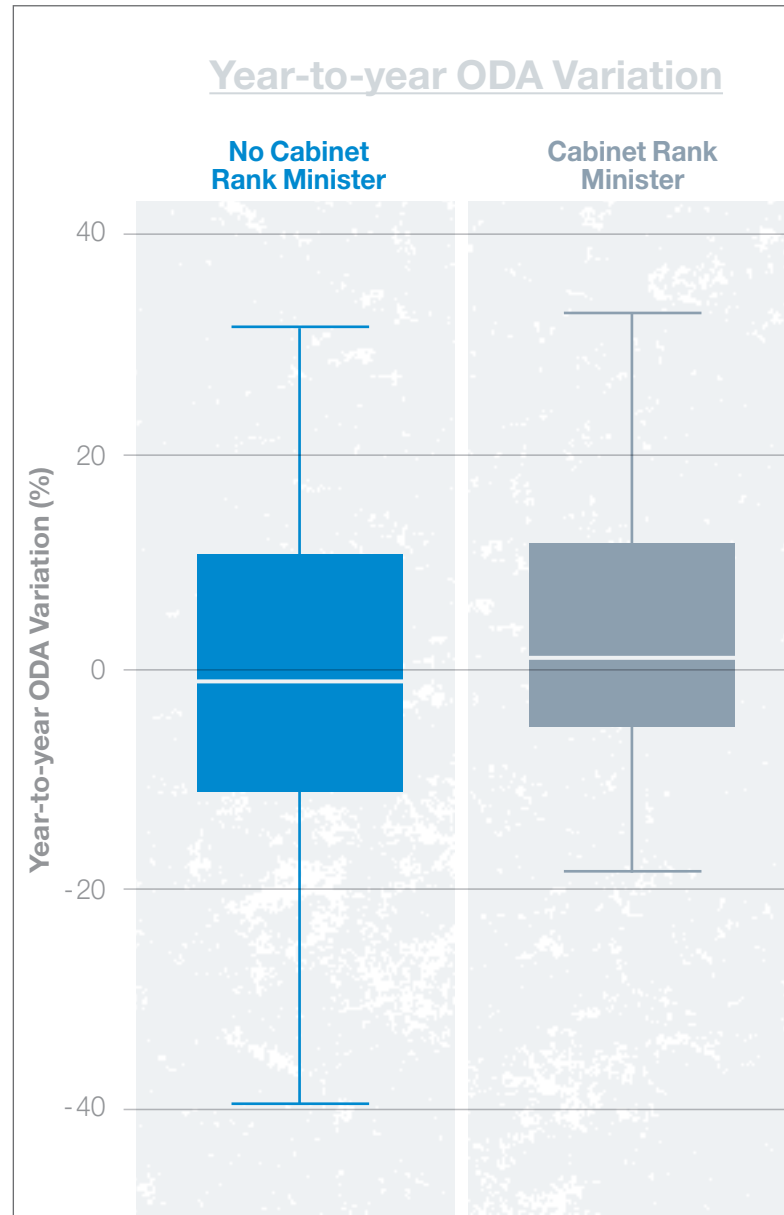
Second, we consider the distribution of year-to-year ODA variation in the period 2000-08 – before the financial and economic crisis – and compare the relative performance in the two groups: no significant difference can be identified either in median (Figure 4) or average values. In other words, **there is no evidence that donor countries with cabinet-rank Minister for International Cooperation have outperformed – on average – compared to the other group regarding improvement in real ODA volumes.** However, while average and median values are different between the two groups, what differs between the two groups of DAC donors is **the variance of ODA flows, for instance, ODA flows were less volatile, from the donors' perspective, in those countries where a cabinet-rank minister led development cooperation policy.** Moreover, variation in ODA volumes has been positive in 75% of the cases in those countries with a cabinet-rank minister but only in 66% of the cases in DAC donors without such a minister. **This implies that ODA flows increased more often in those DAC donors where development cooperation had a cabinet-level minister.**

Finally, we analyse whether those DAC countries having a cabinet-rank Minister for International Cooperation have been able to keep their aid targets on track and/or to ring-fence aid budgets when fiscal consolidation and budget tightening have been undertaken after 2008. On the basis of Figure 5, previous considerations on pre-crisis performance also apply to the period 2009-2011. Even though no difference between the two groups emerges, either on average and median terms (Figure 5), **variation in ODA flows have been positive in the cabinet-rank minister group in more than half of the observations and only in 44% of the cases in the other group.**

**Figure 5**  
Annual ODA variation (%) and the presence  
of a Minister for International Cooperation at  
Cabinet level in DAC countries 2009-2011

Source: Elaboration on the basis  
of OECD (2012) and Table A.1.

14. Contrary to the previous  
section on ODA/GNI ratios  
and ODA year-to-year variation,  
each index and sub-component  
reflects a single year.



In summary, from the descriptive analysis of this section, we have seen first that all the 15 EU member states that met their individual target in 2010 had a politically accountable Minister for International Cooperation at cabinet level. Conversely, among the seven EU member states that did not achieve the intermediate target, six of them did not have such a minister. Second, ODA/GNI ratios have been significantly higher in those DAC countries whose Minister for International Cooperation belonged to the cabinet in the period 2000-11. Third, not only have their aid levels – as a share of GNI – been on average greater than in those DAC donors where development cooperation policy was not led by a separate minister, but also their aggregate ODA flows have been less volatile in the last decade, expanding ODA volumes more often than in the other group of DAC donors.

### 3.2 Aid quality

In this section we provide preliminary analysis investigating whether the presence of a Minister for International Cooperation is associated with better 'aid quality'. While being aware of the limitations of these empirical assessments (see Knack *et al.*, 2011, among others), what we are really interested in is not necessarily how donors performed in relative terms but whether there is any significant difference in cardinal scores for those donors whose development cooperation policy is led by a cabinet-rank Minister for International Cooperation compared to the other DAC donors.<sup>14</sup>

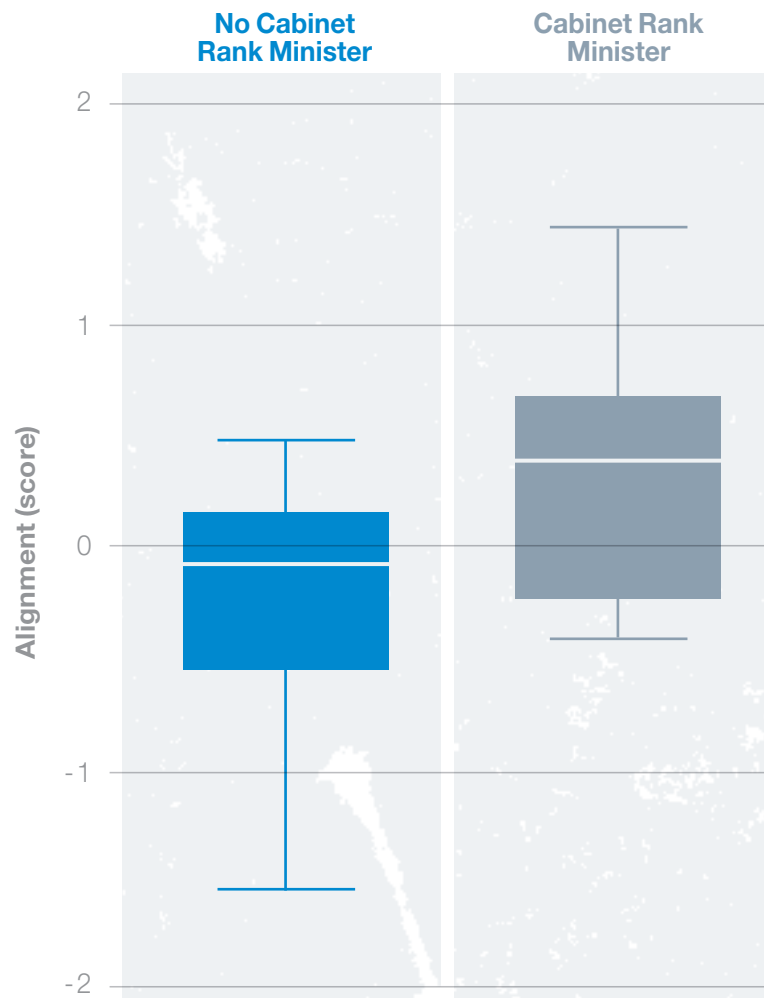
**Figure 6**

Donor ranking and the presence of Cabinet Rank Minister for International Cooperation – 2007 data

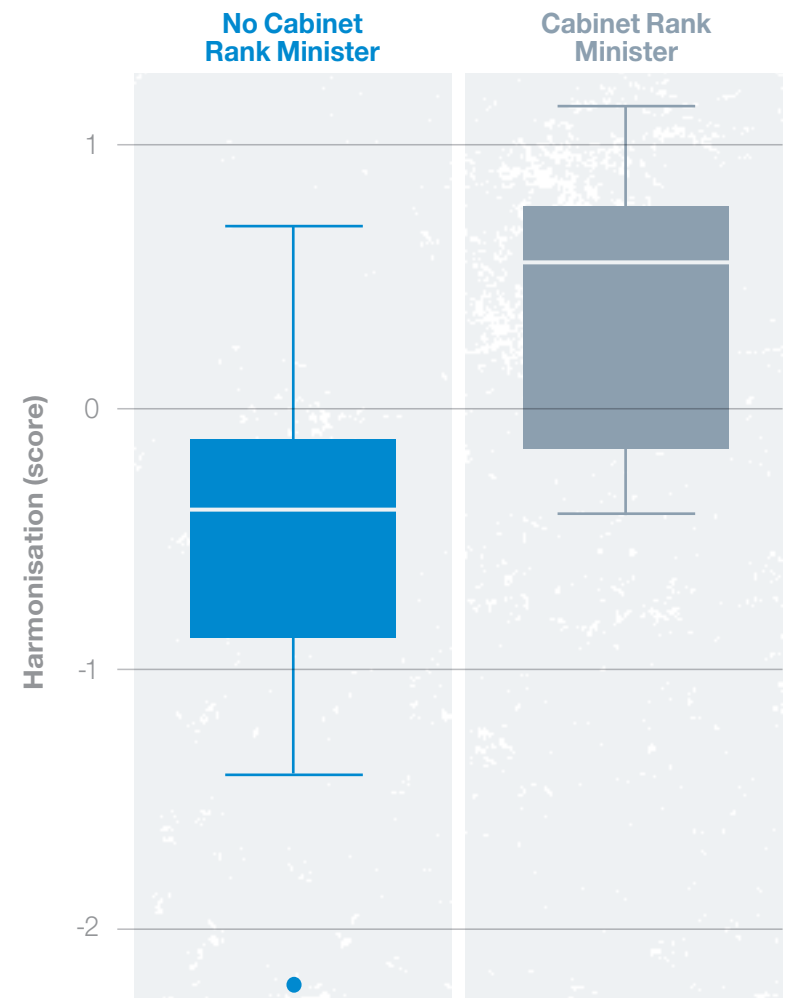
Source: Elaboration on the basis of Knack *et al.* (2011) and Table A.1.



## Alignment



## Harmonisation



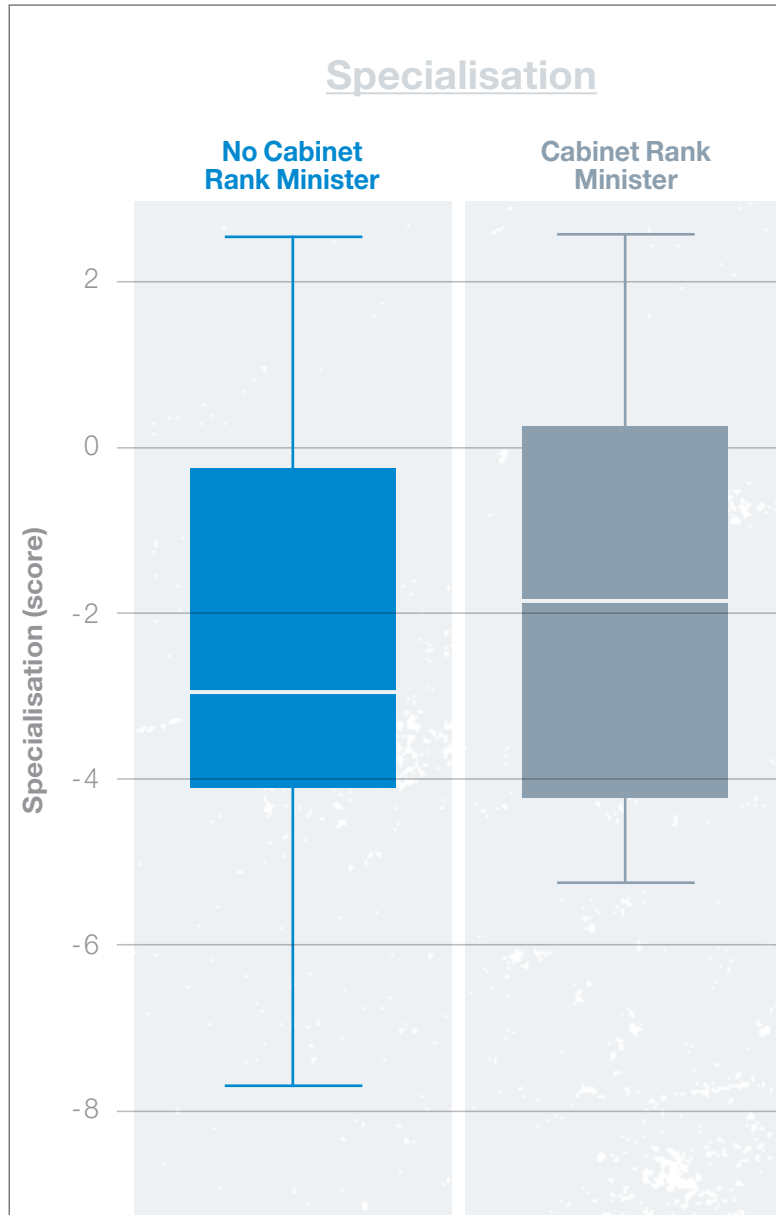


### Figure 6 Continued

Donor ranking and the presence of Cabinet Rank Minister for International Cooperation – 2007 data

15. As indicated in the Introduction, OECD monitors each DAC donor's development cooperation programme through the peer-review mechanism every four years with a mid-term review, including strategic orientations, policy coherence, aid flows and allocations, management and organisation, aid effectiveness and humanitarian assistance (OECD, 2010). However, it relies on qualitative assessment which does not allow for cross-country analysis.

16. The discussion on the composition of the indices, their interpretation and how donors and agencies are ranked goes beyond the scope of this note. See also Easterly and Pfütze (2008) on measurement of aid quality on the basis of transparency, fragmentation, selectivity, ineffective channels and overhead costs.



To assess this relationship and test for the robustness across different measures - we reiterate here that correlation does not necessarily imply a direct causality link – we rely on three different quantitative measures to evaluate how DAC donors and their aid agencies performed<sup>15</sup>: the 'Aid Quality' index (Knack *et al.*, 2011), the 'Quality of Official Development Assistance' (QuODA) assessment (Birdsall and Kharas, 2010) and the 'Commitment to Development' index (CGDev, 2011).<sup>16</sup>

First, we analyse whether the presence of a Minister for International Cooperation in the cabinet is positively associated with the 'aid quality' scores as developed and measured in Knack *et al.* (2011). The overall index and the sub-indices (selectivity, alignment with country systems, harmonisation with country and specialisation) largely rely on the indicators assessing donors' performance in the implementation of the Paris Declaration principles: the analysis is based on data and information from the Monitoring Surveys of the Paris Declaration.

Figure 6 analyses whether the two groups of DAC donors perform differently in overall terms and by sub-index on the basis of 2007 data: the higher the score the better the performance. Average scores for **the cabinet-rank-minister group are higher and statistically different from the group of donors where development cooperation policy does not have political leadership at cabinet level** (see Summary Table 1 at the end of the section) **both for the overall index and for all the sub-indices, indicating that the first group outperformed in all the four Paris Declaration, Principles** (selectivity, alignment with country systems, harmonisation with country and specialisation) in 2007.

17. The score for 'maximising efficiency' is greater the higher the share of aid channelled to poor, to well-governed countries, to support to global public goods and to untied aid as well as the greater the focus on areas of comparative advantage and the lower the administrative costs.

18. The dimension of 'fostering institutions' records a higher score when the donor helps to build the recipient government's capacity by channelling funds through recipient budgets and national and local institutions; the score is lower when the donor does not align aid with recipient's priorities.

19. The score increases when the donor country reduces administrative costs on recipients and when the number of small projects decreases.

20. The score for the dimension of 'transparency and learning' rises when the donor promptly reports commitments and disbursement in a standard format; it lowers when a donor withholds information, delays release or when data are not readily comparable with other donors.

**These findings are also confirmed when we measure donor performance on the basis of the ranking and scores of the Quality of Official Development Assistance (QuODA) assessment** (Birdsall and Kharas, 2010). It aims to evaluate aid agency effectiveness, relying on a selected number of indicators of commitments to the Paris Declaration principles; compared to Knack et al. (2011) these indices also incorporate measures of donor performance which relate to partner countries' perspectives and is comprehensive in agency coverage and indicators.

Birdsall and Kharas (2010) identify four main objectives of good aid and all these four dimensions reflect one of the Paris Declaration principles:

- 1) maximising efficiency (results principle in the Paris Declaration)<sup>17</sup>
- 2) fostering institutions (ownership)<sup>18</sup>
- 3) reducing the burden on recipients<sup>19</sup> (alignment)
- 4) transparency and learning (mutual accountability)<sup>20</sup>

Figure 7 plots the performance of the two groups of DAC donors for all the four dimensions of the QuODA assessment in 2009. **Those DAC donors whose Minister for International Cooperation has cabinet-rank significantly outperformed across all the four dimensions of the QuODA assessment** (See Figure 7 and Table 1 for a comparison between the two groups).

Finally, we consider how the two groups performed on the basis of the 'Commitment to Development' Index (CDI) (CGDev, 2011; Roodman, 2011) which looks into the barriers to exports from developing countries, investment and migration policies, environmental policies (global climate, fisheries, biodiversity and global ecosystems), contributions to peacekeeping operations and humanitarian intervention and finally generation and diffusion of innovations. **The four top-rank DAC donors in terms of overall policy coherence for development are all countries where a Minister for International Cooperation seats in the cabinet.** The last six countries in the ranking have their development and cooperation policies exclusively led by the Ministry of Foreign Affairs. In sum, **the presence of a minister is associated with an average better performance in the index** (See Table 1).

On the basis of the empirical analysis in this section, **DAC donors whose development and cooperation policy was led by a cabinet-rank Minister for International Cooperation outperformed across every qualitative indicator** (see the third column of Table 1), ie: measured by some of the best practices identified in the Paris Declaration for Aid Effectiveness and the Accra Agenda for Action (ownership, alignment, harmonisation, mutual accountability, results), compared to those DAC donors whose development and cooperation policy is not led by a dedicated minister (see the second column in Table 1). These findings are valid and robust across different measures for aid quality, namely the 'aid quality' index (Knack et al. 2011), the Quality of Aid (QuODA) assessment (Birdsall and Kharas, 2010) and the Commitment to Development Index (CGDev, 2011).

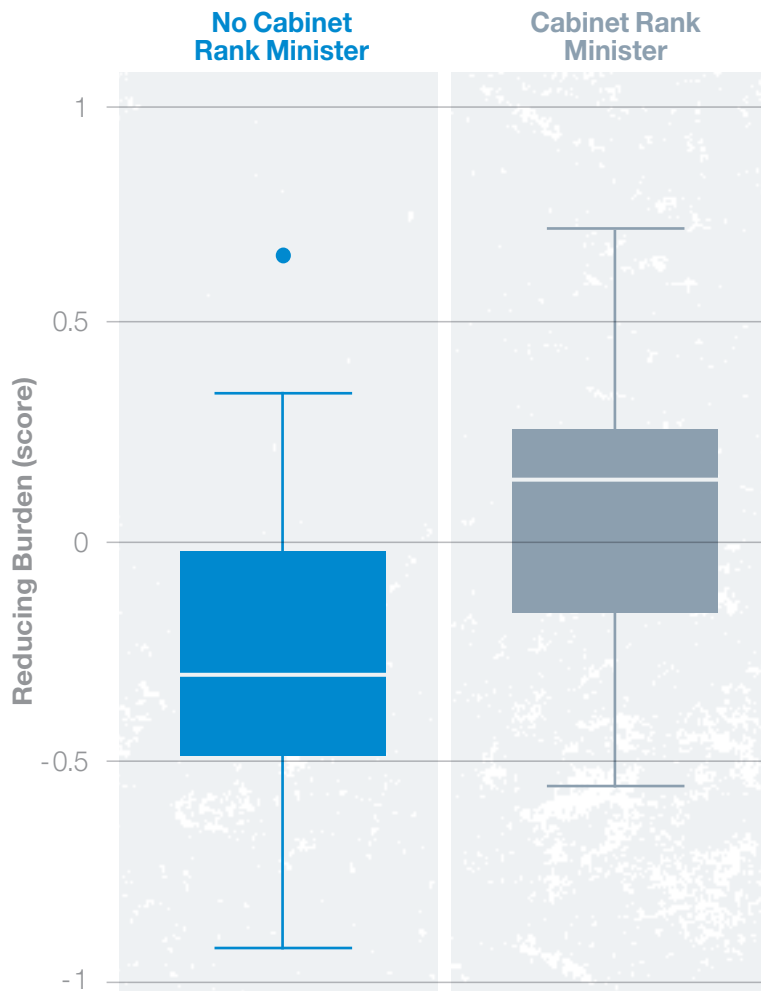
**Figure 7**

Quality of Aid Index (QuODA) Scores by component and the presence of a Cabinet-rank Minister for International Cooperation – 2009 data

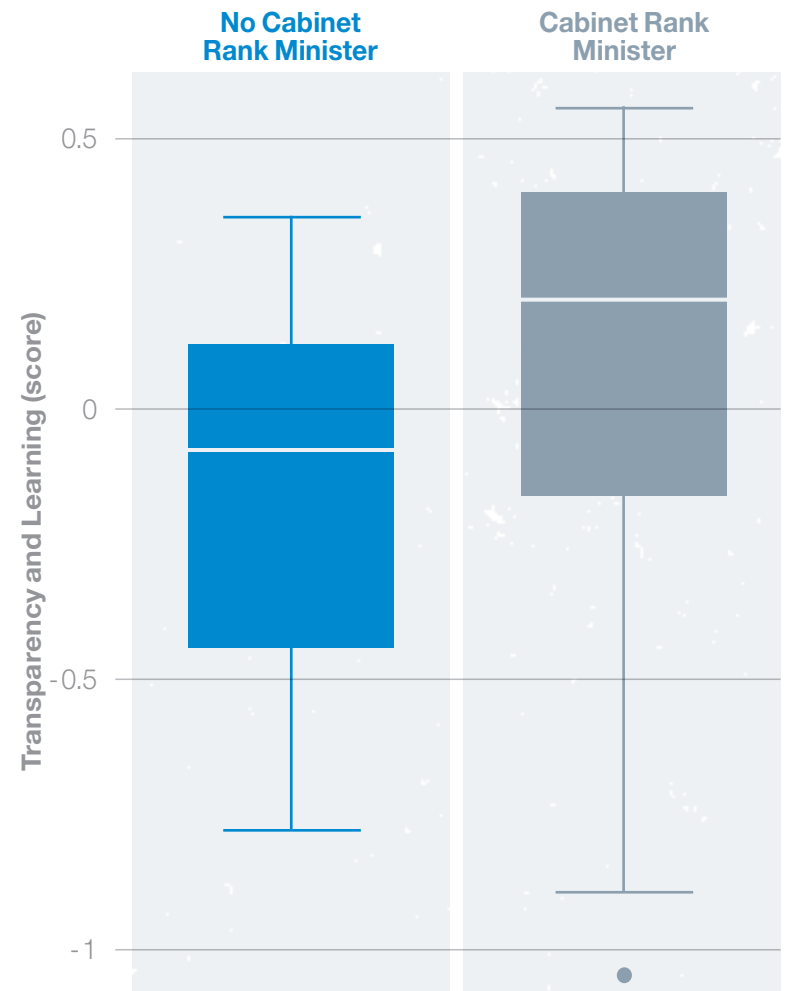
Source: Elaboration on the basis of Birdsall and Kharas (2010) and Table A.1.



### Reducing Burden



### Transparency and Learning



**Table 1**

Summary of Aid Quality Indicators by group – Mean values

Source: Elaboration on the basis of Knack *et al.* (2011), Birdsall and Kharas (2010) and CGDev (2011).

\* Mean difference not statistically significant at 1%.

<b>QuODA index (Birdsall and Kharas, 2010)</b>		
	<b>No Cabinet Rank</b>	<b>Cabinet Rank</b>
<b>Maximising Efficiency</b>	-0.02	0.07
<b>Fostering Institutions</b>	-0.28	0.20
<b>Reducing Burden</b>	-0.25	0.07
<b>Transparency and Learning*</b>	-0.17	0.01
<b>Donor ranking (Knack et al. 2011)</b>	-0.49	0.28
<b>Selectivity</b>	-0.42	0.32
<b>Alignment</b>	-0.24	0.32
<b>Harmonisation</b>	-0.52	0.38
<b>Specialisation*</b>	-0.24	-0.19
<b>Commitment to Development Index</b>	5.13	6.21





**A sufficiently politically accountable figure for development cooperation policy has a determinative role for improving aid effectiveness.**



Even though there is no clear-cut evidence identifying the best organisational model for aid delivery among DAC donors to keep aid volumes on track and to improve the effectiveness of aid flows, in this paper we have found that one particular element – political leadership identified with **the presence of a Minister for International Cooperation at cabinet level** or, in other words, of “a sufficiently senior and publicly accountable figure with clear responsibility at the political level”, **is strongly associated with higher ODA/GNI ratios, honoured commitments, lower volatility of ODA flows and better aid quality and effectiveness.**

From the review of the literature, it can be concluded that **a sufficiently politically accountable figure for development cooperation policy has a determinative role for improving aid effectiveness.** These findings are confirmed by our descriptive quantitative analysis comparing the relative performance – both in terms of aid quantity and aid quality – of those DAC donors having a cabinet-rank Minister for International Cooperation to those whose development cooperation policy is solely led by the Minister of Foreign Affairs.

First, all the 15 EU member states that have been able to meet (and sometimes well-exceed) the EU ODA/GNI intermediate target in 2010 had a Minister for International Cooperation seating in their cabinet; conversely, among those seven EU member states not achieving the intermediate target, six of them did not.

Second, DAC donors whose development cooperation policy is led by a separate Minister for International Cooperation achieved on average three times higher ODA/GNI ratios over the last decade: an average of **0.63% compared to 0.23% in the other group.**

Third, even though DAC donors with cabinet-rank minister did not necessarily expand their aid volumes faster in the 2000s, their ODA flows have been less volatile. Moreover, between 2000 and 2008, ODA volumes grew in real terms in 75% of the times when a Minister for International Cooperation led development cooperation policy and 66% otherwise. **In the aftermath of the 2008-09 financial and economic crises, ODA flows have been also on average more resilient than in the other group.**

Finally, **the presence of a cabinet-rank Minister for International Cooperation is strongly associated with the implementation of some of the best practices identified in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action** – namely better alignment with partner countries’ policies, harmonisation, efficiency and transparency – **and higher coherence of national to development cooperation policies.** On average, scores measuring the ‘quality’ of their agencies (on the basis of the QuODA assessment by Birdsall and Kharas [2010]), the effectiveness of their aid policies (following the ‘aid quality’ indices by Knack *et al.* [2011]) and the coherence of national policies vis-à-vis development goals (considering the ‘Commitment to Development Index [CGDev, 2011]) have been systematically higher.

As pointed out by Wild and Viciani (2012), there are however other systemic constraints to the accountability of the aid system that we have not considered in this paper which go beyond a ‘policy vision’ or political leadership. For example, the Italian system would require greater coordination among national NGOs as well as between the Ministry of Foreign Affairs and the Ministry of Economy and Finance: especially on this latter point, **the Minister for International Cooperation can play a pivotal role** (Wild and Viciani, 2012: 23).



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**Table A.1**

Organisational structure and the presence of a cabinet-level Minister for International Cooperation in DAC countries

**Part A**

Separate minister with cabinet rank

Source: Elaboration on various sources. On the basis of OECD (2009) and updates. Notes: Ministry of Foreign Affairs: Ministry of Foreign Affairs. Korea did not belong at that time to the Development Assistance Committee (a special Peer Review is dated back to 2008). In Korea, Ministry of Foreign Affairs has competency for development co-operation policy.

Notes: Ministry of Foreign Affairs: Ministry of Foreign Affairs

<sup>a</sup>[http://diplomatie.belgium.be/en/policy/development\\_cooperation/](http://diplomatie.belgium.be/en/policy/development_cooperation/)

<sup>b</sup><http://www.pm.gc.ca/eng/cabinet.asp>; <http://um.dk/en/about-us/the-ministers/the-minister-for-development-cooperation/>;

<sup>c</sup><http://www.dfa.ie/home/index.aspx?id=86649>;

<sup>d</sup><http://www.bmz.de/en/ministry/index.html>;

<sup>e</sup><http://www.gouvernement.lu/gouvernement/membres-gouvernement-2009/index.html>;

<sup>f</sup><http://www.government.nl/government/cabinet/members-of-cabinet/ben-knapen>;

<sup>g</sup>[http://www.regjeringen.no/en/dep/ud/about\\_mfa/minister\\_development\\_holmaas.html?id=676228](http://www.regjeringen.no/en/dep/ud/about_mfa/minister_development_holmaas.html?id=676228);

<sup>h</sup><http://www.sweden.gov.se/sb/d/7517>;

<sup>i</sup><http://www.number10.gov.uk/the-coalition/the-government/>

DAC Donor	Level	Current Definition	Since 2000?	Governance	Budget
<b>Belgium<sup>a</sup></b>	Minister	Minister for Development Cooperation	✓	Same level of Ministry of Foreign Affairs within the Federal Public Service Foreign Affairs, Foreign Trade and Development Co-operation	55% managed by the General Directorate for Development Co-operation 11% Federal Public Service Finance National Ducroire Office and local authorities
<b>Canada<sup>b</sup></b>	Minister	Minister of International Cooperation	✓	CIDA reports to Parliament through Minister for International Cooperation – separate agency for policy and implementation	International Assistance Envelope jointly managed by CIDA, the Department of Foreign Affairs and International Trade and the Department of Finance.
<b>Denmark<sup>c</sup></b>	Minister	Minister for Development Cooperation	✓ (except for 2001-03)	Same level of Ministry of Foreign Affairs within Ministry of Foreign Affairs and managed by DANIDA within the Ministry of Foreign Affairs (both policy and implementation)	Annual Finance Act under the Ministry of Foreign Affairs. FY Jan-Dec Funds managed by DANIDA
<b>Finland</b>	Minister	Minister for International Development	✓	Same level of Ministry of Foreign Affairs within Ministry of Foreign Affairs	Proposal by the Ministry of Foreign Affairs to Ministry of Finance and budget is determined and allocated on the basis of the economic plan of the central government.
<b>Germany<sup>e</sup></b>	Minister	Federal Minister for Economic Cooperation and Development (BMZ)	✓	The Ministry has overall responsibility and 6 agencies	Most part of the ODA budget is managed by BMZ; annual federal budget and a 4-year rolling financial plan.

## Part A Continued

Separate minister with cabinet rank

DAC Donor	Level	Current Definition	Since 2000?	Governance	Budget
<b>Ireland<sup>d</sup></b>	Junior Minister	Minister of State at the Department of Foreign Affairs and Trade with responsibility for Trade and Development	✓	Previously Minister for Overseas Development at the same level of Ministry of Foreign Affairs	Managed by Irish Aid (agency within Ministry of Foreign Affairs) Vote 29 – Development Co-operation, presented by Ministry of Finance to parliament for approval
<b>Luxembourg<sup>f</sup></b>	Minister	<i>Ministre de la Coopération et de l'Action humanitaire</i>	✓	Same level of Ministry of Foreign Affairs and Immigration	Ministry of Foreign Affairs and Immigration is responsible for 80% of ODA budget and approved annually by parliament.
<b>Netherlands<sup>g</sup></b>	Minister	Minister for European Affairs and International Cooperation	✓ (except for 2002)	Same level of Ministry of Foreign Affairs	Budget framework was provided over the period 2005-2010 by the Homogeneous Budget for International Co-operation. Ministry of Foreign Affairs manages most of the funds (three quarters in 2005) and is responsible for preparing the proposal to be approved by the Cabinet and to be submitted to Parliament.
<b>Norway<sup>h</sup></b>	Minister	Minister of International Development	✓	Same level of Ministry of Foreign Affairs	Budget proposal by Ministry of Foreign Affairs submitted to the Parliament.
<b>Sweden<sup>i</sup></b>	Junior Minister	Minister for International Development Cooperation	✓	Same level of Ministry of Foreign Affairs	Consolidated annual development co-operation budget included in the Government's budget bill submitted to parliament for approval
<b>United Kingdom<sup>k</sup></b>	Secretary of State	Secretary of State for International Development	✓	Separate and dedicated Minister	Annual development cooperation budget FY April-March – Chancellor of Exchequer presents it to parliament for approval.



**Table A.1 Continued**

Organisational structure and the presence of a cabinet-level Minister for International Cooperation in DAC countries

**Part B**

No separate minister at cabinet level

DAC country	Organisation	Budget
<b>Australia</b>	Ministry of Foreign Affairs; AusAid separate agency for policy and implementation;	Proposal included in the Foreign Affairs and Trade Portfolio Budget Statement  Approved by parliament and managed by the Australian Agency for International Development (AusAid)  FY July-June
<b>Austria</b>	Federal Ministry for European and International Affairs	Development Co-operation budget approved once a year in the Federal Finance Act; Bilateral programme is included in the budget of the Federal Ministry for European and International Affairs
<b>France</b>	Secretary of State within the Ministry of Foreign and European Affairs; separate executive agency (AFD)	The Inter-Ministerial Committee for International Cooperation and Development (Prime Minister and other 12 ministers)
<b>Greece</b>	Ministry of Foreign Affairs, Secretary General for International Economic Relations and Development Co-operation	Budget mainly managed by Ministry of Foreign Affairs (Hellenic Aid) and approved on annual basis by parliament.
<b>Italy</b>	Ministry of Foreign Affairs – Directorate for Development Cooperation  Deputy Minister 2006-2008	In annual national budget plan and approved by the parliament
<b>Japan</b>	Ministry of Foreign Affairs	Annual development budget submitted to parliament. FY April-March



## Part B Continued

No separate minister at cabinet level

DAC country	Organisation	Budget
<b>New Zealand</b>	Ministry of Foreign Affairs and New Zealand Agency for International Development (NZAID)	Separate Vote for Official Development Assistance. Majority of funds is managed by NZAID, budget approved by parliament before the beginning of the FY (July).
<b>Portugal</b>	Ministry of Foreign Affairs – State Secretary Foreign Affairs and Co-operation	Highly decentralised budget (Ministry of Foreign Affairs, Ministry of Finance, Ministry of Science, Technology and Higher Education) and approved by the parliament every year.
<b>Spain</b>	Ministry of Foreign Affairs and Cooperation – Secretary of State for International Co-operation	Allocation in the general state budget submitted to parliament. Three Ministry manage ODA: Ministry of Foreign Affairs, the Ministry of Economy and Finance, Ministry of Industry Tourism and Trade
<b>Switzerland</b>	Federal Department of Foreign Affairs – Swiss Agency for Development Cooperation	Objectives defined by parliament and funds allocated to international cooperation take the form of framework's credit.
<b>United States</b>	A series of agencies manage development co-operation	USAID (40%), State Department, Department of Defence, the Millennium Challenge Corporation, Department of Agriculture.



## Annex A.2

### Methodology and Box Plot Graph

The empirical analysis is based on a balanced sample of 23 bilateral DAC donors (excluding the European Commission) over the period 2000-2011. Data on aid quantity reflect real changes in ODA volumes (US\$ 2010 constant prices) and are based on the latest update of the OECD Aggregate Aid Statistics (OECD.Stat) in April 2012. Country Programmable Aid data are also from OECD.Stat and are based on US\$ 2009 constant prices. Country classification in the two groups (cabinet rank and no cabinet-rank minister) is based on the taxonomy reported in Table A.1 (Panel A and B) also taking into account the evolution for each DAC donors over the last decade. In more technical terms, a dummy variable takes value 1 if development cooperation policy was at cabinet-rank level for that year.

The analysis presented from Figure 3 to Figure 7 is based on a box plot graph, also known as a box-and-whisker plot. **This graph shows how actual numerical values of a variable are distributed, ranking them from the lowest to the highest value along the vertical axis, and helps to compare distributions of a variable between two (or more) different groups (or populations).**

More specifically, we can read from the bottom to the top of the graph:

- 1) the **minimum value** of the distribution, i.e. the lowest whisker
- 2) values between the 25th percentile (or **lower quartile**) and the median are identified between the bottom side of the blue box and the horizontal straight line in the blue box
- 3) the straight horizontal line in the blue box corresponds to the median value of the distribution, i.e. the numerical value which separates the lower from the upper half of the population
- 4) values between the median and the 75th percentile (or **upper quartile**) can be found between the horizontal straight line in the box and the upper side of the blue box
- 5) the **maximum value** corresponds to the highest whisker

The size of the box measures the distance between the lower and the upper quartile: the bigger the box the more dispersed values are. In other words, the box identifies the values in the central half of the distribution. Dots – either above the maximum value or below the minimum value – are considered as outliers of the distribution. On the methodology to identify outliers in the distribution we applied Hadi (1992)'s methodology.



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