



The Principled Aid Index

Nilima Gulrajani and Rachael Calleja

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Key findings

- The Principled Aid (PA) Index highlights the degree to which 29 DAC donors use official development assistance (ODA) to advance their long-term national interest in a safer, more sustainable and more prosperous world.
- There is a worrying deterioration in donor commitment to public spiritedness, despite the fact that donors are becoming more principled on average.
- Luxembourg tops the PA Index, followed closely by the United Kingdom and Sweden. At the bottom of the PA Index is the Slovak Republic, followed by Greece and Austria.

Recommendations

- Donors should advance their national interest by pursuing a principled aid allocation strategy.
- There is an urgent need for donors to be more public spirited in their aid allocations, maximising every opportunity to achieve development impact.
- Member countries of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) should hold each other accountable for delivering principled aid in the national interest.
- Development cooperation agencies should forge a new political consensus on principled aid across OECD DAC and non-DAC providers.

Introduction – aid in the national interest

Amid a rising tide of political populism in Europe and beyond, the idea that official development assistance (ODA) should serve the national interest is gaining currency. While there has long been a desire to pursue, promote and defend the national interest via aid spending (Morgenthau, 1962), there is now a growing emphasis and expectation that aid will and should contribute a positive net return to a donor country's domestic interests. The rhetoric of 'win-wins' and 'mutual benefits' is used to argue for investing in development (Carter, 2016; Keijzer and Lundsgaarde, 2017; 2018; Kharas and Rogerson, 2017). Development is framed as a critical pillar of foreign policy that reinforces diplomatic and defence agendas, while national aid strategies emphasise the importance of simultaneously advancing domestic and global development objectives.

These trends represent a marked change from the post-Cold-War period, when a strong international consensus existed on the singular importance of poverty alleviation and global solidarity (Collier, 2016; Mawdsley et al., 2017). A number of intersecting factors explain why development narratives that are more self-regarding have been embraced by donors. These include: the election of populist political leaders who choose to present domestic and global priorities as zero-sum; fiscal pressures that squeeze public expenditure and lead aid to serve multiple policy objectives; and growing scepticism about aid effectiveness and spending taxpayers' money on other countries' citizens (Gulrajani, 2017).

A changing geography of power and politics also contributes to shifting donor agendas and ambitions in international aid spending. As the archaic categories of 'rich' and 'poor' countries dissolve and the power and influence arising from South-South cooperation grows, some argue that aid can no longer afford to be framed as charitable giving (Kharas and Rogerson, 2017; Gulrajani and Swiss, forthcoming). Instead, it is increasingly a lubricant for diplomatic relations, international trade and investment in strategic markets. As

those engaged in South-South cooperation become development partners themselves, new norms and principles for delivering development assistance are also emerging to challenge the traditional approaches of OECD DAC donors (DAC High-Level Panel, 2017).

The overall result is growing public and political acceptance of a narrative that aid should pursue the national interest (Carter, 2016; Gulrajani, 2017; Rabinowitz and Greenhill, 2018). And yet, aid oriented towards securing domestic interests is not always the most efficient, nor the most effective, way to maximise global development ambitions (Girod, 2012; Steele, 2011; Kilby and Dreher, 2010).

The Principled Aid (PA) Index was created to ensure donors remain steadfast in their commitment to a *principled* national interest in their aid allocation. The PA Index analytically defines and empirically measures a principled aid allocation – one that is oriented towards achieving both global and domestic benefits in the long run. This can minimise the strategic and politicised use of 'national interest' vocabularies that maintain only a rhetorical commitment to global development while tending towards the parochial in practice. It is hoped the PA Index catalyses a much-needed conversation on the nature of the national interest in aid, including greater reflection on how it can be assessed empirically across all aid providers and its possible effects on development trajectories.

Aid in the national interest: distinguishing dual meanings

The PA Index identifies two main types of aid in the national interest:

Unprincipled aid in the national interest is self-regarding, short-termist and unilateralist. Donors concentrate on securing narrower commercial or geopolitical interests from their aid allocations while sidelining areas of real development need or undervaluing global cooperation. Such donor short-termism or 'selfishness' has been shown to be developmentally suboptimal.

Principled aid offers the prospect of a safer, more sustainable and more prosperous world. It serves donors' national interest in the long run

just as much as it benefits the aid-receiving state. Climate change, infectious diseases, cross-border migration, inequality and global terrorism are just a few examples of development challenges that, if resolved, would be in the national interest of most, if not all, countries (Kaul, 2017; Blodgett Bermeo, 2018). If aid is allocated to tackle difficult development challenges, all nations can be winners, and the mutual interests of all can be served. This is the rationale underpinning the positive-sum ‘nationalist case for globalism’ that prominent voices are now making (Gates and Gates, 2019).

What is the Principled Aid Index?

The PA Index is a composite index that highlights how far the 29 DAC donors use their ODA to advance a principled national interest. It comprises three equally weighted dimensions

or ‘principles’. Each component is underpinned by four quantitative indicators (Table 1).

1. Principled aid is allocated according to recipient countries’ **needs** and vulnerabilities. It serves the donor’s national interest as it reduces the scope for political conflict and social tension, increases the productivity of human capital, generates more trade and investment opportunities and furthers development prospects overall.
2. Principled aid allocates resources to problems that can only be solved by investing in greater **global cooperation**. Such cooperation can include both sectoral investments in under-provided global public goods, as well as core budgetary support for the robust functioning of multilateral institutions.
3. Principled aid is **public spirited** and avoids instrumentalising ODA to secure commercial or

Table 1 The PA Index: principles and indicators

Principle	Definition	Indicators
Needs	Aid is allocated to countries to address critical development needs and vulnerabilities	A. Targeting poverty: Share of bilateral ODA/gross national income (GNI) targeted to least developed countries (LDCs)
		B. Supporting displaced populations: Share of ODA to developing countries that cumulatively host 70% of cross-border forcibly displaced populations
		C. Assisting conflict-affected states: Share of humanitarian ODA to countries with active violent conflicts
		D. Targeting gender inequality: Share of bilateral ODA to countries with the highest levels of gender inequality
Global cooperation	Aid is allocated to channels and activities that facilitate and support global cooperation	A. Enhancing global trade prospects: Share of bilateral ODA to reduce trade-related constraints and build the capacity and infrastructure required to benefit from opening to trade
		B. Providing core support for multilateral institutions: Share of ODA as core multilateral funding
		C. Tackling the effects of climate change: Share of total ODA (bilateral and imputed multilateral) for climate mitigation and adaptation
		D. Constraining infectious diseases: Share of total ODA allocated to slow the spread of infectious diseases
Public spiritedness	Aid is allocated to maximise every opportunity to achieve development impact rather than a short-sighted domestic return	A. Minimising tied aid: Average share of formally and informally tied aid
		B. Reducing alignment between aid spending and United Nations (UN) voting: Correlation between UN voting agreement across donors and recipients, and donor ODA disbursements to recipients
		C. De-linking aid spending from arms exports: Correlation between donor arms exports to recipients, and ODA disbursements to recipients
		D. Localising aid: Share of bilateral ODA spent as country programmable aid (CPA), humanitarian and food aid

geo-strategic advantage over recipients. This is because aid that actively cultivates domestic constituencies can divert donor attention away from core global development objectives and shift effort and resources towards securing vested interests (Collier, 2016). This can result in less development impact than would otherwise have been achieved.

Proxying donor motivations through the use of aid allocation data is a commonly used research technique, allowing us to go beyond donor rhetoric and investigate their actual deeds (Alesina and Dollar, 2000; Hoeffler and Outram, 2011; Maurits van der Veen, 2011). More details on the theoretical approach, principles, indicators and data tests can be found in the accompanying methodology note (Gulrajani and Calleja, 2019).

Key findings

The PA Index explores recent trends and trajectories in aid allocation and donor motivation over the 2013–2017 period. As explained in the methodological note (*ibid.*), every year a country receives a score out of 10 for performance against each of the three principles, generating an overall PA score out of 30.¹ Table 2 presents the PA Index 2017 results, while Annex 1 includes overall ranking by year since 2013.

1 Luxembourg tops the PA Index, followed closely by the United Kingdom and Sweden. At the bottom of the PA Index is the Slovak Republic, followed by Greece and Austria.

Luxembourg scores in the top ten along all three principles but does especially well on public spiritedness. Its lowest rank is on the principle of global cooperation, owing mainly to its performance on the aid-for-trade and core multilateral variables. The UK is second as it continues to do well on the principle of needs-based allocation, but it has slipped on both public spiritedness and global cooperation since 2016. Sweden takes third place, with a strong showing on the needs principle but weaker performance (14th position) on public spiritedness.

The Slovak Republic ranks bottom of the PA Index. It places among the bottom three donors on all dimensions, ranking 29th on the needs dimension and 27th on both the global cooperation and public spiritedness dimensions. Greece ranks 28th on the Index. Its position is due to poor performance on the global cooperation dimension (29th) and the public spiritedness dimension (28th). Austria ranks 27th overall in 2017.

Table 2 Rank overall and by sub-component

	Overall	Needs	Global co-op	Public spirit
Luxembourg	1	4	9	1
UK	2	3	4	7
Sweden	3	2	7	14
Ireland	4	1	15	4
Norway	5	5	5	13
Canada	6	8	3	15
Japan	7	22	1	2
Finland	8	9	6	12
US	9	6	10	20
France	10	21	2	18
Denmark	11	7	19	6
Korea	12	20	8	5
Iceland	13	11	17	3
Australia	14	16	11	9
Switzerland	15	19	12	10
Germany	16	12	14	22
Netherlands	17	14	16	19
Belgium	18	17	22	8
New Zealand	19	28	13	11
Italy	20	23	18	24
Spain	21	24	20	23
Portugal	22	27	24	17
Czech Republic	23	13	23	26
Hungary	24	25	25	21
Slovenia	25	26	26	16
Poland	26	10	28	25
Austria	27	18	21	29
Greece	28	15	29	28
Slovak Republic	29	29	27	27

¹ Scores represent absolute improvement irrespective of other donors but *ranks* capture relative improvements including changes driven by the performance of others.

2 Donors are becoming more principled on average, largely because of improved scores on the two dimensions of global cooperation and needs.

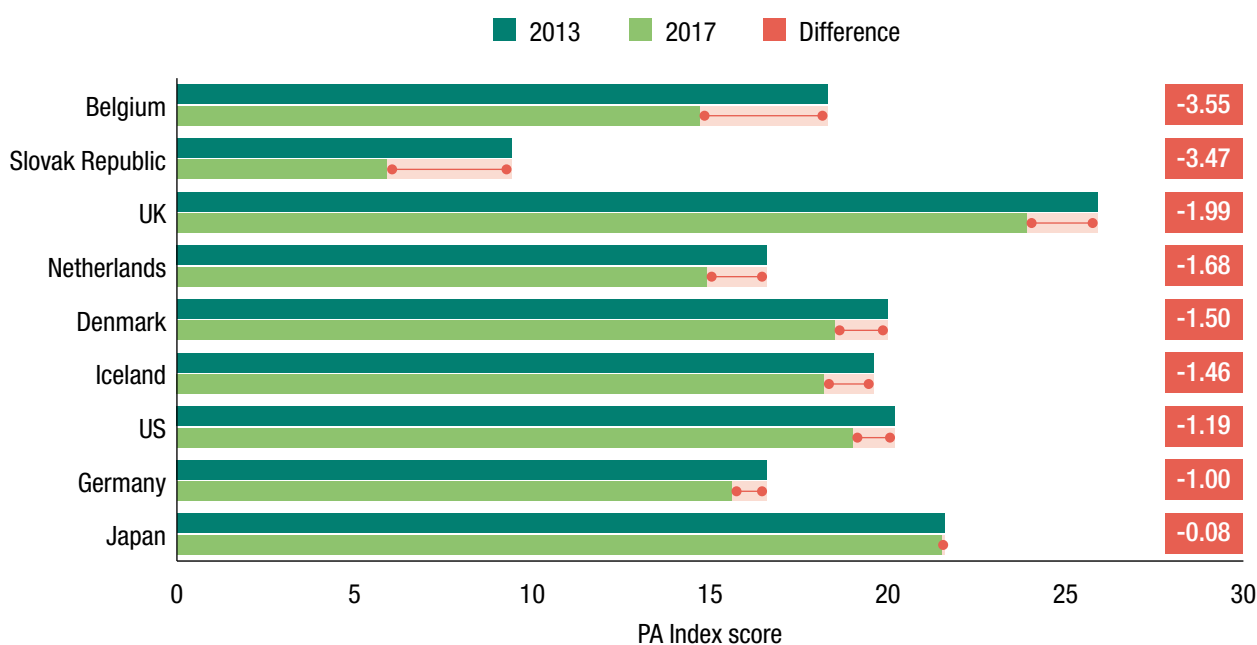
Notwithstanding populist pressures, there is limited evidence of a tendency towards less principled aid across the DAC. Principled aid scores were at their lowest average in 2015 (14.91) and their highest in 2017 (16.07). Overall, there are only nine donors whose score in the PA Index has declined overall between 2013–2017 (Figure 1). The trend towards principledness is mainly driven by improving performance on the principles of needs and global cooperation. The average score on the needs principle in our sample rose by approximately 10% over the 2013 average (0.42 points) between 2013–2017. Nineteen donors improved their score on needs between 2013 and 2017, while nine had their score fall and one saw no change.² The average score on global cooperation increased by 9% (0.44 points) between 2013 and 2017. Seventeen donors

improved their score on this principle, while 12 saw their score fall.³

3 Donors display a worrying deterioration in their commitment to public spiritedness.

The trend towards increased principledness masks a sharp and notable deterioration in public spiritedness. Here, average scores declined by 6% (or 0.39 points) between 2013 and 2017, with an absolute decline in the scores of 23 donors over this period (Figure 2). Luxembourg, Japan, Iceland, Ireland and Denmark consistently ranked in the top band on public spiritedness between 2013 and 2017, while Poland, the Czech Republic, the Slovak Republic, Greece and Austria were consistently among the lowest ranked donors over the same period. New Zealand showed the greatest relative improvement over time, rising 12 places from 23rd in 2013 to 11th in 2017. Conversely, the US and Canada show the largest relative drop in public spiritedness, each falling eight places between 2013 and 2017 to 20th and 15th, respectively.

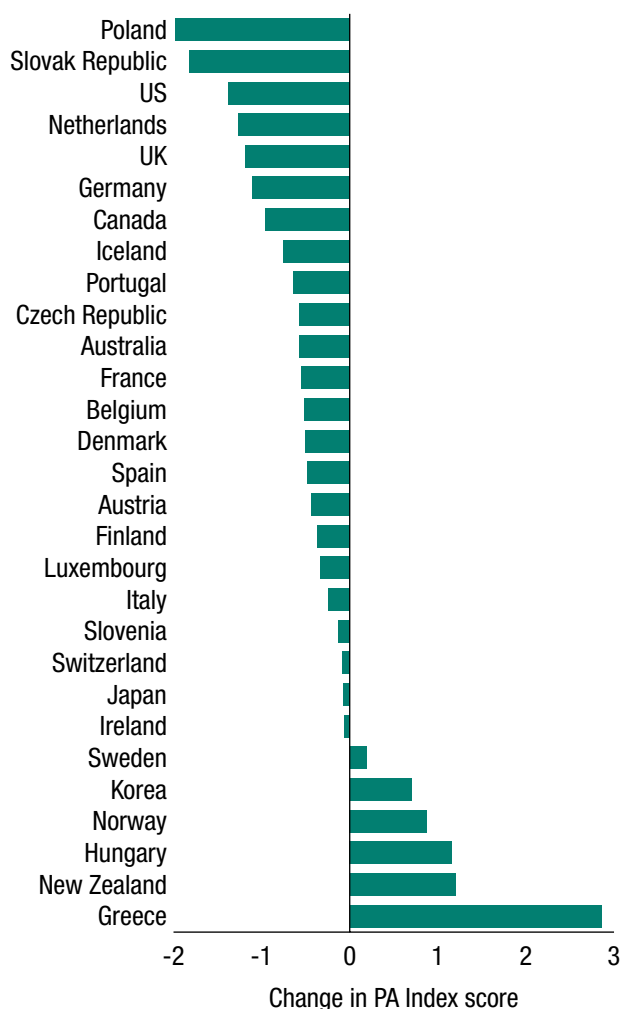
Figure 1 Countries declining in PA Index score, 2013–2017



2 The nine donors with falling scores on the needs dimension are: Australia, Belgium, Finland, Hungary, Japan, Korea, Slovak Republic, the UK and the US. We can only calculate scores for Hungary since 2016, the year of its accession to the DAC, where it was formally obliged to report in full.

3 The twelve donors with declining scores on global cooperation are: Austria, Belgium, Canada, Czech Republic, Denmark, Germany, Hungary, Iceland, Korea, the Netherlands, Slovak Republic and the UK.

Figure 2 Change in PA score on public-spirited dimension by donor, 2013–2017



4 There is a positive association between DAC donors’ ODA as a share of their GNI and scores on the PA Index.

As Figure 3 shows, more generous donors are likely to be more principled, though the direction of causality is unknown (i.e. being principled could be a driver of donor generosity just as much as generosity inspires a principled aid allocation). While a high ODA/GNI ratio is not required to be principled (Canada, Japan and Ireland perform among the top 10 despite small ODA/GNI), we see a tendency for more generous donors to be ranked higher on the PA Index.

Other notable findings

- Canada and Japan are consistently in the top third of the table across all years.
- Germany, France, the Netherlands and Switzerland are consistently located in the middle of the PA Index across all years.
- Central and Eastern European donors are consistently in the bottom third of the PA Index between 2013–2017. The only exception is Poland, which jumped six places to 15th position in 2016 but fell back into the bottom third in 2017.
- Newer donors (post-2013 accession to the DAC) rank towards the bottom of the PA Index across all years. The only exception is Iceland, which acceded in 2013 but has consistently ranked in the top half of donors.
- Italy is the lowest-performing G7 country.
- Donors of the Asia Pacific region (Australia, New Zealand, Korea and Japan) all rank in the bottom half of the PA index on needs but are among the top half on global cooperation. This uneven performance may be explained by the strong regional focus adopted by these four donors.⁴

Recommendations

1 Donors should advance their national interests by pursuing a principled aid allocation strategy.

Aid allocation strategies should prioritise principled aid, avoiding the short-termism, self-regard and unilateralism of unprincipled approaches. Doing so involves allocating aid on the basis of development needs and vulnerabilities, supporting global cooperation and displaying greater public spiritedness. Examples of key actions that could be taken include ensuring that at least 50% of ODA is targeted at LDCs or reversing the trend of strictly earmarking the aid that goes to multilateral institutions.

The PA Index is deliberately focused on ODA because many donors allude to both the desire

⁴ The Asia Pacific region is populated by a large number of middle-income countries, as opposed to LDCs, which may exert downward pressure on its ranking on the principle of needs. Conversely, donors of this region share interests in fostering intra-regional collaboration on both trade and climate change that explain their higher scores on the principle of global cooperation.

Figure 3 PA Index score and ODA/GNI (2017)



and feasibility of using aid to advance national aims and ambitions. Clearly foreign aid is only one vehicle to realise global development objectives. Donors should explore all possible domestic policy levers to reinforce and support a principled approach to the national interest.

2 There is urgent need to focus attention on improving donors’ public spiritedness.

Public spiritedness is in decline: reversing this trend should be an urgent donor priority. The decline in this principle suggests that many donors are adopting a more short-sighted approach to aid, targeting it to help domestic constituencies and firms and supporting short-term foreign policy objectives, rather than taking a longer-term, principled approach. Examples of key actions that could be taken to reverse this trend would include committing to formally and

informally untying all aid and increasing the share of ODA that is spent in recipient countries.

3 Donors should hold each other accountable for delivering principled aid in the national interest.

Donors should cultivate new relationships and mechanisms within the OECD DAC to advance principled aid. Our rankings highlight the potential for atypical alliances and coalitions; for example, between Japan, Canada and Ireland that are all consistent performers on the PA Index. Like-mindedness is also identifiable at the level of each principle if consistent performance in one dimension can be taken as representing an opportunity for alliance-building (Table 3). Separately, assessments of whether donors are pursuing a principled aid approach could feature in the DAC peer review process. Advancing mechanisms whereby donors are held

Table 3 Potential coalitions by principle

Principle	Consistent top band performance, 2013–2017
Needs	Ireland, Sweden, UK, Luxembourg, Norway
Global cooperation	Japan, France, Canada, UK
Public spiritedness	Luxembourg, Japan, Iceland, Ireland, Denmark

accountable by a wider range of stakeholders for principled aid is critical.

4 OECD DAC and non-DAC aid providers should forge a new political consensus on principled aid.

The allocation of aid to support the national interest is a very real political pressure for both DAC and non-DAC aid providers. In cases where pressures to instrumentalise aid to serve geopolitical or commercial objectives loom large, a stronger joint commitment could be made by all providers to principled aid. The post-BAPA+40 framework⁵ on development cooperation can provide an opportunity to advance shared commitments to principled engagement. This cause would be greatly assisted if all development cooperation providers released relevant data sets based on common definitions of concessional development finance flows that would allow for greater analytical assessment across all donors.

Conclusion

Like so many areas of development policy, the case for principled aid rests on taking an expansive long-term understanding of what is meant by the national interest. This is inherently at odds with the short-termism of the electoral cycle and acute public pressures on foreign aid budgets in many countries. Measuring donor ‘principledness’ provides an independent, evidence-based assessment of the nature of a donor’s motivation – as revealed by its aid allocation – allowing the expressions of its national interest to be tracked and monitored over time. By looking at such revealed preferences, the PA Index offers insights into trends across the community of DAC donors that can inform the search for alliances based on shared values, as well as foster greater dialogue and discussion on the role of national interests and agendas in relation to aid spending.

5 In March 2019, the Second UN Conference on South-South Cooperation (BAPA+40 Conference) is being held to mark the 40th anniversary of the Buenos Aires Plan of Action on technical cooperation among developing countries. Its outcome document will provide an important reference point for the future development cooperation across all providers.

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Annex 1 Overall PA Index ranks by year

	2017	2016	2015	2014	2013
1	Luxembourg	Luxembourg	UK	UK	UK
2	UK	UK	Luxembourg	Luxembourg	Canada
3	Sweden	Ireland	Ireland	Japan	Luxembourg
4	Ireland	Sweden	Japan	Ireland	Japan
5	Norway	Japan	Canada	Finland	Sweden
6	Canada	Canada	Norway	Belgium	Ireland
7	Japan	Korea	Finland	US	US
8	Finland	Norway	Belgium	Denmark	Denmark
9	US	Australia	Iceland	Canada	Iceland
10	France	Denmark	US	Sweden	Finland
11	Denmark	Iceland	Sweden	Norway	Korea
12	Korea	France	Korea	Korea	Belgium
13	Iceland	US	Denmark	Iceland	Norway
14	Australia	Finland	France	Germany	Netherlands
15	Switzerland	Poland	Switzerland	Switzerland	Germany
16	Germany	Belgium	Australia	Australia	Australia
17	Netherlands	Netherlands	Germany	Netherlands	France
18	Belgium	Switzerland	Italy	France	Switzerland
19	New Zealand	Germany	Netherlands	Spain	Italy
20	Italy	New Zealand	New Zealand	Italy	New Zealand
21	Spain	Italy	Poland	New Zealand	Spain
22	Portugal	Hungary	Spain	Poland	Czech Republic
23	Czech Republic	Portugal	Czech Republic	Czech Republic	Slovak Republic
24	Hungary	Czech Republic	Slovak Republic	Austria	Austria
25	Slovenia	Slovak Republic	Portugal	Portugal	Poland
26	Poland	Spain	Austria	Slovak Republic	Portugal
27	Austria	Slovenia	Slovenia	Slovenia	Slovenia
28	Greece	Austria	Greece	Greece	Greece
29	Slovak Republic	Greece			



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ODI
203 Blackfriars Road
London SE1 8NJ

+44 (0)20 7922 0300
info@odi.org

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