Reinventing Dutch NGOs

Changing patterns of funding and allocation

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Paper presented at the ISTR conference, Muenster July 2014

FIRST DRAFT

-Not for quotation-
1. Introduction

In the continuing search for effectiveness, the 2003 Rome Declaration on Harmonisation and the subsequent declarations of Paris (2005), Accra (2008) and Busan (2011) stand out as examples of the growing insight that effective aid is not only dependent on recipients but also on donors themselves. Central then in acknowledging this donor role are donor proliferation (little aid to many countries) and sector fragmentation (little aid to many projects, programmes or sectors). Generally, the effects of proliferation and fragmentation are seen as negative and of impeding effective aid because of high transaction costs (particularly for recipients) (for a discussion about potential transaction costs see: Bigsten & Tengstam, 2012; EC, 2007; Knack & Rahmann, 2007; Kanbur & Sandler, 1999; Acharya et al., 2006; Frot & Santiso, 2008; Deutscher & Fyson, 2008; Grimm, 2008; Grimm et al., 2009; Kharas, 2008; Kragelund, 2008; World Bank, 2008; OECD, 2008).

The Paris Declaration sequence is largely based on finding solutions to the problems associated with an increasing number of actors providing piecemeal assistance to a large number of recipients. Central here are – next to country ownership – harmonisation, complementarity and concentration following the idea that for more effective aid ‘donors should focus assistance on fewer countries, sectors and, in particular, activities’ (OECD, 2009a). Although such insights and solutions have to be applauded, there are still at least three problems that need to be tackled.

The first relates to the fact that these international agreements are principally geared at governmental and intergovernmental aid agencies and that the fragmentation and proliferation analysis underlying these agreements is equally restricted to these agencies. Here we start from the idea, following the call for a ‘Paris Declaration for NGOs’ (Koch, 2009) and that all aid channels potentially contribute to transactions costs, that it is crucial to include other development actors and particularly NGOs. An earlier study which did include (Dutch) NGOs found that as a group they are less fragmented and proliferated but that individual organisations are as ‘bad’ as some of their bilateral and multilateral peers (Schulpen et al., 2011).

Second, not only in the analysis of fragmentation and proliferation but also in the solutions brought forward there is a strong focus on in-country harmonisation. It is also in this in-country division of labour that clear indicators have been agreed upon (e.g., the number of sectors a donor is supposed to be active in per country and the number of donors per sector). Much less attention has been paid to the commitment in the Accra Agenda for Action (AAA) to ‘reduce the fragmentation of aid by improving the complementarity of donor’s efforts and the division of labour among donors [...] across countries’ (OECD, 2009b, emphasis added). As such, they essentially close their eyes for what is called the ‘most precarious from a political standpoint’ (Hartmann, 2011: 5): cross-country harmonisation or division of labour. Here, we follow Schulpen & Habraken (2013) who asserted ‘that a focus on in-country (essentially cross-sector) above cross-country harmonisation equals putting the cart before the horse’ and that the most logical ‘starting point should be at the macro level of cross-country DoL, as this is where decisions about the underlying collective choices all add-up and shape donor-recipient relations’ (Hartmann, 2011: 5).
The third, and final, problem with the discussion about proliferation so far is that there is a lot of attention to measure how proliferated donors are but much less attention to the question whether donors have – for whatever reason – become less proliferated over the years (as they should following the international agreements signed by them). A study by Schulpen & Habraken (2013) showed that individual European bilateral donors show a wide diversity (with some becoming less proliferated and others more) but that as a group ‘EU donors have become more and not less proliferated over the years’. All in all, the idea of reducing their number of countries in combination with increasing their average CPA as the starting point for a concentration exercise that donors agreed upon, has perhaps reached donor’s policies but not necessarily their practice. This begs the question whether the same holds for (Dutch) NGOs or whether (in contrast) these NGOs do adhere to the call for concentration that is central in these international agreements of which also these private development actors are part.

2. Methodology
We analyse the change in proliferation of Dutch NGOs using data from the NGO database (www.ngo-database.nl) which includes a total of 36 NGOs for which data on their country allocations is available over the period 2008-2012. Proliferation itself is measured on the basis of the Index of Donor Proliferation (IDP) originally developed by Archarya et al. (2006) which not only provides a uniform measurement of proliferation but also one that allows easy comparison over years.

Box 1. Understanding proliferation – how to read IDP scores

The cases below showcase the way in which IDP needs to be understood. Starting point forms the fact that simply looking at the number of recipients of a donor does not reflect proliferation since not all countries receive an equal share. When simply looking at the number of recipients, Light for the World with a total of 13 recipients would be considered less proliferated than the Leprastichting with a total of 18 recipients. When comparing both budget size and recipients Leprastichting and NIMD would be expected to be equally proliferated. As can be seen in the column for IDP, Leprastichting scores lowest with a score of 41, followed by Light for the World and NIMD with respective scores of 47 and 53. These scores are also reflected in the number of organisations within the 80 percentile. This means the number of countries that receive the largest share that combined cover 80% of the budget. As can be see, Leprastichting gives 80% of their budget to only 5 countries, dividing 20% of their funds over the remaining 13 countries, making it the least proliferated organisation of the three.

Table 1. Example cases IDP

<table>
<thead>
<tr>
<th>Organisation</th>
<th>IDP</th>
<th>Budget</th>
<th># Recipients</th>
<th># 80 percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leprastichting</td>
<td>41</td>
<td>€7,424,847</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td>Light for the World</td>
<td>47</td>
<td>€2,315,721</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>NIMD</td>
<td>53</td>
<td>€7,338,653</td>
<td>18</td>
<td>10</td>
</tr>
</tbody>
</table>

Following the idea that proliferation refers to the behaviour of individual donors in allocating their aid among recipient countries, the IDP method does just that (i.e., the extent to which donors spread their aid money over recipients). As a comparable measure of proliferation, the Index of Donor Proliferation covers two dimensions for each donor: (1) the proportion of the total number of potential recipients who actually receive any share of the aid budget (expressed here in terms of CPA) of a particular donor; and (2) the extent to which that budget is shared equally among all those recipients (also see Acharya et al., 2006: 9; Schulpen et al.,
We use an inverted Theil Index brought back to a figure for each donor between 0 (full concentration) and 100 (full proliferation) (see Box 1 for a further explanation of IDP using Dutch NGOs as examples).

Naturally, determining proliferation and changes in proliferation over years is only one part of the story. In order to find the variables responsible for IDP changes we look at four possible predictors: budget, average GDP in portfolio, government funding, and humanitarian aid (for an explanation of these see below under section 4 ‘Indicators of change’). A quantitative analysis (multiple regression) is then combined with a qualitative analysis based on a review of policy documents of 11 NGOs and in-depth interviews with a total of seven organisations.

3. Proliferated NGOs?
Below, we provide a detailed exploration of IDP scores of Dutch NGOs and, particularly, of changes in these scores over the period 2008-2012. Subsequently, we delve deeper into the question what triggers these changes on the basis of a quantitative analysis (taking into account budget, size of recipients, and government funding as predictors of IDP changes) and a qualitative analysis (based on policy reviews and in-depth interviews with a selection of NGOs).

Proliferation scores of Dutch NGOs
As expected, the diversity among NGOs is large with IDP scores ranging between 0 and 75. To provide a first insight, Figure 1 divides the organisations into five groups with corresponding scores (i.e., IDP <10, IDP 10-30, IDP 30-50, IDP 50-70, IDP >70) showing that over the years the smallest groups are those at the two extremes. The number of NGOs with an IDP below 10 only covers three organisations (and even only two in 2011) whereas the most proliferated group (IDP >70) covers a maximum of four NGOs.

Figure 1. IDP scores
year, while the group with an IDP between ten and 30 is with four to six NGOs the smallest of the central three groups.

Table 2. Average IDP

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>44.28</td>
<td>42.95</td>
<td>42.36</td>
<td>41.69</td>
<td>41.81</td>
</tr>
</tbody>
</table>

Source: own calculations on the basis of NGO Database

That the largest share of organisations fit within the 30 to 50 range is also reflected in the average IDP score calculated (also see Table 2 showing the average IDP scores per year). At the same time, the table shows that average IDP scores slightly decreases between 2008 and 2012. Taking in Figure 1 suggests that the decline of the 50-70 group and the increase of the 30-50 group over the years is accountable for the overall decrease of IDP. Reality is – as always – more complex as the next section will demonstrate.

**IDP changes between 2008-2012**

The small change in average IDP between 2008 and 2012 obscures a view of the diversity within the group of NGOs which manifests itself in three different ways. First, IDP scores of the majority of Dutch NGOs decreases but a minority actually shows an increase in IDP. Table 3 clearly shows this with 24 NGOs scoring lower in IDP in 2012 than they did in 2008 and 11 NGOs showing the opposite. At the same time, and second, Table 3 also indicates that even individual organisations do not necessarily show a constant decrease or increase. From 2008-2009, for instance, 21 NGOs experienced a lower IDP whereas that holds for only 15 NGOs from 2009-2010. The latter period is even the only period with more NGOs increasing their IDP.

Table 3. Average change IDP for increase group and decrease group

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease</td>
<td>Total</td>
<td>-6.14</td>
<td>-3.38</td>
<td>-3.93</td>
<td>-4.42</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>-14%</td>
<td>-8%</td>
<td>-9%</td>
<td>-10%</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>24</td>
<td>21</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>Increase</td>
<td>Total</td>
<td>5.31</td>
<td>1.93</td>
<td>1.98</td>
<td>3.99</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>12%</td>
<td>4%</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>11</td>
<td>12</td>
<td>19</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: own calculations on the basis of NGO Database

The diversity between NGOs is further illustrated by Figure 2 dividing the 36 organisations into five groups according to the changes in IDP over the years comprising here of sets of plusses or minuses (+ or -). A plus was assigned for an increase in IDP and a minus for a decrease in IDP. Assigning a plus or a minus for every set of years (2008-2009, 2009-2010 etc.) shows organisations to have their own unique pattern of change. Most noticeable then is the absence of organisations with four plusses meaning that no NGO shows an overall increase over the years. Five organisations show a constant decrease in IDP (pattern 1) while eight show only one year of increase and ten only one year of decrease. The largest number of organisations (11) belong to pattern 3 in which no predominant trend can be distinguished.
Third, not all NGOs change at the same rate. To acquire an understanding about the severity of change an index of change has been calculated for each organisation. This index of change is calculated as the difference between IDP 2008 and 2012. By subtracting 2008 from 2012 a positive score means an increase in IDP and a negative score means a decrease in IDP. Organisations with corresponding scores on the change index have been clustered together in groups (i.e., <-10, <-5>-10, <0>-5, 0, >0<5, >5<10, >10) and are displayed in Figure 3.

While there are two NGOs that score the same in 2012 as they did in 2008, more than half of the 24 that do show a lower IDP over the years only show a minimal decrease between 0 and -5. On the side of those that have a higher IDP in 2012 than they had in 2008, the absence of
organisations with a change rate of more than 10 is striking particularly as four organisations score a total decrease of over -10.

From the three methods of visualizing change in IDP it can be concluded that the majority of NGOs show a decrease in IDP, however small that decrease might be. In light of the current debate on proliferation, this trend is hopeful. The next step in this research is to discover the driving forces behind this trend in order to find the reasons for the changes in IDP.

4. Indicators of change

We distinguish four such driving forces, two of which are used by Archarya et al. (2006) and Schulpen et al. (2011) and two selected specifically for the case of NGOs. We distinguish supply side factors (donor budget and percentage government funding) and demand side factors (average gross domestic product (GDP) for the portfolio and percentage humanitarian aid). For these variables the following relationships are hypothesised:

1. For the first relationship Schulpen et al. state ‘the donor budget influences [IDP] and departs from the idea that the number of countries [a donor] provides its aid to is expected to be determined by the total budget of the donor. Put differently, donors with higher budgets are more likely to give aid to more countries...’ (Schulpen et al., 2011: 328) We expect the same holds true for NGOs.

2. The percentage of government funding refers to the percentage of the total budget of an NGO subsidised by government funding, both Dutch funding and non-Dutch funding. The Dutch government is pressuring NGOs receiving funding towards harmonisation and concentration resulting in the assumption that a higher percentage of governmental funding will lead to a lower and/or decreasing IDP.

3. ‘Third,... we assumed that donors with stronger focus on smaller countries are more likely to be termed proliferators’ (Schulpen et al., 2011: 328). Smaller countries cannot absorb equal amounts of funding as their larger counterparts. NGOs working in larger countries (showing in a higher average GDP) are expected to be less proliferated.

4. Finally, we included the percentage of the NGO budget for humanitarian aid (i.e., the amount of the portfolio used for emergency relief). The assumption here is that organisations with an higher percentage of humanitarian aid are more prone to high proliferation score and changes because of the volatile nature of this field.

Before conducting a multiple regression analysis to test these independent variables, we first take a look at the first three predictors separately. In the regression analysis we then look at the relation to the dependent variable IDP in two ways. First an analysis was conducted with IDP and the independent variables, determining the driving forces for proliferation. Second the analysis was conducted with the change index scores for all variables testing the relationship of change in the independent variables to the change of IDP. To include the data from all years available each organisation has been included four or five times (the first regression uses all five years, the change index uses four).

Budget

Following Archarya et al. (2006), we first take a look at budget following the idea that it is likely that the size of the budget impacts on the IDP level as bigger donors are expected to give aid to more countries. Annex 2, using 2008 as example, thus puts the changes in CPA budget next to those in IDP showing already that such a direct link between budget and IDP is
highly unlikely. Mama Cash, for instance, scores comparable to ICCO as far as IDP is concerned but does so with only a fraction of the budget of ICCO. Still, all bigger organisations in terms of budget can be found in the upper part of the IDP scale.

Figure 4 provides an even clearer picture of the relationship between IDP and budget showing that organisations with a small total budget (ranging between €1 and €10 million) show a wide variety of IDPs. However, looking at the organisations with a higher budget there is an almost linear relationship (meaning: when budget goes up, IDP goes up as well). This at least shows the perception that a relationship does exists between budget and IDP.

**Figure 4. IDP (y-axis) and Budget (x-axis) scatterplot (2008)**

![Figure 4](image)

Source: own calculations on the basis of NGO Database

**Average GDP**

Starting from the idea that NGOs which provide aid to smaller countries are likely to score higher on IDP, Figure 5 puts IDP scores for each of the NGOs next to the average GDP of their recipient countries. A logarithmic trend line can be distinguished in the clustering of dots. Especially clustered in the first section of the x-axis show a beautiful exponential relationship between IDP and GDP. Further down the x-axis the trend seems to have stabilised. This gives the perception that at least for the lower section of GDP there is a relationship with IDP.

**Figure 5. IDP (y-axis) and average GDP country portfolio (x-axis) (2008)**

![Figure 5](image)

Source: own calculations on the basis of NGO Database
**Governmental funding**

Finally, Figure 6 takes a look at the relationship between IDP and government funding (i.e., the percentage of the total budget an organisation gets from government subsidy). Here, we expect a larger share of the total budget coming from government subsidies to be related to a lower IDP score. No strong trend line can be distinguished here. As MFS-2 only started in 2011, it should be noted that it the relationship between IDP and governmental funding might only show in the years to come. As such, in the regression analyses below we included the index of change scores instead of the absolute scores.

**Figure 6. IDP (y-axis) and percentage government funding (x-axis) (2012)**

![Graph showing the relationship between IDP and government funding.](source: own calculations on the basis of NGO Database)

**Regression**

Both regression analyses show some interesting and unexpected findings. As is clear from Table 4 and 5, our idea that IDP is dependent on the budget of the NGO, the percentage of government funding and the extent to which an NGOs is active in the field of emergency aid do not hold neither for IDP as such nor for the changes in IDP over the period 2008-2012. Supply side factors thus are no determining factors for either proliferation or the changes therein.

**Table 4. multiple regression regular data**

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable: IDP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>31.451</td>
<td>3.140</td>
<td>.111</td>
</tr>
<tr>
<td>Budget</td>
<td>6.623E-012</td>
<td>.000</td>
<td>.096**</td>
</tr>
<tr>
<td>GDP</td>
<td>-8.904E-012</td>
<td>.000</td>
<td>-.036</td>
</tr>
<tr>
<td>Government</td>
<td>-.021</td>
<td>.028</td>
<td>-.125</td>
</tr>
<tr>
<td>Humanitarian</td>
<td>.127</td>
<td>.082</td>
<td></td>
</tr>
</tbody>
</table>

*p <0.10; **p <0.05; ***p <0.005.

This only leaves a significant relationship between IDP and GDP. Put differently: NGOs working in countries with a higher average GDP are likely to score lower on IDP and an increase of the average GDP by 1 leads to a decrease for the IDP of -0.319. This change in average GDP can both be established by taking on larger countries in the donor portfolio or by exiting smaller countries. Interesting is the absence of significant relationships for both budget size and
government funding, showing no relationship to both proliferation and the change in proliferation.

Table 5. multiple regression change index scores

<table>
<thead>
<tr>
<th>Variable</th>
<th>N=144</th>
<th>B</th>
<th>SE</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>-.090</td>
<td>2.743</td>
<td></td>
</tr>
<tr>
<td>Budget</td>
<td></td>
<td>6.913E-008</td>
<td>.000</td>
<td>.098</td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td>-1.800E-011</td>
<td>.000</td>
<td>-.319***</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td>-.040</td>
<td>.035</td>
<td>-.109</td>
</tr>
<tr>
<td>Humanitarian</td>
<td></td>
<td>.074</td>
<td>.083</td>
<td>.092</td>
</tr>
</tbody>
</table>

*p <0.10; **p <0.05; ***p <0.005.

Discussion

From the quantitative analysis (and apart from the fact that the size of the NGOs nor their dependence on government funding is of importance in the changes in proliferation) two things stand out: (1) there is a large diversity among NGOs concerning proliferation and (2) changes in the country portfolio have the largest impact on changes in proliferation. The latter indicates that changing the country portfolio is the most effective strategy in the fight against proliferation with NGOs either decreasing their number of recipients or changing its focus to larger countries. What these findings do not show, however, is what drove the NGOs to change their country portfolio. Interviews with several organisations and dossier analysis provide important insights here.

Changing country portfolios

The decision to change the country portfolio can be found at the country level and the corporate level. The first level is dominant in the policy documents with reasons to stop working in a particular country ranging from the idea that the programme quality is not up to standard to countries being awarded middle income status or from decreasing funds to changes in the country’s political context. At the corporate level a tendency against more countries can be found among the studied organisations. As the programme manager at Woord en Daad stated: ‘We do not have criteria for a minimum number of countries in our portfolio, but to be honest, I think we are working in quite a lot countries, I absolutely do not feel the need to start work in even more countries.’ Most organisations seem to be aware about the risks of taking on too many countries in their portfolio and are hesitant to take on more. Taking up more countries seems to be restricted to natural or humanitarian disasters and thus a direct need for intervention, or to those cases where an organisation’s budget made it possible to take up another country.

The latter seems to be mainly restricted to younger organisations. Older ones seem to have come to the realisation that their portfolio has been too large and they needed to decrease. According to Hivos ‘you just cannot have 40 or 50 countries any more, you will get spread too thinly, you can do that when you are just a financer, the old role of giving money to local organisations, but when you play a more active role in the programs you need to be anchored in those countries, you need to be more concentrated.’ Also Oxfam Novib experienced a major change decreasing its portfolio size from around 70 countries to 27 between 2005 and
2010 because of efficiency and effectiveness reasons: ‘there was this discussion, how do we achieve more? Do you achieve more by spreading your funds out thinly or by working in a more concentrated manner? One of the benefits of working more concentrated is efficiency, resulting in less countries to travel to, and less countries to have in house knowledge about.’ The same reasoning can be found at Stichting Tear which decreased its country portfolio from 30 to 18 between 2005 and 2008.

It is important to note that this search for effectiveness by reducing the number of countries was already happening before 2008 meaning that our analysis above is restricted. Equally important is that this effectiveness was not only sought by reducing the number of countries but that NGOs in fact used other instruments as well. This shows that restricting our analysis to cross-country proliferation might not be as logical as it seemed at first hand. Three of these other instruments are briefly discussed below while pointing out the relationship with proliferation when possible.

**Sector or region focus**
The most common strategy found is a sector or regional focus (with the latter of course having an impact on proliferation). Organisations with a country focus often also practice a regional focus, meaning they strategically choose the countries that are near each other. A sectoral or thematic focus is often found in those organisations who do not practice a country focus. Woord and Daad, for instance, states: ‘In the past we were also involved in healthcare projects, but we did not have much expertise on that subject, I’m not saying we think healthcare is not important, but we did not have much to add, so we decided towards a reduction of themes’. A country or sectoral focus is often connected to the idea of one’s added value in the field and of finding a niche. It could thus be argued that organisations either choose to fight proliferation (country focus) or fragmentation (sector focus). The relationship between these two strategies makes the study of proliferation on its own incomplete, since organisations that do not score well on proliferation reduction could score great on fragmentation reduction.

**Harmonisation/cooperation**
Harmonisation and cooperation is another strategy employed to increase effectiveness and can be found in many shapes. Hivos and Oxfam Novib, for instance, agreed to no longer work in the same countries, while Stichting Tear harmonised their corporate model with Tear fund UK, Edukans cooperates with ICCO, and Artsen Zonder Grenzen started working more close with Médecins Sans Frontières. According to Stichting Tear ‘the combination of efficiency, effectiveness, but also an increasing impact and quality are important considerations. You realize, we are too small to keep delivering good results, by working together you can achieve more.’ Working together can make programmes more effective and efficient because an organisation will only work within the boundaries of their own expertise and accommodate there where needed. This trend could distort proliferation data because such cooperation programmes will appear within the budgets of all organisations within the partnership while only one is responsible for the administration, organisations need less expertise, and transactions can be wired through one organisation. All these factors contribute to fighting proliferation but will not become visible as a reduction of proliferation in statistical data.
Increasing scale
A hint of this strategy can already be found in regional focus. Another way of increasing scale is to increase the size of the projects supported. Hivos, for instance, states that ‘in the past years we started to focus on the development and execution of larger programmes in which Hivos could offer added value’. Larger programmes offer a wide array of positive improvements compared to smaller ones. Stichting Tear ‘supported a lot of small project, but for each project [they] needed to make a dossier, that is far from efficient, because you need to put in those hours for each program. Besides, in this way you are too fragmented to partake in coalitions. At one point I started looking: does the average awarded funding increase? For me that was an important measure.’ Increasing the average awarded funding reduces fragmentation and thus provides another possible strategy to increase effectiveness. Hivos ‘in the past had 700 partner organisations, they all received between €10.000 and €500.000 annually. Nowadays those kind of partners only amount for half of our budget, the other half of the budget is spend in 25 large programs, each receiving between €1.000.000 and €50.000.000 annually.’

In conclusion: looking at the different strategies followed by the organisations to increase efficiency and effectiveness and the relation of these variables to proliferation it can be concluded that the quantitative data on proliferation is not complete and misses some elements and nuance. For one, the time period of 2008-2012 limits the analysis because a large share of the trends found were already set in motion earlier. Another limiting factor is the absence of the variables of harmonisation/cooperation, fragmentation and programme scale. All in all, this calls for a mixed methodology in researching proliferation. Only in that way we can avoid a ‘too simplistic’ discussion as Oxfam Novib said: ‘[I] don’t think that it would be more efficient and effective to divide the world between all the organisations, I’m convinced we can strengthen each other in our quest, of course you should not be in each other’s way or do the exact same thing, but if Hivos is strong with LGBT and we are not, what is the use for saying they can work in Uganda and we cannot? Or if Cordaid has strong Catholic ties in another segment of the community and you can work together, why would we have to leave’.
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OECD (2009b), 2009 OECD report on division of labour – addressing fragmentation and concentration of aid across countries, Paris, OECD.
Annex 2. IDP (left) and Budget (right) 2008

Source: own calculations on the basis of NGO Database
Notes

1 Note that the index is independent of the relative size of the aid budgets of donors. Conceptually (and following Acharya et al., 2006: 9), the index thus measures how widely each donor disperses a budget of $X$ over countries where $X$ can take any value. We used the Theil index to measure donor proliferation. We inverted the outcome as we are not measuring concentration but the opposite. According to Acharya et al. (2006), the Theil index has two components. The first component being

$$H(x) = \sum_{i=1}^{n} x_i \cdot \log\left( \frac{1}{x_i} \right)$$

where $x_i$ is the portion of a donor’s total aid going to recipient $i$ and $n$ all potential recipients of aid. The maximum value of $H$ is reached when an equal amount of aid is given to all $n$ countries, each receiving $1/n$ with $H(x) = \log(n)$. The Theil Index is the difference between the maximum value and the actual $H(x)$:

$$T = H_{\text{max}} - H = \log(n) - H(x)$$

The value $T$ reaches 0 when all potential aid recipients receive an equal amount of assistance. In order to reach an index between 0 (fully concentrated) and 100 (fully fragmented or proliferated) we multiplied $H(x)$ with 100 giving a maximum IDP or ISF of 100*log($n$) and a minimum of 0. Transferring this to a 0-100 scale was done by IDP/log($n$).

Acharya et al. illustrate proliferation by four examples of hypothetical donors each with an annual budget of US$100 million working in the same ‘aid universe’ in which there are 100 potential recipients. Donor A provides each recipients with the same amount of US$1 million; donor B gives US$5 to each of 20 countries and none to the remaining 80; donor C gives US$13 million to the first 4 countries and US$3 million to the following 16; and donor D gives the entire amount of US$100 million to one recipient. In terms of proliferation (or fragmentation if we would take sectors instead of recipients), donor A is the worst, followed by B, C and D respectively. In terms of the calculations explained above this would read as follows:

<table>
<thead>
<tr>
<th></th>
<th>IDP-1</th>
<th>IDP-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>B</td>
<td>130</td>
<td>65</td>
</tr>
<tr>
<td>C</td>
<td>119</td>
<td>60</td>
</tr>
<tr>
<td>D</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>