

COMPARING EXPECTATIONS AND REALIZATIONS IN POPULATION AND HIV/AIDS FUNDING BY DONORS

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1. Introduction

“Prediction is very difficult, especially if it's about the future.”

Nils Bohr

To arrive at timely data to monitor the process of funding for population and HIV/AIDS activities, the UNFPA/UNAIDS/NIDI Resource Flows Project generates predictions. Predicting the future is, however, bound to confirm Nils Bohr’s witty but realistic remark and one could add an extra clause for the case of the ICPD agenda to his quote by saying that “prediction is very difficult, not only because it’s about the future, but also because it’s about organizations and governments.” In making these predictions for donors and domestic governments in developing countries and countries in transition, we therefore rely not only on mechanistic model predictions, but we rely to a large extent on future expected expenditures as reported by the donor governments and domestic organizations themselves.

Of course, using the data on expected spending by donors is a good method as long as these data are good forecasters of the future. So far, the evaluation of these data has not been performed thoroughly because of limited opportunities to match predictions with realizations. At present, the number of predictions (in the form of future expected expenditures) is still small, but we can perform some tests to see whether these predictions are overestimates or underestimates of what has been realized in terms of donor funding. In case that future expected expenditures structurally underestimate actual reported expenditures, the methodology should account for the underestimation. Knowledge of the size of errors made in the past can be useful to enhance the quality of projections at future dates.

The structure of this evaluation report is straightforward in its set-up. First, we will compare future expected expenditures reported by donors with their realizations in section 2. In section 3 we will evaluate the level of over- or underprediction for various categories of donor organisations. In section 4 we will focus on the primary funds errors and try to discern the mechanisms behind the divergence between predictions and realizations. Section 5 concludes with the most poignant observations.

2. Expectations and realizations of population and HIV/AIDS funds

As part of the annual Resource Flows Survey respondents are asked to predict their expenditures for population and AIDS activities in future years. Future expected expenditures for all population activities as well as those specifically earmarked for HIV/AIDS are requested for the four years following the survey. In actual practice, the four year horizon is never used and most OECD/DAC donor countries report their expectations for the next year ($t + 1$) and in some cases for the year $t + 2$. To test whether reported expectations are in line with realizations, we have collected some matches for three categories of respondents and two types of funds. Data provided by OECD/DAC donor governments, multilateral organizations and international foundations have been used in this exercise.

Financial data on expenditures of OECD/DAC donor countries and organizations are made up of both total actual expenditures - made through specific projects or programs for population and HIV/AIDS - as well as the general contributions - earmarked for population and HIV/AIDS made to intermediate organizations. Many respondents do not have sufficient data to provide the project with future expectations or are unable to estimate more than two years ahead. In this analysis we will only be using $t+1$ data covering the years 2000 to 2003.

2.1 Primary funds of OECD/DAC donor countries for population and AIDS

Table 1 shows the average ratio of the matches made for those OECD/DAC members that have reported matches between predictions and realizations of primary funds. For this table we have defined the ratio in local currency units (LCU) and in US dollar terms to see whether the realization of expectations depends to a large extent on currencies used. To be specific, we compare the ratios stated in LCU, equation (1) with the ratio stated in US dollars, equation (2):

$$RatioLCU = \frac{R_{t+1}}{E'_{t+1}} \quad (1)$$

$$RatioUS\$ = \frac{Ex_{t+1}R_{t+1}}{Ex'_{t+1}E'_{t+1}} \quad (2)$$

where the variable Ex denotes the exchange rate between the local currency unit and the US dollar, R the realized level of spending and E denotes the expected level of spending.

Table 1: Average realizations versus expectations, total primary funds of OECD/DAC members, in local currency units versus US dollars^a

Country	Average ratio E/R		Number of observations (N)
	In local currency units	In US dollars ^b	
Australia	1.03	1.05	2
Austria	0.41	0.34	1
Belgium	2.00	1.67	1
Canada	0.75	0.67	1
Denmark	1.04	0.99	3
Finland	0.96	0.96	4
France	1.14	1.04	3
Germany	0.44	0.40	3
Greece	0.04	0.03	1
Ireland	1.59	1.50	3
Italy	0.58	0.60	3
Luxembourg	1.14	1.00	3
Netherlands	0.75	0.63	1
New Zealand	0.77	0.74	3
Norway	1.10	1.10	3
Portugal	1.63	1.63	4
Spain	0.01	0.01	1
Sweden	1.06	1.05	2
Switzerland	0.87	0.76	1
United Kingdom	0.33	0.30	1
United States	0.89	0.89	4

(a) For the case of Japan no observations are reported on expectations which match with realizations.

(b) In the case that the currency reported for predictions is not the same as the currency of reported realizations, the currency of the realization was used. In such cases realizations were converted at the IMF mid-year exchange rates as were all US dollar rates.

Source: Resource Flows Database

Where the estimate varies, this is, to a large extent, the result of the exchange rate Ex formed at time t for period $t+1$. The current exchange rate in this report is defined by the mid-year exchange rate and for this exercise we have always, for both the realization and future expenditures, used the exchange rate corresponding to the year that the data were reported to the project. The table shows

average ratios per country for varying numbers of matches for different years. The number of observations is mentioned in the last column. Overestimation is present when the ratio is larger than 1 and, conversely, underestimation when the ratio is smaller than 1.

The ratios in Table 1 show that slightly more governments (12) underestimate future disbursements than overestimating (9) them. There are in this sample a clear number of outliers: Belgium, which overestimates disbursements by 100 percent and the reverse applies to Spain and Greece, whose governments underestimate future expenditures. Spain and Greece are relatively new donors and data on their expenditures in recent years confirm that they are still catching up with the 'older' donors. Their expenditures have been increasing quickly in recent years and realizations might therefore have been underestimated.

The difference between the ratios in local currency units and US dollar is in part the result of the relatively high Euro to US dollar exchange rate in the relevant years. Underestimation in countries like the Netherlands and Austria appears to be more serious when stated in US dollars than it is when stated in local currency units. The reverse applies to countries like Belgium and Luxemburg where overestimation is accentuated. Norway and the United Kingdom, both not in the Eurozone, do not show this difference. Portugal is in the Eurozone but does not follow the pattern because it reported in US dollars in all relevant years.

The comparison of expectations and realizations is presented in more conventional terms in Table 2, where the difference between the two – Realizations (R) minus Expectations (E) – is shown. In general, donor governments underestimate their future expenditures. In this table we see that the largest errors are made by the United States and the United Kingdom followed by the Netherlands and Germany. On average, countries underestimate their realizations but this is almost completely the result of the underestimation by these four major donors. Overestimation by some donor governments is of no significance when one relates these errors to sizes of errors made by governments who underestimate future expected expenditures for population and AIDS activities.

To relate the absolute errors to some standard, we have complemented the table with a column (4) reporting the relative error, i.e. the absolute error expressed in terms of the overall mean square error for the sample of observations. Ideally, one would like to express this statistic per country over the entire sample period per country. Given the fact that the maximum number of observations is four and in some cases one, this strategy hardly offers a serious comparison. So we have decided to express the relative errors in terms of all observations. The end result is that outliers like the US and the UK heavily influence the outcome, but it nevertheless makes clear how important it is to pay attention to outliers.

Table 2: Average realizations versus expectations, total primary funds of OECD/DAC members (in millions US\$)

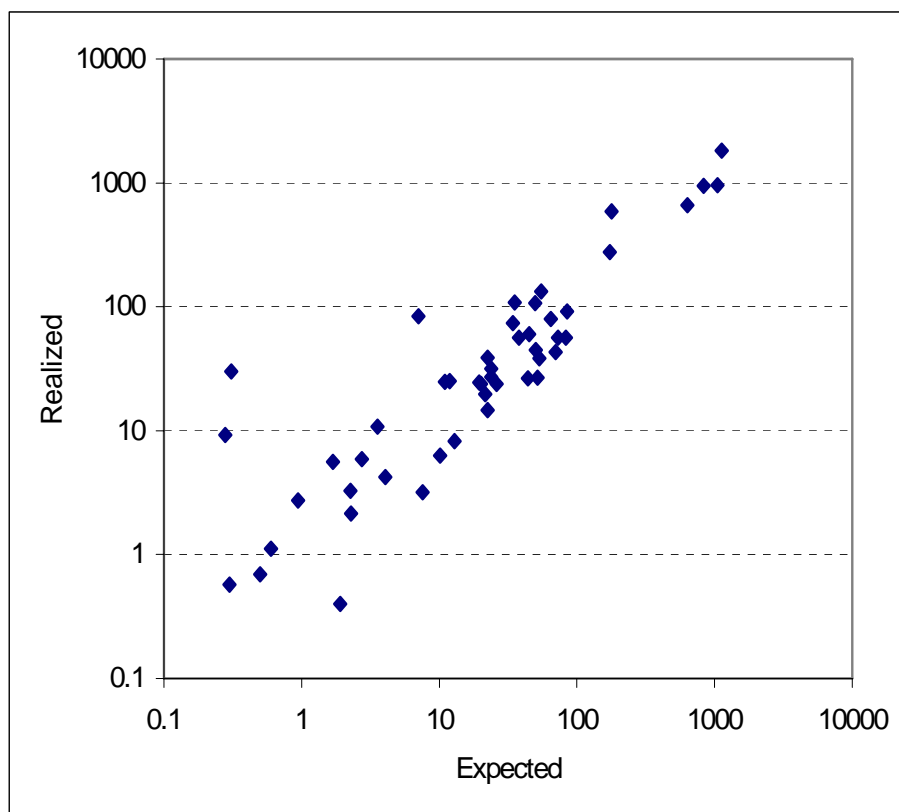
	Expected (E)	Realized (R)	Error (R-E)	Relative error ^a
	(1)	(2)	(3)	(4)
Australia	22.40	26.82	4.42	1.15
Austria	0.94	2.73	1.79	0.02
Belgium	44.10	26.40	-17.70	2.16
Canada	50.17	44.64	-5.53	0.21
Denmark	45.92	52.24	6.32	4.22
Finland	21.81	22.89	1.08	0.08
France	34.23	49.50	15.27	15.12
Germany	46.77	115.84	69.07	33.37
Greece	0.28	9.29	9.01	0.56
Ireland	22.03	12.43	-9.60	1.48
Italy	15.60	25.68	10.08	0.86
Luxembourg	4.27	6.52	2.25	0.20
Netherlands	173.23	275.43	102.20	71.96
New Zealand	2.43	3.79	1.35	0.03
Norway	66.65	64.86	-1.79	2.29
Portugal	0.83	0.70	-0.13	0.00
Spain	0.31	29.95	29.64	6.05
Sweden	68.81	68.15	-0.66	1.81
Switzerland	23.83	31.52	7.69	0.41
United Kingdom	177.97	589.65	411.68	1167.66
United States	911.77	1095.06	183.29	842.46

(a) Relative error denotes the following: $(R-E)^2 \cdot 100 / \text{MSE}$, where $\text{MSE} = \sum (R - V)^2 / n$, where n refers in this case to all observations.

One can get a better idea on how realizations and expectations match by using a scatter plot. Figure 1 shows data on specific matches between expectations and actual disbursements on a logarithmic scale. Based on the graph we see that most of the expectations are lower than the actual realizations. As seen earlier, there are a few outliers who provided highly underestimated predictions. In general, however, the results indicate that, when taking the underestimations into consideration, future expected expenditures are a reliable indicator of future realizations. If one leaves out the outliers UK and US in this figure expected expenditures explain 93 percent of the

variation in realizations and the slope of the line is exactly 1.0, i.e. what governments expect for year $t+1$ is on average realized in year $t+1$.

Figure 1: Expected versus realized primary funds of OECD/DAC members (in million US\$), logarithmic scale



2.2 Primary funds of OECD/DAC donor countries for HIV/AIDS

Future expected expenditures for population and AIDS on an aggregate scale are, all in all, of some use in making future predictions, but what about one of the most important underlying subcategories, viz. future expected expenditures on HIV/AIDS? In Table 3 similar statistics, as shown above in Table 2, have been calculated. The underestimation of future assistance also becomes apparent when we focus on the funds for HIV/AIDS. For this category, the number of countries reporting future expected HIV/AIDS expenditures (25) is smaller than in the case of total primary funds (48). Two conclusions can be drawn from Table 3. First of all, the United States is the big outlier in terms of making prediction errors. Secondly, if one relates the (absolute) errors to those of Table 2, then it becomes clear that the underreporting of total primary funds of the United States can almost be completely ascribed to the underreporting of HIV/AIDS funding. Therefore,

watching what the US government does and says is of utmost importance (cf. Van Dalen and Reuser, 2005). The case of HIV/AIDS spending might also give us a clue why underestimation is currently widely observed among donor governments. In a way, the large differences in reporting future expected expenditures make clear that the governments are operating in a very dynamic environment in which the HIV/AIDS needs of the developing world can only be imperfectly predicted.

Table 3: Average realizations versus expectations, HIV/AIDS funding of OECD/DAC members (in millions US\$)

Country	Expected (E)	Realized (R)	Error (R-E)	Relative error ^a	Number of observations (N)
	(1)	(2)	(3)	(4)	(5)
Austria	0.05	0.25	0.20	0.00	1
Canada	31.55	27.34	-4.21	0.21	1
Finland	7.35	5.43	-1.92	0.05	2
France	6.30	38.46	32.16	27.45	2
Germany	39.25	14.58	-24.67	15.38	2
Greece	0.19	0.82	0.63	0.00	1
Ireland	22.69	5.49	-17.20	4.73	2
Italy	3.82	15.59	11.77	1.64	1
Luxembourg	3.25	3.16	-0.09	0.06	2
New Zealand	0.31	1.18	0.87	0.01	3
Norway	10.53	6.74	-3.79	0.17	1
Portugal	0.03	0.16	0.13	0.00	1
Spain	0.31	26.71	26.40	8.27	1
Sweden	16.37	14.01	-2.36	0.07	1
Switzerland	2.37	3.63	1.26	0.02	1
United States	491.33	685.98	194.64	798.07	3

(a) Relative error denotes the following: $(R-E)^2 \cdot 100 / \text{MSE}$, where $\text{MSE} = \sum (R - V)^2 / n$, where n refers in this case to all observations.

2.3 Primary funds of Foundations and UN organizations for population and AIDS

Finally, we examine the expectations stated by foundations and UN organizations. These organizations show a very diverse pattern, especially when comparing the results in Table 4 to those of OECD/DAC members in Tables 2 to 3. When we count the average type of errors made, more organizations (13) tend to overestimate future expected expenditures than to underestimate

the future (5). Especially the larger foundations, such as the Bill and Melinda Gates foundation (the largest) but also the Packard Foundation and United Nations Foundation, overestimate their future expenditures for population and AIDS. Again, just like in the case of donor governments it is important to watch the big foundations closely, because they determine, in large part through their sheer size, the aggregate outcome.

Table 4: Average realizations versus expectations, foundations and UN organizations, (in millions US\$)

	Expected (E) (1)	Realized (R) (2)	Error (R-E) (3)	Relative error ^a (4)	Number observations (5)
Foundations					
Bill and Melinda Gates Foundation	254.61	209.09	-45.52	301.94	3
Fogarty International Center	2.30	2.07	-0.23	0.01	1
General Service Foundation	0.36	0.34	-0.02	0.00	1
MacArthur Foundation	9.85	11.80	1.94	0.44	1
OPEC Fund for International Development	15.00	16.30	1.30	0.20	1
The David and Lucille Packard Foundation	77.90	36.68	-41.22	468.74	2
The William and Flora Hewlett Foundation	30.60	33.77	3.17	1.18	1
United Nations Foundation	31.98	11.01	-20.97	56.84	3
Wallace Global Fund	2.50	0.17	-2.33	0.63	1
World AIDS Foundation	2.30	2.07	-0.23	0.01	1
UN organizations/agencies					
Food and Agriculture Organization of the United Nations	1.00	0.53	-0.46	0.03	1
Joint United Nations Programme on HIV/AIDS	62.08	105.31	43.23	341.57	2
United Nations Children's Fund	67.00	67.53	0.53	0.03	1
United Nations Development Fund for Women	2.94	2.12	-0.82	0.08	1
United Nations Economic and Social Commission for Asia and the Pacific	1.62	0.82	-0.80	0.07	2
United Nations Economic and Social Commission for Western Asia	0.10	0.06	-0.03	0.00	1
United Nations Economic Commission for Latin America & the Caribbean	1.17	1.16	-0.01	0.10	2
World Health Organisation	24.60	24.58	-0.02	0.05	2

(a) Relative error denotes the following: $(R-E)^2 \cdot 100 / \text{MSE}$, where $\text{MSE} = \sum (R - V)^2 / n$, where n refers in this case to all observations.

The multilateral organizations attached to the UN system, show a very different situation. In general, UN organizations seem to be well equipped to project their future expenditures and have provided the Resource Flows project with high quality data on future expected expenditures. All organizations have delivered estimates that are very close to the actual disbursements. A clear exception to this rule is the Joint United Nations Programme on HIV/AIDS (UNAIDS) which underestimated future expenditures by a factor 1.7.

3. Are stated predictions structurally off the mark?

The future expected expenditures on population and AIDS are extensively used by the Resource Flows Project to replace technical forecasts. The ultimate question is, of course, whether these reported predictions are of practical value. In other words, do these expectations on average match realizations? The tables in section 2 already presented some detailed information and in Figure 1 we could see that reported expectations give on average almost accurate predictions what the future has in store for aggregate primary funds. In this section we would like to test the relationship between expectations and realizations more rigorously and compare outcomes across the various categories (total versus HIV/AIDS) or organizations (governments versus foundations/UN organizations). A simple test to gauge the usefulness of expectations on predicting realizations is by estimating the following equation:

$$R_{it} = \beta E_{it}^{t-1} + \varepsilon_{it} \quad (3)$$

The realized funds R_{it} at time t are a function of the expected future funds (E_{it}) stated at time $t-1$ for year t . What is at stake here is the degree of explanation by using these reported predictions and whether the predictions have a systematic bias or not. The parameter β estimates the degree of overestimation ($\beta < 1$) or underestimation ($\beta > 1$). For the three types of reported figures – those on total OECD/DAC primary funds for population and AIDS, OECD/DAC funding on HIV/AIDS and primary funds of foundations and UN organizations for population and AIDS – we have estimated equation (3). However, we controlled for the effect of outliers, as registered in Tables 2 to 4, by using dummy variables and an interaction term to see whether the predictive value of outlier organizations differ from the ‘normal’ organizations. The estimation results in Table 5 bring across a rather mixed message. The explanation of variance is high (see adjusted R^2), lending

support to the habit of using these reported predictions by governments and other donor organizations. However, in the case of OECD/DAC primary funds for population and AIDS there is a clear underestimation of future expenditures, whereas the reverse applies to the case of foundations and UN organizations. The predictive value of OECD/DAC data on HIV/AIDS funding depends basically on the use of United States figures, because the United States represents the big outlier in this spending category. Again, for the case of the United States the future expected expenditures are clearly underestimated. For the other donor governments it is perhaps noteworthy that the predictive value of future expected HIV/AIDS spending is of no value. Considering the small number of observations and the dynamic times in which these expectations were generated, this may with hindsight not be such an extraordinary outcome.

The picture differs considerably if we restrict attention to the foundations and UN organizations where predictions by organizations overstate what these organizations disburse in the near future. Contrary to the OECD/DAC governments, the outliers do not seem to differ much from the others.

Table 5: Forecasting funds on the basis of future expected expenditures

	All Primary funds (OECD/DAC members)		HIV/AIDS (OECD/DAC members)		Foundations/UN org.	
	(1)		(2)		(3)	
	Coefficient	t-value	coefficient	t-value	Coefficient	t-value
Expected expenditures	1.24**	2.75	0.18	0.25	0.81*	2.53
Outliers ^a	247.13*	2.24	-283.31*	2.20	19.23	0.99
<i>Interaction: outliers*expected</i>	-0.27	0.58	1.78*	2.38	-0.06	0.19
Constant	3.09	0.15	8.80	0.67	-0.36	0.05
N =	48		25		27	
Adjusted R ²	0.91		0.96		0.87	

** < 1% level of significance, * < 5% level of significance.

(a) The outliers in the case of total OECD/DAC primary funds are the US and UK government, in the case of OECD/DAC spending on HIV/AIDS it is only the US, and in the case of foundations/UN organizations the outliers constitute Bill and Melinda Gates Foundation, The David and Lucille Packard Foundation and the Joint United Nations Programme on HIV/AIDS.

In Table 6 we have re-estimated equation (3) by taking account of the year for which the prediction applied. The general picture does not change radically, but two outcomes of Table 6 merit special attention. First of all, by taking account of the year effects, the future expected expenditures on population and AIDS (primary funds) reported by OECD/DAC donor governments are rather

accurate as the parameter β is close to 1. Secondly, the year effect matters quite distinctively in the case of foundations and UN organizations, where there is a clear upward trend in donations.

The fact that OECD/DAC governments do not systematically *overestimate* actual reported expenditures is a robust finding and can be marked as extraordinary. A paper by Bulir and Hamann (2003) suggests that overestimation of future Official Development Assistance (ODA) seems to be the rule and apparently in the case of population and HIV/AIDS assistance the reverse case applies. Of course, the underestimation can in large part be the result of the growing awareness among OECD/DAC donor governments of the HIV/AIDS pandemic, especially in Sub-Saharan Africa, together with the realization that previous funding levels would not be sufficient. As such, the underestimation may not be an iron-clad rule and simply a sign of recent times. In that respect the present findings must be treated with care since the experience with reported expectations covers a limited number of years. Furthermore, it becomes clear that the United States accounts for a large share of the absolute difference between predictions and actual expenditures.

Table 6: Forecasting funds on the basis of future expected expenditures, controlling for year effects

	Primary funds		HIV/AIDS		Foundations/UN org.	
	(1)		(2)		(3)	
	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value
Expected expenditures	1.02*	2.18	0.03	0.04	0.75*	2.45
Outliers	226.90*	2.04	-271.95*	2.00	19.41	1.09
<i>Interaction: outliers*expected</i>	-0.02	0.04	1.90*	2.45	0.03	0.10
Year dummies:						
2001	13.82	0.31	- ^a	-	35.59*	2.13
2002	1.84	0.04	-27.09	1.00	38.86**	2.77
2003	60.69	1.52	10.15	0.40	44.45**	3.25
Constant	-20.48	0.59	13.19	0.71	-35.62*	2.64
N	48		25		27	
Adjusted R ²	0.91		0.95		0.90	

(a) The base category is in this case the year 2001.

** < 1% level of significance, * < 5% level of significance

4. Why do expectations diverge from realizations?

Apparently the expectations reported by OECD/DAC governments and other donor organizations are sometimes well off the mark and one would like some idea what's behind these errors in

expectations. To test the accuracy of future expected expenditures we have run some regressions for the case of OECD/DAC donor governments as the characteristics of these units of measurement are adequately captured by statistical indicators. It stands to reason that the quality of a government administration and the political situation might matter in keeping promises. In particular the aftermath of 9/11 poses threats to the political stability of some countries and also a shift in priorities. To approximate the quality of governance and political situation, we have used governance statistics as collected by the World Bank. In particular we focus on six composite dimensions measuring the level of governance in a country. Just to give an idea of what is behind these indicators, the World Bank project on governance uses 352 individual variables measuring the different dimensions of governance, variables which are taken from 37 different sources, produced by 31 different organizations. The governance dimensions are as follows:¹

Voice and Accountability includes in it a number of indicators measuring various aspects of the political process, civil liberties, political and human rights, measuring the extent to which citizens of a country are able to participate in the selection of governments.

Political Stability and Absence of Violence combines several indicators which measure perceptions of the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, including domestic violence and terrorism.

Government Effectiveness combines responses on the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies.

Regulatory Quality instead focuses more on the policies themselves, including measures of the incidence of market-unfriendly policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development.

Rule of Law includes several indicators which measure the extent to which agents have confidence in and abide by the rules of society. These include perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts.

¹ See for more details on the construction of these scales Kaufmann, Kraay and Mastruzzi (2005) and the website of the World Bank: <http://www.worldbank.org/wbi/governance/govdata/>.

Control of Corruption is a measure of the extent of corruption, conventionally defined as the exercise of public power for private gain. It is based on scores of variables from polls of experts and surveys.

In addition to the list of explanatory variables stated above we have added a variable which might approximate the commitment of OECD/DAC donor governments to meet the reported expectations, viz. the percentage of primary funds allocated through either multilateral organizations or multi-bi agreements. The main idea to include this variable is that the use of multilateral organizations is that expected expenditures are stated with more care than those made through bilateral aid channels. The following equation is estimated:

$$Error_{it} = \alpha G_{it} + \delta M_{it} + \varepsilon_{it} \quad (4)$$

Where the G_{it} stands for the various governance indicators listed above, and M_{it} for the percentage of aid which flows to multilateral organizations, as registered by the Resource Flows Project. The equation is estimated for the relative error, as shown for the separate countries in Tables 2 to 4.

Table 7: Explaining errors in expected future expenditures, relative error

	Relative error		Relative error, without outliers	
	Coefficient	t-value	coefficient	t-value
	(1)		(2)	
<i>Quality of government</i>				
Voice and loyalty	-1.24	0.18	0.23	0.99
Political stability	-10.06**	4.09	-0.21	1.72
Government effectiveness	-4.33	1.13	0.11	0.88
Regulatory quality	3.79	1.06	-0.06	0.49
Rule and law	4.36	0.73	-0.14	0.70
Control of corruption	3.02	0.65	0.11	0.74
Use of multilateral organization	-1.56	0.47	-0.25*	2.27
Constant	4.82	0.77	0.03	0.14
N =	48		43	
Adjusted R ²	0.25		0.16	

** < 1% level of significance, * < 5% level of significance

The estimation results reported in Table 7 show that the differences across countries can to some extent be explained by the political stability indicator: more stable countries offer more reliable predictions than less stable countries. Of course, the level of political stability in the OECD/DAC countries under review is relatively high and the differences are small between most countries. However, the terrorist attack on 9/11 in the US has led to a marked change in the level of registered political stability, notably in the US. To check on the reliability of this result, we have re-estimated equation (2) by leaving out the outliers in making forecasting errors (see column 2, Table 7) and now the stability effect is very weak. What does appear to be relevant in this restricted sample is the degree to which countries have ties with multilateral organizations. As one can see from column (2) of Table 7, the effect is as expected: the accuracy of predictions provided by governments increases with the percentage of funds allocated through multilateral organizations. Apparently multilateral organizations function as a self disciplining device which helps governments to realize reported expectations or alternatively these organizations insist on long-standing agreements to fund their organization and predicting future expected expenditures is in that respect easier than in the case of bilateral funding, which offers donor governments more discretion to choose a level of funding.

5. Conclusion

This report offers an evaluation of the expected future expenditures, reported by OECD/DAC governments and other donor organizations to the Resource Flows Project. There are two reasons for examining these intentions expressed by donors. First of all, one can get an idea of the extent to which reported expectations are realized by donors. Secondly, these so-called expectations have been used extensively as predictors of future expenditures of OECD/DAC donors and knowing the extent of errors made is of value in trusting the predictions made by the Resource Flows Project.

The results of our evaluation point to two general conclusions:

- The predictive value of future expected expenditures is high, this applies certainly for the aggregate of primary funds for population and AIDS, where more than 90 percent of the variance is explained by the reported expectations of OECD/DAC governments. Controlling for outliers, it appears that expected expenditures are well predicted. This does not appear to be the case where it concerns foundations and UN organizations, where overestimation appears to be the case.

- Outliers dominate the overall picture, in the case of expected OECD/DAC primary funds for population and AIDS and expected OECD/DAC funding on HIV/AIDS it is clearly the US which dominates the overall outcome. In the case of HIV/AIDS it appears that the US government has clearly underestimated its future expected expenditures. In the case of foundations and UN organizations, it is primarily the Bill and Melinda Gates Foundation which dominates the field and, to a lesser extent, the Joint United Nations Programme on HIV/AIDS.

For the near future, these findings imply that the common practice to give priority to stated future expected expenditures is a good guideline. However, the large outliers in prediction generated by the United States makes one aware that one has to keep a close tap on what is going on in the field of funding for population and HIV/AIDS activities.

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