What is principled aid?

Measuring donor motivations in 2020

Emily Silcock and Nilima Gulrajani

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Abstract

ODI’s Principled Aid (PA) Index measures the 29 bilateral Development Assistance Committee donors’ motivations for providing Official Development Assistance. The Index ranks donors according to whether their foreign aid allocations support a principled or parochial national interest. This working paper outlines methodologies used to create the Index in 2020, and changes since the previous iteration of the Index. It should be read alongside our working paper exploring the PA Index results, available online at www.odi.org/publications/17525-principled-aid-index-2020. The Index itself can be found online at www.odi.org/opinion/10502-principled-aid-index.
Acknowledgements

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# Contents

Acknowledgements 3

List of boxes and tables 5

Acronyms 6

1 Overview of the Principled Aid Index 7

2 Indicators in the Principled Aid Index 9
   2.1 Criteria for indicator selection 9
   2.2 Indicators to proxy the development gaps dimension 9
   2.3 Indicators to proxy the global cooperation dimension 15
   2.4 Indicators to proxy the public spiritedness dimension 19
   2.5 Other indicators considered 24

3 Scoring and aggregation 27

4 Data testing and approaches 29
   4.1 Donor selection and datasets 29
   4.2 Treatment of missing data 29
   4.3 Weighting and controls 30
   4.4 Time lags 30
   4.5 Confidence intervals 30
   4.6 Data tests 30

References 34
List of boxes and tables

Boxes

Box 1 List of Severely Financially Challenged Countries 15

Tables

Table 1 The Principled Aid Index: principles and indicators 8
Table 2 List of countries that cumulatively host more than 70% of internationally displaced populations 11
Table 3 List of conflict-affected states 13
Table 4 Correlation test using transformed z-scores 31
Table 5 Sensitivity test, ranks when each individual indicator is removed (2018 results) 32
### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>ACD</td>
<td>Armed Conflict Dataset</td>
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<td>CBPF</td>
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<td>CPA</td>
<td>Country-Programmable Aid</td>
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<td>GNI</td>
<td>gross national income</td>
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<td>LDC</td>
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<td>ODA</td>
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<td>PCA</td>
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<td>SFCC</td>
<td>Severely Financially Challenged Country</td>
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<td>UCDP</td>
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<td>UNHCR</td>
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1 Overview of the Principled Aid Index

The Principled Aid (PA) Index explores the spending decisions of the 29 members of the Development Assistance Committee (DAC), and assesses the extent to which these advance a principled national interest. This allows us to move beyond policy rhetoric to explore donor actions that reveal their underlying aid motivations. The PA Index is a supply-side exercise: it focuses on donors, rather than examining recipient preferences or the impact of the aid supplied. We also limit ourselves to considering how a principled approach can be maximised using the levers of Official Development Assistance (ODA) disbursements. We do not focus on the full spectrum of beyond-aid activities that may also support a principled approach to advancing a donor’s national interest.

In the inaugural edition of the PA Index, we identified three dimensions of a principled donor, against which we continue to frame our assessment:

1. Principled aid is allocated with a view to plugging global development gaps. Doing so is in the donor’s national interest as it reduces vulnerabilities and inequalities, increases productivity and advances development prospects overall. Development gaps are multi-dimensional, and plugging them requires donations to those recipients with the largest challenges to overcome (such as high levels of poverty, conflict or gender inequality), as well as those with the lowest levels of resources with which to overcome these challenges.

2. Principled aid will allocate resources to problems that can only be robustly solved through 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 donors will exhibit public spiritedness and avoid using ODA to secure commercial or geostrategic advantage.

The PA Index proxies each of these three dimensions with five indicators, shown in Table 1. (Full details on the measurement and data sources for each of these indicators is given in Chapter 2.)

The Index uses these indicators to give each donor country a score out of 10, for performance against each of the three dimensions. This generates an overall PA score out of 30. We then rank each of the 29 DAC donors in relation to the performance of other donors for the last six years, capturing relative improvement or deterioration. (More detail on the aggregation method used for the Index can be found in Chapter 3.) This approach allows us to identify where DAC donors sit on the spectrum between principled and parochial.

Based on feedback from our inaugural Index, this edition introduces several minor modifications to the existing indicators. We have also added three new indicators (1E, 2E and 3E). Details on these changes, as well as the motivations behind them, are provided under the relevant indicator in the next chapter. What this means, however, is that the results of the 2019 edition of the PA Index cannot be directly compared to results from the Index published this year. Instead, we have recalculated rankings over the last six years using this year’s indicators and published these in the 2020 version to allow for an analysis of donor performance over time.
<table>
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<td>Development gaps</td>
<td>1A. Targeting poverty: aid flows weighted by the poverty rate (poverty headcount ratio) in recipient countries.</td>
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<td>1B. Supporting displaced populations: amount of bilateral ODA to countries that cumulatively host 70% of cross-border forcibly displaced populations, as a share of bilateral ODA.</td>
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<td>1C. Assisting conflict-affected states: amount of humanitarian bilateral ODA to countries with active violent conflicts, as a share of bilateral ODA.</td>
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<td>1D. Targeting gender inequality: amount of gender-focused bilateral ODA, as a share of total bilateral ODA.</td>
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<td>1E. Global safety net: share of ODA on health, education and social security that is spent in Severely Financially Challenged Countries (SFCCs).</td>
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<td>Global cooperation</td>
<td>2A. Enhancing global trade prospects: amount of bilateral ODA allocated to aid-for-trade activities, as a share of total bilateral ODA.</td>
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<td>2B. Providing core support for the multilateral system: amount of ODA as core multilateral funding (minus core funding to EU institutions), as a share of total ODA.</td>
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<td>2C. Tackling the effects of climate change: three-year rolling average amount of total ODA (bilateral and imputed multilateral) for climate mitigation and adaptation activities, as a share of total ODA.</td>
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<td>2D. Reducing the spread of communicable disease: amount of ODA (bilateral and imputed multilateral) allocated to slow the spread of communicable diseases, as a share of total ODA.</td>
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<td>2E. Brokering peace: spending on peace and security (bilateral and imputed multilateral), as a share of total ODA.</td>
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<td>Public spiritedness</td>
<td>3A. Minimising tied aid: share of bilateral ODA that is formally or informally tied.</td>
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<td>3B. Reducing alignment between aid spending and United Nations voting: correlation between UN voting agreement across donors and recipients, and bilateral ODA disbursements from donors to recipients.</td>
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<td>3C. De-linking aid spending from arms exports: correlation of dyadic bilateral ODA flows, per recipient capita, and arms exports between donors and recipients, per recipient capita.</td>
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<td>3D. Localising aid: share of bilateral ODA spent as Country-Programmable Aid (CPA), plus share of bilateral ODA spent in Country-Based Pooled Funds (CBPFs).</td>
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<td>3E. Influencing elections: absolute value of the difference between expected and actual ODA flowing to a recipient during an election year.</td>
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2 Indicators in the Principled Aid Index

2.1 Criteria for indicator selection

Indicators were selected to proxy our three dimensions if they met the following criteria:

- **Conceptual clarity.** We could articulate a close conceptual relationship between the information captured by the indicator and the overall concept of the dimension it represents. Where possible, we drew or built from existing literature.
- **Data availability.** Publicly available, high-quality and sufficiently detailed data was available across DAC countries. The data must be available for the years 2013 to 2018, with a reasonable prospect that it will be updated regularly in the future to allow for annual updates.
- **Correlations.** Indicators within each subcategory are positively correlated, meaning they tell a similar story about a donor’s motivation. However, indicators are not 100% correlated (or very highly correlated), which would mean they provide duplicative information.

2.2 Indicators to proxy the development gaps dimension

**Indicator 1A. Targeting poverty: aid flows weighted by the poverty rate (poverty headcount ratio) in recipient countries**

**Data source**
Bilateral ODA data is sourced from the Organisation for Economic Cooperation and Development’s (OECD) Creditor Reporting System (CRS); poverty rate from World Bank Development Indicators, poverty headcount ratio at $1.90 a day (2011 Purchasing Power Parity).

**Approach and measurement**
To measure this indicator, we take the poverty rate (poverty headcount ratio at $1.90 a day, 2011 Purchasing Power Parity) in each recipient country and multiply this by the share of each donor’s bilateral ODA given to that recipient. We aggregate this across recipients for each donor. This gives a higher weight to recipients with higher poverty rates, leading to an overall indicator which rewards donors for targeting their ODA towards countries with higher poverty rates.

**Changes from the previous edition**
In the previous edition, this indicator measured the share of ODA to Least Developed Countries (LDCs) out of donor gross national income (GNI). This indicator has undergone two changes. First, we now look at poverty rates, rather than the LDC distinction, as the latter is potentially a very blunt instrument for measuring targeting of aid towards the world’s poorest people, especially as the majority of people living in extreme poverty are in middle-income countries (Bulla et al., 2014). Therefore, we now focus on poverty rates, weighting a donor’s bilateral ODA by the recipient’s poverty rate. This means that donors get credit for ODA targeted towards poverty wherever it is located, but that they are also more highly rewarded for ODA in countries with high levels of poverty. Second, we no longer measure this indicator out of donor GNI. This change brings the numerator more in line with other indicators in this subcategory.
Justification and caveats

Two broad methods of measuring targeting of ODA towards those in poverty can be identified. In one, donors are rewarded for directing ODA towards the poorest countries (those with the lowest average GNI per capita) regardless of the distribution of income among the population. In the other, donors are rewarded for directing ODA towards the poorest individuals, regardless of the average GNI per capita in the country where they are located. Both have their justifications. Countries with low levels of average income are the least able to redistribute towards people in poverty (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004; Berthelemy, 2006; Hoeffler and Outram, 2011), but individuals living in poverty require assistance wherever they are located. Both have their justifications. Countries with low levels of average income are the least able to redistribute towards people in poverty (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004; Berthelemy, 2006; Hoeffler and Outram, 2011), but individuals living in poverty require assistance wherever they are located (Bulla et al., 2014; Carbonnier and Sumner, 2012). By focusing on the poverty rate (as opposed to GNI per capita, or the poverty headcount), we adopt a middle ground between these two extremes. Donations are still rewarded for recipients with a large number of individuals living in poverty, even if there are also a large number of richer individuals, but less so than donations for recipients where a larger share of the total population are living in poverty.

We weight bilateral ODA shares by the poverty rate in absence of any clear globally accepted poverty rate which donors are expected to target (other than, of course, zero). This weighting also avoids any threshold effects, whereby a donor is rewarded for directing ODA towards one recipient, but not rewarded for directing ODA towards a recipient with a marginally lower poverty rate.

Indicator 1B. Irregular migration: amount of bilateral ODA to countries that cumulatively host 70% of cross-border forcibly displaced populations, as a share of bilateral ODA

Data source
Bilateral ODA data is sourced from the OECD’s CRS database; data on cross-border forcibly displaced populations is taken from the United Nations High Commissioner for Refugees’ (UNHCR) ‘Population figures’ dataset.

Approach and measurement
We use the UNHCR ‘Population figures’ dataset to create a list of countries that cumulatively host over 70% of cross-border forcibly displaced persons, excluding those in developed countries. We consider cross-border forcibly displaced persons to include people categorised as ‘asylum-seekers’, ‘refugees’ (including refugee-like situations), and ‘others of concern’ according to UNHCR definitions. We exclude internally displaced persons, and those listed as ‘others of concern’ whose country of origin and country of asylum are the same. In the absence of a strong theoretical rationale for selecting a particular level of asylum burden, we selected the 70% cut-off for statistical reasons as it correlates better with other values within the dimension than alternative levels. The list of these host countries is given in Table 2. The indicator measures the share of a donor’s bilateral ODA to these countries, as a share of their total bilateral ODA.

Justification and caveats
This indicator captures the degree to which donors focus ODA in the developing countries that host the largest share of the global refugee burden. We focus on internationally, rather than internally, displaced persons because

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1 We exclude developed countries from the calculation, removing the internationally displaced persons in developed countries from both the 70% and the total number. We acknowledge that some countries, notably Germany, France and the US, have hosted a large share of refugees and asylum-seekers.

2 We exclude ‘stateless people’ on the basis that stateless people can also be refugees (UNHCR, 2014); when this is the case, stateless populations appear to be included in the refugee and asylum-seeker data included in our measure. As a result, including stateless populations in addition to the categories already included could create some double counting. Moreover, while stateless people can be refugees, UNHCR (n.d.) notes that the ‘majority of stateless people were born in the countries in which they have lived their entire lives’, suggesting that many may not be considered cross-border forcibly displaced populations under our current variable.
countries with high numbers of internally displaced persons face internal strife, which could be linked to government-sanctioned action. In these cases, allocating developmental aid to countries with large internally displaced populations could ‘reward’ governments for bad behaviour – consider Myanmar’s action against the Rohingya, for instance.

As of 2018, there were 68.5 million people, including more than 25 million refugees, who have been forcibly displaced (Ash and Huang, 2018). Countries neighbouring crises often bear the burden of forced migration due to the proximity of conflict. These are often low- and middle-income countries with significant development challenges themselves. We assume a principled donor will invest in refugee-hosting nations rather than in countries of origin for two main reasons (Dreher et al., 2018). First, donors providing aid to countries of refugee origin are often motivated by the desire to prevent migration by reducing emigration pressures and inducing voluntary repatriation (Czaika and Mayer, 2011). However, aid that is meant to tackle the ‘root causes’ of migration is rarely successful and can even be counterproductive, as economic growth can be associated with increases rather than reductions in emigration (Clemens and Postel, 2017; 2018; Dreher et al., 2018). Therefore, more principled donors will also support countries of first asylum to ensure refugees’ immediate needs are met and their long-term safety secured, as well as to develop the infrastructure and services necessary to accommodate vulnerable populations, including education and employment opportunities.

Table 2  List of countries that cumulatively host more than 70% of internationally displaced populations

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Note: Including refugees under UNHCR’s mandate, asylum-seekers and others of concern. France, Germany, Sweden and the United States (US) have been removed from the table as they are not ODA-eligible. DRC, Democratic Republic of Congo.
Source: UNHCR (www.unhcr.org/data.html)

3 As Ash and Huang (2018) highlight, 10 countries, with 2.5% of global gross domestic product (GDP), host half of the world’s refugees.
**Indicator 1C. Assisting conflict-affected states: amount of humanitarian bilateral ODA to countries with active violent conflicts, as a share of bilateral ODA**

**Data source**
Bilateral ODA and humanitarian data are sourced from the OECD’s CRS database; data on armed conflict is taken from the Uppsala Conflict Data Program (UCDP)/Peace Research Institute Oslo (PRIO) ‘Armed Conflict Dataset’ (ACD) and ‘Non-state Conflict Dataset’ (NCD).

**Approach and measurement**
This indicator captures the degree to which donors allocate humanitarian aid to countries experiencing violent conflict. For this indicator, we define ‘active conflict’ as a conflict which involves at least 25 battle-related deaths within a calendar year. This is consistent with the UCDP definition of active conflict and is regularly employed in the conflict literature (see Gleditsch and Ruggeri, 2010; Themnér and Wallensteen, 2011; Pettersson and Eck, 2018). Using the UCDP/PRIO ACD and NCD, we compile a list of all countries experiencing an active conflict by calendar year (see Table 3). For more information on the UCDP/PRIO ACD, see Gleditsch et al. (2002) and Pettersson and Eck (2018).

We use humanitarian, rather than development, aid on the basis that countries experiencing active crises require immediate support to respond. We capture ODA flows designed to respond to the urgent needs of civilians affected by crisis, which is best proxied through shorter-term humanitarian flows.

**Justification and caveats**
It is well documented that poverty is increasingly focused in fragile and conflict-affected states (Kharas and Rogerson, 2017), and that conflict is a key contributor to hunger and displacement (UN DESA, 2018). Moreover, violent conflict is now occurring in an increasing number of countries: in 2016, more countries were experiencing violent conflict than at any point over the previous 30 years (UN and World Bank, 2018). This increase threatens to reverse and limit development gains by hindering economic progress, increasing the risk of famine, making disease more difficult to treat and increasing forced displacement (ibid.).

Acts of violent conflict provide a narrower alternative to ‘fragile state’ lists, as the latter is often a measure of governance quality more generally. While fragility and conflict may be correlated, donor engagement in countries experiencing active conflict is a better measure of targeted ODA to protect vulnerable populations facing catastrophic threats to their lives and livelihoods.

**Indicator 1D. Targeting gender inequality: amount of gender-focused bilateral ODA, as a share of total bilateral ODA**

**Data source**
Bilateral ODA data is sourced from the OECD’s CRS database using the gender marker.

**Approach and measurement**
Using the DAC’s gender markers, we sum the amount of ODA allocated to projects that have a ‘principal’ focus on gender, as denoted by a score of two. This figure is then taken as the share of total bilateral ODA to identify the portion of donor spending that is targeted to support gender equality. We exclude ODA with a ‘significant’ focus on gender to avoid overstating the amount allocated for gender activities. OECD guidance on the gender markers cautions that the full costs of projects marked with a ‘significant’ gender focus are counted under the gender marker, yet only a portion of the project costs may be allocated for gender activities (OECD, 2012b). As a result, the ‘significant’ gender marker tends to overestimate the amount of ODA allocated for gender-related activities.

**Changes from the previous edition**
In the previous edition we focused on the amount of gender-focused bilateral ODA to countries with the highest levels of gender inequality, as a share of bilateral ODA. We have changed this to reward spending on gender-focused projects, wherever they are located (as long as the recipient is ODA-eligible); if we are going to
Table 3  List of conflict-affected states

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reward donors for projects with a gender focus, it makes sense to do this wherever the project is based. This now follows the approach of other observers of aid spending towards gender equality (such as Holton, 2020).

**Justification and caveats**
Reducing gender inequality and ensuring that women achieve equal access to basic services underlies much of the 2030 Agenda for Sustainable Development. It is also well documented that achieving the Sustainable Development Goals (SDGs) will require significant improvements to the livelihoods of women across the globe (see Wahlén, 2017). Based on the understanding that women often face differing access to basic services (see UN Women, 2018; UN DESA, 2009), and that engaging women in development contributes to poverty reduction and growth (OECD, 2012a), this indicator captures the degree to which donors target their ODA towards gender-focused projects in ODA-eligible countries.

**Indicator 1E. Global safety net: share of ODA on health, education and social security that is spent in Severely Financially Challenged Countries**

**Data source**
Bilateral ODA data is sourced from the OECD’s CRS database; SFCCs from Manuel et al. (2018).

**Approach and measurement**
This measure uses Manuel et al. (2018)’s identification of SFCCs. These are countries that could not fund even half of their health, education and social security costs, even if they raised taxation to the highest extent possible, and spent 50% of tax revenue on these sectors. This indicator measures the amount of bilateral spending on health, education and social security in SFCCs, as a share of total bilateral spending on these areas. We follow Manuel et al. (2018) by using all CRS codes for health and education, and Development Initiatives (2015) for social spending.

4 In their 2020 update, Manuel at al. (2020) find that the effects of Covid-19 have added six new countries to the list of SFCCs (Congo, Ethiopia, Nigeria, Sudan, Syria, Yemen). This is a forward-looking update and will be reflected in our list of SFCCs in subsequent editions of the PA Index.

5 Multilateral spending is not included, as it is not possible to determine whether this is targeted towards SFCCs or not.

6 Manuel et al. (2018) propose their own indicator of donor spending towards SFCCs. They create a distribution of ‘ideal’ aid spending and the distribution of ‘actual’ spending for the donor. They create their indicator as a Gini-style measure, taking the integral of the cumulative distribution function of the ‘actual’ distribution, as a fraction of the integral of the cumulative distribution function of the ‘ideal’ distribution. We choose not to use this measure for ease of explanation. In addition, using the same measure of aid, the measure we use has a 92% correlation with the measure in Manuel et al. (2018), meaning that there is little loss of nuance due to our choice of a conceptually simpler indicator.
Justification and caveats
The core interlocking sectors of health, education and social security are recognised as essential components of long-term escapes from extreme poverty (Manuel, 2018). These three sectors account for around half of all government spending in OECD countries and a third of all ODA. Social protection is becoming a high priority in many developing countries (Rim and Tassot, 2019). EU donors have agreed to prioritise these sectors to fulfil the commitments made in the European Consensus on Development and in Agenda 2030.7

However, recipients of ODA differ in their ability to fund their own social safety nets. Currently, there is little relationship between countries with the largest gaps and those that receive the most ODA (either when looking at development gaps in general, or social spending in particular) (Manuel et al., 2018; Kharas and McArthur, 2019). This indicator suggests that a principled donor should target its spending on social sectors towards recipients that are the least able to fund these sectors themselves.

This indicator complements indicator 1A (targeting poverty) by providing a different view of the multi-dimensional concept of poverty (World Bank, 2018). While 1A focuses on the number of individuals in poverty, this indicator focuses on governments with a lack of resources to fund the social services to help people escape poverty. The empirical analysis shows that the overlap between these two measures is fairly limited.8

2.3 Indicators to proxy the global cooperation dimension

Indicator 2A. Aid-for-trade facilitation: amount of bilateral ODA allocated to aid-for-trade activities, as a share of total bilateral ODA

Data source
All data for this variable is sourced from the OECD’s CRS database.

Approach and measurement
This indicator is measured as the share of bilateral ODA allocated to aid-for-trade activities. We use the DAC’s definition of ODA activities included as aid-for-trade, such as: ‘technical assistance for trade policy and regulations’, ‘trade-related infrastructure’, ‘productive capacity building’, ‘trade-related adjustment’ and ‘other trade related needs’. The specific CRS purpose codes included under each category are defined by the OECD and are available from the OECD website (OECD, n.d.).

Justification and caveats
According to Bilal and Szepesi (2006), ‘nothing contributes to sustainable poverty reduction more than trade, especially when it is conducted with richer countries’. Trade is an engine for growth that lifts millions of people out of poverty and supports development (see IMF et al., 2017; World Bank and WTO, 2017). This indicator measures the share of ODA allocated to support developing countries to build the trade capacity, policies and infrastructure

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7 We recognise that other sectors, such as infrastructure, may be equally important for long-term development (Calderón and Servén, 2004; Estache et al., 2015). This is why the classification of SFCCs is based on countries spending 50% of their revenue on social sectors. This allows them to spend the other half on infrastructure and other government services. This leaves more room for investment in infrastructure than OECD countries, which spend, on average, around 60% of their budgets on social sectors.

8 See Chapter 4 for testing of the overlaps between indicators.
needed to expand and benefit from trade liberalisation. Aid-for-trade facilitation can reduce import and export costs and increase global output by supporting increases in capital stock, production possibilities and enhanced productivity (Holland and te Velde, 2012). Further, aid-for-trade has been shown to be a pathway for the empowerment of women and youths through micro, small and medium enterprises (WTO, 2020).

Aid-for-trade also benefits the donor (Bilal and Szepesi, 2006). It is one way to mitigate market failures in international trade and to realise mutual gains from trade for both donors and recipients (Carter, 2016). Donors have a principled national interest in maintaining a rules-based international trade regime, which primarily benefits more advanced economies. Therefore, allocating ODA for trade can be considered an expression of a principled national interest due to the potential for both donors and recipients alike to benefit from market expansion and increased trade. Aid-for-trade also links to other global public goods, as it increases the possibilities for renewable energy and green growth (WTO, 2020). Covid-19 has exemplified how facilitating aid can pay dividends for donor countries, as streamlined border processes, simplified fees and trade cooperation are essential for the swift movement of medical, food and IT supplies (OECD, 2020a).

**Indicator 2B. Support for the multilateral system: amount of ODA as core multilateral funding (minus core funding to EU institutions), as a share of total ODA**

**Data source**

This variable uses the OECD’s ‘Members’ total use of multilateral system’ and DAC1 datasets.

**Approach and measurement**

This indicator is measured as the share of a donor’s total ODA allocated as core contributions to multilateral institutions. We subtract core support allocated to EU institutions on the basis that several donors, notably new DAC donors, allocate a much higher proportion of total ODA as mandatory core payments to the EU. This includes new EU Member States (Czech Republic, Hungary, Poland, Slovakia and Slovenia) that joined the DAC post-2013. By removing core support to EU institutions, we hope to mitigate any potential positive bias for new European DAC members caused by mandatory payments.

**Justification and caveats**

Multilateral development finance is gaining importance as a channel for ODA. At the same time, however, earmarked funding is growing as a share of total multilateral finance (OECD, 2020b). Donors that provide a larger proportion of their ODA as core contributions to multilateral organisations demonstrate a stronger commitment to working with and supporting the capacity of the international system. Other donors can potentially ‘free-ride’ on the multilateral system, contributing less than their relative share (Bhushan and Hadley, 2020).

While donors lose some oversight and control over the direction and use of their resources when providing core support (Gulrajani, 2016), multilateral institutions allow donors to ‘leverage and pool expertise, presence and resources in ways that might be hard to achieve if individual donor countries acted unilaterally’. In other words, the multilateral system on its own constitutes a global public good (Baker et al., 2018). Multilateral institutions are also better purveyors of other global public goods, due to their role as instruments for global burden-sharing (Martens, 2005; Milner and Tingley, 2013). Allocations through core multilateral channels constrain the strong geopolitical impulses of bilateral donors and are better conduits for the provision of global public goods (OECD, 2015b).

By contrast, earmarking funds to multilateral institutions allows donors to privilege their interests, often with deleterious consequences for the institutional capacity, governance and efficiency of multilateral institutions (Gulrajani, 2016; Reinsberg, 2019).

We contend that providing core ODA funding to multilateral institutions constitutes the highest-quality support for organisations uniquely placed to advance global public goods and collective norms, bringing value and returns to donors and recipients alike.
Indicator 2C. Climate finance: three-year rolling average amount of total ODA (bilateral and imputed multilateral) for climate mitigation and adaptation activities, as a share of total ODA

Data source
Climate-related ODA data is sourced from the OECD’s Climate Finance Dataset (provider perspective); the OECD’s ‘Members’ total use of multilateral system’; OECD’s ‘Imputed Multilateral Shares’; and the DAC1 dataset.

Approach and measurement
This indicator measures the three-year rolling average share of total ODA allocated to support climate mitigation and adaptation activities. Using the OECD’s Climate Finance Dataset (provider perspective), we sum bilateral ODA commitments for climate mitigation and adaptation for each donor in a given year. We consider bilateral commitments to climate activities as those which have a ‘principal’ climate focus using the Rio markers. We subtract bilateral spending in More Advanced Developing Countries, as these are not ODA-eligible. To this measure of bilateral spending we add core multilateral commitments to select multilateral organisations with a primary focus on climate-related action. The sum of bilateral and multilateral climate finance is then divided by total ODA commitments, and this measure is averaged over three years.

Justification and caveats
Donors that provide support to climate-related activities demonstrate a commitment to key global public goods that benefit both donors and recipients alike. The link between poverty and climate change is well documented, with poor countries that are reliant on natural resources and environmental services likely to be the most vulnerable to environmental degradation (Hallegatte et al., 2015), as well as those closest to oceans and closest to the Equator (ND-GAIN, 2020). At the same time, donors stand to benefit from activities designed to reduce and prevent climate change in the future, because ‘if the developing nations follow the lead of the North, and develop wasteful and dirty energy and industry systems, then the US Midwest dries out, and

We use this three-year average because the OECD’s Climate Finance Dataset is only available on a commitments basis, rather than disbursements, as we have used for most of the other indicators. Commitments tend to fluctuate more than disbursements, due to multi-year commitments. For example, for the Green Climate Fund, some countries (such as Canada and Australia) provide the full value of their pledges once every three years, while other countries (such as the European donors) tend to allocate an equal portion of their pledge every three years. The use of the rolling average allows us to even this across all three years.

Justification and caveats
Donors that provide support to climate-related activities demonstrate a commitment to key global public goods that benefit both donors and recipients alike. The link between poverty and climate change is well documented, with poor countries that are reliant on natural resources and environmental services likely to be the most vulnerable to environmental degradation (Hallegatte et al., 2015), as well as those closest to oceans and closest to the Equator (ND-GAIN, 2020). At the same time, donors stand to benefit from activities designed to reduce and prevent climate change in the future, because ‘if the developing nations follow the lead of the North, and develop wasteful and dirty energy and industry systems, then the US Midwest dries out, and


10 The Climate Finance Dataset is only available on a commitments, and not a disbursements, basis.

11 Weikmans and Roberts (2017) caution that the ‘significant’ climate marker overstates the amount of money allocated for climate-related activities. This is because the full costs of projects marked with a ‘significant’ focus on climate are counted as climate finance, yet only a portion of total project costs may be allocated for climate-related issues. Instead, we consider only projects with a ‘principal’ climate objective as these projects are theoretically designed to address climate-related issues, meaning that a larger portion of project costs are likely to be attributable to climate activities.

12 The multilaterals included in our measure are: Adaptation Fund; Strategic Climate Fund; Clean Technology Fund; Green Climate Fund; Green Environment Facility (Least Developed Countries Trust Fund); Green Environment Facility (Special Climate Change Trust Fund); Global Green Growth Institute; Intergovernmental Panel on Climate Change; Multilateral Fund for the Implementation of the Montreal Protocol; Nordic Development Fund; and United Nations Framework Convention on Climate Change. These organisations were selected using the DAC’s imputed multilateral contributions list, published annually on the Climate Finance website. Each organisation included targets of 100% of financing for climate-related activities. The only exception is the Global Green Growth Institute, which allocated around 99% of funding for climate activities in 2017 and 98% in 2016.
the seas around Britain rise’ (Timberlake and Thomas, 1990, in Burnell, 1997: 74).

We acknowledge that finance for climate adaptation could be considered a national public good (rather than a global public good) on the basis that preventing the effects of climate change in particular countries may safeguard them against climate-related incidents. However, we opt to include climate finance for adaptation because poor countries will need to adapt to the effects of climate change over the short term as they bear a disproportionate burden of its costs (Collier, 2016). Moreover, investing in adaptation reduces the likelihood of spillovers from developing countries as climate change advances, for example through climate-induced migration (Bermeo, 2018). After all, adaptation can be seen as the forward-looking version of mitigation.

While this variable considers ODA support to climate activities, we note that best practice would be for donors to support climate-related activities through funding that is ‘additional’ to ODA. This is in line with thinking that funding for global public goods should be in addition to, rather than a substitute for, ODA (Kaul, 2017). We recognise this is a higher standard than what we are setting to qualify as a principled donor, but if we were to adopt it, hardly any donor would meet it.13

13 As far as we are aware, only one donor – Luxembourg – currently provides climate finance that is additional to its ODA budget. In 2014, Luxembourg committed €120 million between 2014 and 2020 in international climate finance for developing countries that is additional to ODA (UN Climate Change, 2015; UNEP, 2018). To ensure that Luxembourg is not penalised for providing additional climate resources outside of its ODA budget, we add the approximate annual amount of additional climate finance (around €20 million per year) to Luxembourg’s climate ODA and total ODA spending, per year. Seeing as ODA flows are typically calculated using US dollars, we transform euros to dollars using the World Bank’s Official Exchange Rate (local currency units per $US, period average) dataset taken from the World Development Indicators.

14 We include these multilaterals because reducing the spread of communicable disease is a primary element of their ODA activities. While other multilateral agencies also contribute to reducing the disease burden, they do so to a much smaller degree. Other organisations that work on stemming the spread of infectious disease, such as Wellcome, Unitaid, the Coalition for Epidemic Preparedness Innovations (CEPI) and the Foundation for Innovative New Diagnostics (FIND) are not included in the OECD’s ‘Members’ total use of the multilateral system’ dataset. This is primarily because only certain forms of contributions to these organisations count as ODA. For example, research into vaccine development does not count, as it is considered a benefit that accrues to all states, not just developing countries.

15 Bilateral spending on health system strengthening is not included in this indicator as it is included in indicator 1E.
Justification and caveats
Pandemics such as Ebola and Covid-19 present risks to all countries and are a systemic global challenge. Poor global health and a high disease burden hurt economic growth, increase migration and threaten stability (Audibert et al., 2012; Global Fund, 2019). The World Health Organization’s Action and Investment to Defeat Malaria 2016–2030 estimates that eliminating malaria by 2030 has the potential to add US$4 trillion to the world economy. But treating malaria in donor countries also imposes healthcare costs and burdens (APPG, 2017). Donor support for the prevention, treatment and control of infectious disease can be considered in the principled national interest, mitigating impacts that are felt globally, reducing the likelihood of further global pandemics, improving global growth prospects and reducing domestic health expenditures.

Indicator 2E. Brokering peace: spending on peace and security (bilateral and imputed multilateral), as a share of total ODA

Data source
Bilateral ODA data is sourced from the CRS; core multilateral allocations taken from the OECD’s ‘Members’ total use of the multilateral system’ dataset.

Approach and measurement
We combine the measurement approaches of Knox and Lonsdale (2016) and Reisen et al. (2004) for bilateral spending, as well Birdsall and Diofasi’s (2015) measure of peace and security as a global public good, for multilateral spending. Bilateral spending includes: civilian peacebuilding, conflict prevention and resolution; reintegration and small arms and light weapons control; security system management and reform; participation in international peacekeeping operations; removal of landmines and explosive remnants of war; and prevention and demobilisation of child soldiers. Multilateral aid includes contributions to the UN Institute for Disarmament Research, UN peacekeeping and the Geneva Centre for Democratic Control of Armed Forces. These definitions are carefully maintained and include many safeguards (for example, only including a limited share of the cost of dual-use hardware).

Justification and caveats
Peace and security are global public goods (Buchholz and Sandler, forthcoming). Flows of arms and people are becoming increasingly globalised; the majority of weapons used in recent conflicts have crossed international borders (Stohl, 2004). Conflicts cost lives and have long-term impacts for survivors (Bundervoet et al., 2009; Fisman et al., 2020). They disrupt trade and international relations (Ianchovichina and Ivanic, 2014). Conflicts have the ability to spill not just across borders but across the globe (Knox and Lonsdale, 2016), and the best predictor of future conflict remains past conflict (Hegre et al., 2016). Principled donors will therefore contribute to spending on peace and security, as it is in their own principled national interest to mitigate future conflict.

2.4 Indicators to proxy the public spiritedness dimension

Indicator 3A. Minimising tied aid: share of bilateral ODA that is formally or informally tied

Data source
Data for this variable is taken from the OECD’s CRS database and the OECD’s report on the DAC untying recommendation (2015a; 2017; 2018).

Approach and measurement
To compute this indicator, we average donor performance on two indicators of aid tying.

1. Formally tied aid: amount of ODA that is declared as ‘tied’ or ‘partially tied’, as a share of the total of fully, partially and untied aid.16

For these definitions, we use the markers in the OECD’s CRS database.

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16 These three categories typically add up to less than the donor’s total ODA commitments, in the case of virtually every donor – thus, there is ‘missing’ data across the board. For this reason, we have opted not to penalise countries for a gap between the total of the three reported categories and their total ODA commitments.
2. Informally tied aid: proportion of contracts awarded to companies from the donor country, as a share of total contract value, using data compiled from the OECD’s report on the DAC untying recommendation.\textsuperscript{17}

The raw values from each sub-indicator were transformed into a z-score to ensure comparability. We then took the average of the z-scores for the two tied aid indicators.

In cases where donors did not report levels of formal or informal tying, they were penalised by assigning them a score identical to the lowest score by reporting donors.\textsuperscript{18}

In cases where donors reported that they did not award contracts in a given year, as was the case for Greece and Slovenia in 2015 and 2016, we take the donor’s score on only the formally tied aid measure.

\textbf{Justification and caveats}

This indicator represents the extent to which donors comply with international standards by ‘untying’ their ODA commitments to developing countries. High levels of tied aid indicate that donor countries may be using ODA to boost commercial opportunities for domestic firms (Meeks, 2017). Donors have committed to end the practice of tied aid and many assessments of their performance reward untying (Knack et al., 2010; CGD, 2018). The most principled donors would limit the degree of tying in their aid activities.

However, we recognise that, while trying to comply with the OECD’s untying recommendation, donors may have switched to less formal measures of tying aid. Therefore we use the proportion of contracts that donors award to domestic companies as a proxy for informal tying. Donors with a high share of contracts awarded to domestic companies may use informal barriers to prevent competitive tendering (Meeks, 2017).

\textbf{Indicator 3B. UN voting patterns and aid: correlation between UN voting agreement across donors and recipients, and bilateral ODA disbursements from donors to recipients}

\textbf{Data source}

Bilateral ODA data is sourced from the OECD’s CRS; UN voting data is taken from the UN General Assembly Voting Dataset developed by Voeten et al. (2009).

\textbf{Approach and measurement}

To develop this variable, we combine two datasets – CRS for ODA data and the UN voting dataset – based on the amount of aid allocated between donors and recipients and the degree to which they voted the same way in the UN General Assembly. While there are many ways to calculate UN voting agreement (see Voeten, 2012; Rose, 2018), we measure this following Voeten et al. (2009), where we count abstentions from a vote as halfway between an agreement and a disagreement in voting behaviour. We then correlate ODA flows and UN voting alignment for each donor to show the degree to which donors allocate aid to countries that most often vote with them.

\textbf{Justification and caveats}

This indicator captures the degree to which donors use aid to pursue geostrategic interests, indicating the extent to which donors align aid allocation to countries that most often vote in agreement with them at the UN. Such voting patterns have commonly been used in the aid allocation literature, where strong correlation between donor ODA disbursements and recipient voting records at the UN is suggestive of donors aligning aid to further their geopolitical relationships and interests (see Alesina and Dollar, 2000; Dreher et al., 2008). This practice has recently become even

\textsuperscript{17} Data on informally tied aid for 2017 and 2018 was unavailable at the time of the 2018 data update, as the contracts dataset on which the variable is based is published on a two-year basis. We therefore use 2016 data to proxy the share of ODA that is informally untied as reported in the most current dataset available (published June 2018).

\textsuperscript{18} For more, please see Section 3.3 on the treatment of missing data.
more explicit in the context of an ‘America first’ strategy (Pipa, 2018). 19

We recognise that this variable may be more relevant to large donors than small ones. Nonetheless, studies including Alesina and Dollar (2000) and Bermeo (2018) have used it to measure geopolitical interests across donors, irrespective of size. This measure is used in individual country studies for a wide variety of countries, not just large donors. This includes Australia (Bruere and Hill, 2016), Poland and the Czech Republic (Opršal et al., 2020), the UK and France (Cunliffe and Laver, 1985), Germany (Nunnenkamp and Ohler, 2011), Japan (Lewis-Workman, 2018), the Republic of Korea (Jung et al., 2018) and the US (de Mesquita and Smith, 2007; 2016). Additionally, there is evidence that smaller donors may still use their aid for influence, but in different ways to larger donors, such as to increase their chances of being elected to the UN Security Council (Reinsberg, 2019).

**Indicator 3C. Aid and arms trade: correlation of dyadic bilateral ODA flows, per recipient capita, and arms exports between donors and recipients, per recipient capita**

**Data source**

Bilateral ODA data is sourced from the OECD’s CRS; arms exports data are taken from the UN International Trade Statistics Database (UN Comtrade); 20 population statistics are taken from the United Nations Population Division ‘World population prospects: the 2019 revision’ dataset.

**Approach and measurement**

This indicator measures the correlation of bilateral ODA flows between donors and recipients (per capita in the recipient country) and arms and ammunition exports between donor and recipient countries (per capita in the recipient country). For our purposes, arms and ammunition export flows are calculated as the sum of exports for ‘arms and ammunition’ and ‘tank and armoured vehicles’ between each donor and recipient pair. We recognise that these categories do not capture all exports of military materials, such as warships or aircraft. However, the UN Conference on Trade and Development export codes do not make it possible to include these categories of flows without also counting non-military expenditures. Other studies using an arms trade variable – including the Commitment to Development Index – compile an aggregate measure of arms trade per donor, which does not provide the granularity (i.e. arms trade flows by donor–recipient pairs) needed for our purposes.

We use a rolling three-year average of arms exports per donor–recipient pair to account for fluctuations in annual arms purchases. This is based on the understanding that ‘arms exports, like armed interventions, are volatile in quantity from year to year’ (CGD, 2018: 41). Average annual arms exports are then correlated with annual ODA flows per donor–recipient pair for the current year.

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19 While President Trump’s comments explicitly pointed to a policy of vote-buying, Rose (2018) notes that using aid to influence votes has been part of the US government’s diplomatic toolkit for some time.

20 We also explored using the Stockholm International Peace Research Institute (SIPRI) Arms Transfer database as the basis for this variable. However, we rejected this data source for two reasons. First, our sample downloads of ‘registers’ from the SIPRI database, which provides a list of large arms purchases from selected countries (donors) to other countries, did not consistently identify the value of purchases of arms. Seeing as our measure depends on the availability of the value of arms export flows, the missing data in the SIPRI registers made it a problematic source. A second type of data available from the SIPRI arms export database produces a list of recipients of arms flows from selected countries (i.e. donors) as well as an estimated value of such trade. However, when we compared the results of this dataset to that from the Comtrade source, we found that SIPRI lists far fewer recipient importers than the Comtrade data. For instance, the SIPRI data shows that, in 2016, Australia exported arms to Indonesia and the Philippines only (in terms of developing-country partners), while the Comtrade set includes exports to Indonesia and the Philippines, but also shows trade in arms to other countries, including Papua New Guinea and Samoa. As a result, we opted to use the Comtrade data to ensure that the largest sample of arms-importing countries were captured and accounted for in our correlations with ODA flows.
Changes from the previous edition
In the previous edition we looked at the pure correlation between arms exports and ODA flows. However, we have been concerned that this picks up a spurious correlation (Clist, 2011), as it is likely that countries with a larger population require both more aid and more arms. If the correlation is driven by this, it is not picking up any specific donor strategy. Therefore we look at both ODA and arms exports per capita.\textsuperscript{21}

Justification and caveats
This variable measures the degree to which donors prioritise aid allocation to countries which purchase their arms and ammunition exports. Higher scores suggest that donors are more likely to aid countries that purchase their arms exports, while negative correlations suggest little relationship between arms trade and aid. The supply of arms can affect global peace and security, especially to countries that are undemocratic, heavily militarised and impoverished (CGD, 2018). Donors that align aid allocation to the sale of arms and ammunition act in a manner which prioritises domestic interests over the global good. Aid allocation literature has used the relationship between aid and arms flows to capture donor strategic military relations (see Clist, 2011). In addition, this variable is likely to capture domestic commercial interest in increasing exports (as suggested by Betzold and Weiler, 2018).

We recognise that some DAC countries have no, or small, arms industries, and that this might lead to some spurious correlations.\textsuperscript{22} However, we find that there is very little relationship between the size of arms exports and the correlation between them and ODA, so small exporters do not seem to be especially penalised.

Indicator 3D. Aid spent in recipient countries: share of bilateral ODA spent as Country-Programmable Aid (CPA), plus share of bilateral ODA spent in Country-Based Pooled Funds (CBPFs)

Data source
CPA is sourced from the OECD’s CPA dataset; use of CBPFs is from OCHA’s CBPF Business Intelligence Portal; total bilateral ODA is taken from the OECD’s CRS.

Approach and measurement
To compute this indicator, we average donor performance on two indicators of in-recipient spending:

1. Amount of bilateral aid spent as CPA, as a share of total ODA. CPA excludes aid that entails no cross-border flows, for example in-donor spending on refugee costs.\textsuperscript{23}

2. Amount of contributions to CBPFs, as a share of total ODA. CBPFs are in-recipient by definition, and often fund local NGOs (IASC, 2018; Metcalfe-Hough et al., 2020).

The raw values from each sub-indicator were transformed into a z-score to ensure

\textsuperscript{21}There is the possibility of other spurious factors driving this correlation. We also considered controlling for conflict, with the idea that some countries with active conflicts would receive more ODA and more arms. However, we were concerned that this would remove some of the correlation that we are interested in. For example, in the extreme case, the reason why conflict exists in those countries in the first place could be because donors have encouraged purchase of arms via aid-based incentives.

\textsuperscript{22}Based on the methodology used, two countries appear not to provide any arms exports: Iceland and Slovenia. This creates a problem as the actual zero values associated with no arms trade are higher than negative values that occur in the correlations. While the correlations for both countries return a score of zero, the fact that all other correlation results are between 1 and –1 means that Iceland and Slovenia could place in the middle of the rankings. However, as the absence of arms exports makes it impossible for either country to align arms exports with ODA flows to support commercial or strategic interests, we assign both countries a score equal to the lowest correlation value reported across donors in a given year.

\textsuperscript{23}Under OECD DAC reporting regulations, donors can count as ODA the costs incurred in providing basic assistance (food, shelter, healthcare, etc.) to refugees and asylum-seekers over a 12-month period. In recent years, the migration crisis has led to an increasing share of ODA being allocated within donor countries as refugee costs.
comparability. We then took the average of the z-scores for the indicators.

**Changes from the previous edition**

In the previous edition, we took CPA and added humanitarian and food aid to this (which do not count as CPA), where there was evidence that the bulk of these flows were spent in-country. In this edition, we replace humanitarian aid with CBPFs, as a better measure of in-recipient spending than simply looking at all humanitarian aid. CBPFs are overseen by the UN Multi-Partner Trust Fund (MPTF) Office and include humanitarian funds, funds to steer and coordinate SDG engagement and transition funds (MPTF, 2019). Due to a lack of time series data and concerns about overlaps between different funds, we rely only on CBPFs overseen by OCHA, which is primarily concerned with humanitarian funds, all of which are country-based.

Food aid has been removed entirely, due to concerns that a large proportion is not spent in-recipient. According to a 2018 bill aimed at reforming US food aid, only around 30% of the cost of US food aid is spent on food, as current laws require 100% of food aid commodities to be produced in the US (US Senate Committee on Foreign Relations, 2018). This food then has to be shipped to recipients. Further, Mercier and Smith (2019) note that at least half of US food aid must be carried on US ships. They estimate that this adds $42 million annually to costs. Given that the US is by far the largest food aid donor (62% of total food aid in 2018) it seems sensible to exclude food aid from this measure.

**Justification and caveats**

Donors with a higher share of in-country spending are considered more public spirited by providing a larger share of ODA directly to countries. In 2005, the Real Aid Report found that ‘two thirds of donor money is “phantom” aid that is not genuinely available for poverty reduction in developing countries’ (Greenhill and Watt, 2005). This aid never actually reaches recipient countries and is provided to cover donor administrative costs, debt relief, consultants, scholarships and in-donor refugee costs. The report highlighted how the current aid accounting system permits the inclusion of aid spent domestically in donor countries as international assistance (see Roodman, 2014). While such flows are necessary for an aid programme – there can be no such programme without the cost of the staff needed to run it – donors with a higher share of in-donor spending are at risk of subsidising domestic industries and stakeholders at the expense of beneficiaries located in-country. Assuming that donors have a fixed pool of resources for ODA, higher levels of in-donor spending potentially mean that the share of ODA used for in-recipient developmental programming is lower. There is an argument to be made that in-donor spending does not directly assist people and areas most in need.

In addition, in-recipient spending promotes recipient control over aid spending and increases the participation of affected populations, helping to improve the power dynamics in donor–recipient relationships. We recognise that in-recipient spending is a minimum when it comes to recipient participation and control. However, reliable measures of higher standards are yet to be developed.

**Indicator 3E. Influencing elections: absolute value of the difference between expected and actual ODA flowing to a recipient during an election year**

**Data source**

Bilateral ODA data is sourced from the OECD’s CRS database.

**Approach and measurement**

To measure this indicator, we use a ‘difference in differences’ approach. Specifically, for a given recipient that has an election in year $t$, we take the difference between the aid given to that recipient in year $t$ and the average aid given to the recipient in all other years (the ‘first difference’). However, the donor might have increased or decreased their aid to all recipients in year $t$, relative to other years, not just those with an election. We proxy this change by taking the difference between the average aid given to all recipients without an election in year $t$ and the average aid given to these recipients in all other years (the ‘second difference’). We
subtract the second difference from the first difference to give a value for the abnormal aid to that recipient in year \( t \) (the ‘difference in differences’). We take the absolute value of the difference in differences, to account for the fact that aid given to some recipients may be higher in election years, if the donor wants the incumbent to win, or lower if the donor wants the incumbent to lose. We then sum this over all recipients with an election in year \( t \).

For our measure of aid, we use bilateral ODA commitments, removing aid for supporting elections (CRS codes 15110, 15150, 15151, 15152, 15153). We normalise this by total bilateral ODA, as an additional $20 million to a single recipient in a given year would be a large change for, for example, Slovakia, but less so for the US. We include elections for head of state and legislative elections. We do not include snap elections, as donors might not have time to respond to these. We use ODA commitments rather than disbursements for this indicator due to concerns about lags between election announcements and donors’ ability to respond.

### Justification and caveats

Abnormally high or low aid during recipient election years is used as a proxy for donors’ attempts to influence elections. Aid may be abnormally high if donors want the incumbent to stay in power, or abnormally low if they wish the opposition to win the election. Donors that use aid to attempt to sway the results of an election act in their narrow self-interest, undermining the democratic process in recipient countries.

There is a large literature on political spending cycles, demonstrating that governments spend more in the run-up to an election, in order to improve their chances of winning that election. Faye and Niehaus (2012) present evidence that donors can act in a similar way, changing their aid in recipients’ election years, to sway the results of elections. They find a large increase in aid in election years to recipients where the incumbent is ideologically aligned with the donor. A significant literature has built on these results, for example breaking them down by different types of aid (Annen and Strickland, 2017) and different types of donor (Kersting and Kilby, 2016; Anaxagorou et al., forthcoming).

### 2.5 Other indicators considered

When developing the PA Index, we considered but rejected several indicators as they did not meet at least one of the inclusion criteria outlined in Section 2.1. We review these rejected indicators below.

**Share of bilateral ODA allocated to fragile states**

(World Bank list of fragile situations)

This measure was ultimately replaced by indicator 1D and was rejected on conceptual grounds due to questions about the clarity and strength of various fragility measures, as well as concerns that most fragility metrics measure governance quality rather than immediate crisis or need.

**Share of ODA on social spending**

We considered an indicator looking at the share of ODA spent on social services (health, education and social safety nets), as these are often seen as key sectors for poverty reduction. However, we were concerned that this would unfairly penalise donors that focus their ODA in other key sectors, such as infrastructure. This measure was ultimately replaced by 1E, which does not reward donors for their absolute spending on social services, but instead rewards them for targeting their spending towards the most severely financially challenged countries.

**Share of ODA to support SDG 8 for decent work**

We considered using the share of ODA to support SDG 8 for decent work, as a proxy for donor support for the global system. This was based on the understanding that donors may seek to support employment generation and growth in partner countries as a long-term effort to slow migration, boost productivity and increase stability. However, this indicator was not selected due to data unavailability.

**Share of ODA spent promoting financial stability**

Financial stability is a global public good in a world with increasingly inter-connected financial systems. We considered looking at bilateral contributions towards public sector policy and administrative management, financial policy and administrative management, and monetary
institutions, as a measure of contributions towards this (Reisen et al., 2004). However, most contributions towards financial stability are of a multilateral nature, and there is no established way to compute multilateral shares towards this global public good.

Share of ODA spent promoting knowledge production
Knowledge production, research and technology are global public goods. Contributions towards these could be measured by looking at ODA flows contributing to global research (including agricultural research, medical research, research/scientific institutions and technological research and development) as well as flows to research-relevant channels of delivery (such as disbursements channelled through universities, colleges or other teaching institutions, research institutes or think tanks) (Knox, 2016). However, a large proportion of spending on research is not ODA-eligible, and therefore this measure would not reflect donors’ true contribution.

Share of bilateral ODA to support global public goods
We considered a proxy measuring the share of ODA allocated to support a list of multiple global public goods identified by Reisen et al. (2004), using the CRS purpose codes. However, the use of the CRS purpose codes meant that the data would focus exclusively on bilateral spending. Since donors may support global public goods through multilateral as well as bilateral action, we rejected this measure on the basis of conceptual clarity.

Correlation between foreign direct investment flows per donor-recipient pair and ODA
We explored using a correlation between foreign direct investment and ODA flows as a proxy for public spiritedness, where lower correlations show that donors give less aid to countries in which they have investment interests and suggest a lack of alignment with donors’ commercial priorities. However, this variable was rejected due to the lack of conceptual clarity over whether such a correlation would truly reflect a lack of public spiritedness, in the absence of prior literature on this measure.

Correlation between asylum-seekers and ODA
We tested a variable that correlated the number of asylum-seekers entering donor countries from origin countries with the amount of bilateral ODA allocated to each recipient country. This aimed to capture the degree to which donors may use aid to attempt to curb the number of asylum claimants from key sending countries (see Clemens and Postel, 2018). However, this variable was rejected due to a negative correlation with other measures in this dimension.

Share of ODA going to former colonies
We explored whether donors are more likely to allocate ODA to countries that are former colonies, which would suggest that aid allocation is aligned to donors’ geostrategic interests. However, given that only 11 of 29 donors are former colonial powers, this variable was untenable.

Ratio of other official flows to total ODA
We explored using a ratio of other official flows to ODA to capture the degree to which donors provide funds on less concessional terms than ODA, and are typically reimbursable to the donor country. However, data coverage for this variable was inconsistent, with no data available for several donors.

Correlation between ODA and trade flows by donor-recipient pairs
We considered and explored using a correlation between ODA and trade flows, or exports, as a proxy for public spiritedness, where lower scores would denote more public spirited behaviour given that allocations would be less tied to commercial interests. However, there were questions about whether this proxy was actually measuring vested interests or a potential ‘win–win’ for donors and recipients. Due to this conceptual confusion, we rejected this variable.

Correlation between dyadic ODA and the geographic distance between donor and recipient capitals (e.g. distance between Canberra, Australia, and Port Moresby, Papua New Guinea)
We considered this variable as a potential proxy for public spiritedness, where lower scores would
suggest that donors are less actively using aid to support regional stabilisation. However, we found that this proxy privileged those donors that had fragmented aid programmes.

**Share of ODA that follows a recipient-led results framework**

We considered an indicator which measured the share of aid that follows a recipient-led results framework, on the basis that this rewards recipient-led aid in a more nuanced way than our current indicator 1D. However, this indicator was rejected due to lack of data going back to 2013.
3 Scoring and aggregation

The indicators detailed in the previous chapter are aggregated to yield an overall PA Score for each donor in each year of interest. We choose to aggregate the PA Score on the three dimensions underlying the PA Index – development gaps, global cooperation and public spiritedness. Our theoretical model understands principled aid as the combination of donor performance against these three dimensions.

First, we treat extreme outliers by assigning values outside the 2.5 and 97.5 percentile with the score closest to either percentile. For example, observed values higher than the 97.5 percentile are lowered to match the value closest to the 97.5 percentile. This method is consistent with the approach to outliers adopted by the Environmental Sustainability Index (Saisana, 2014). In total, this treatment changes the values of 10 observations per indicator between 2013 and 2018. This helps normalise the distributions of the indicators, and makes the scores less susceptible to extreme values.

We then normalise highly skewed indicators by log transforming values of indicators with highly skewed distributions, to ensure the comparability of results (see OECD, 2008).

Next, we standardise the data by converting the treated raw values of each indicator into z-scores calculated across all values and over time. This has the advantage of positioning each donor comparatively, while accounting for the average and standard deviation of the distribution across the sample.

We use a min-max scaling method to score donor performance on each dimension against all other scores for that dimension, across years. This method transforms the variables to have an

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24 To demonstrate this, we used principal component analysis (PCA) to statistically verify that our indicators were capturing a single concept. For more on the PCA analysis, please see Section 4.6.

25 We consider the raw values for each indicator over the years 2013–2018 as the basis of our aggregation methodology. This means that each indicator has a total of 171 observations, of which 10 are changed over the sample period. One exception to this methodology was the treatment of naturally occurring zeros in the data. Two variables (targeting gender inequality and reducing the spread of communicable diseases) had more than five zeros in the raw data, meaning that they have more than the number of outliers accounted for by this methodology. In both cases, these zeros mean that donors provide no aid for gender targeting or disease control according to the specifications of the indicators, meaning we treat more outliers in these cases.

26 We log transform the raw values of 1C, 1D, 1E, 2A, 2C, 2D, 2E, 3B, 3C, 3E, as their distributions were positively skewed.

27 We note that the raw values on the ‘tied aid’, ‘UN voting alignment’, ‘arms exports’ and ‘influencing elections’ variables were flipped to ensure consistency in the interpretation. In these three variables, high raw values indicate less principled performance; for instance, a high share of tied aid runs counter to our understanding of principled allocation practices. In all other variables, high performance denotes a more principled aid allocation. By flipping the values on these three measures, we ensure that the interpretation of all variables is aligned and allows us to aggregate across all measures.
identical range (between 0 and 1) by subtracting the minimum value and dividing by the range of values. In doing so, the highest value of each dimension, across all years, becomes equivalent to a score of 1, while the lowest takes on a value of 0; all other values are scored within this range. We then multiply the value of each dimension by 10 so that each is assessed on a scale of 0–10. This means that this min–max score can be interpreted as a ‘distance to frontier’ score. It captures the gap between a donor’s performance and the best performance by any donor over time.

Finally, the scores are summed across the three dimensions to create an overall score per donor out of a maximum score of 30. In all cases, higher scores indicate more principled performance.

Our aggregation methodology has two main strengths. First, by standardising the indicators using z-scores calculated across all values for each indicator over time, we can assess both relative and absolute changes in donor performance. For instance, by calculating Australia’s 2017 z-score on the gender inequality variable against all other scores for that indicator, we can compare Australia’s performance to other donors, as well as to its own score in previous years.

Second, by scaling the values using the min–max method, we maintain distances between donors within the scoring. This is preferable to rank-based aggregation methods, which create artificially large gaps between donors that had performed very similarly, and artificially small gaps between donors that had performed quite differently, but were similarly ranked, by reducing the distance between each donor to a standard value of 1.

We also considered alternative aggregation methods, such as the geometric mean, ranks and aggregating across z-scores. We rejected geometric aggregation as this method reduces the comparability of indicators with high and low values. This means that distorted average performance would skew our results by penalising poor performers or unduly privileging improvements in such countries over time. We rejected the rank aggregation method as it significantly reduces the spread between values to a distance of one rank. We also rejected simply aggregating across z-scores in the absence of min–max scaling as the presence of negative values made it difficult to meaningfully interpret and convey results to users.
4 Data testing and approaches

4.1 Donor selection and datasets

The PA Index assesses the motivations of 29 bilateral donors that are members of the OECD DAC. For DAC members, there is reliable and consistent cross-national time series ODA disbursement data available at the disaggregation level required to construct our indicators. Equivalently detailed data across all indicators is not available for other aid providers, including those that voluntarily report to the DAC’s CRS and for new and emerging aid providers (OECD, 2019). For this reason, we limit our sample to DAC donors, even as we recognise the potential benefits of extending this analysis to non-DAC providers.

Unless otherwise stated:

• The source for data regarding ODA is the CRS bulk file, downloaded on 1 June 2020.
• ODA data refer to gross disbursements, rather than commitments – the exceptions being the climate finance variable, which is reported in the Climate Finance Dataset on a commitment basis, and the swaying elections variable. We use aid disbursements on the basis that this better reflects donor actions and actual allocation patterns.
• All ODA-eligible financial flows – grants, loans and equity, as reported against each project recorded in the CRS – are included under the measure of ODA.
• Donors are included in the dataset based on DAC membership. Five donors joined the DAC in 2013 (Czech Republic, Iceland, Poland, Slovakia and Slovenia) and one, Hungary, joined in 2016.

The PA Index compiles data for the years 2013, 2014, 2015, 2016, 2017 and 2018. At the time of publication 2018 was the most recent year with a full dataset available as the OECD finalises ODA statistics in December for the previous calendar year.

4.2 Treatment of missing data

Missing data was a challenge for only one variable – untied aid. In this case, some donors have not reported information on aid tying or on contracts to the DAC Secretariat. As donors have committed to reduce and ultimately end the practice of tied aid, we consider it incumbent upon them – and necessary for accountability towards this commitment – to provide this information as part of their regular reporting of ODA to the DAC. We therefore ‘penalised’ non-reporting donors by assigning them a value equivalent to the worst score among reporting donors. A similar approach of penalising donors for missing data that should be reported has been used by others, for example in the Commitment to Development Index (Kappeli et al., 2017).

We do not include ‘EU institutions’ in our sample. While the EU engages in development as a bilateral partner and is counted among DAC donors, the factors influencing its motivation for aid allocation may differ from other donors by virtue of being funded by multiple EU states.
4.3 Weighting and controls

The PA Index’s three dimensions – development gaps, global cooperation and public spiritedness – are equally weighted in the score calculation. This is in the absence of any strong theoretical rationale for asymmetrical emphasis or any meaningful way to determine their relative importance (OECD, 2008). We have also assigned each indicator equal weighting within each dimension on similar grounds.

Most of our indicators are ratios or correlations, so inherent in their calculation is a control by a certain variable (e.g. bilateral ODA, total ODA). These denominators were chosen on an individual basis to best represent the concept we were trying to convey with each indicator. Examining total values rather than ratios would in most cases simply result in the largest countries (e.g. the US) dominating the Index. By taking ratios, we ensure that donors are assessed on how they choose to allocate their aid resources, regardless of the absolute size of their budget.

4.4 Time lags

We acknowledge that there are often time lags between policy changes and implementation. This means that the impact of recent policy changes on donor motivation may not be seen in the data immediately. For instance, we do not expect the UK’s aid strategy to be reflected in pre-2015 data, but we do expect to capture its influence in the years that follow. This being said, the effect may still take time because spending patterns are stickier than the desire for political change. A significant portion of ODA is typically determined by multi-year commitments, therefore the proportion that can be actively oriented towards new aid policies is often small in the years following policy declarations. For example, an analysis of spending room in the Canadian context shows that 15% of the ODA budget managed by Canada’s main development actor – Global Affairs Canada – is ‘programmable’ in future fiscal cycles (from 2017/18 to 2019/20) (Bhushan, 2017). This means that, in the Canadian context, new policy directives will likely unfold incrementally in alignment with the programmable budget room available each year.

In addition, we have a two-year lag between the DAC data release and the Index. This means that, for the 2020 version of the Index, the latest available DAC data is for 2018. Nonetheless, the Index allows us to track long-term trends on aid allocation, as well as assess the impact of political changes.

4.5 Confidence intervals

As with all indices, it is not possible to create confidence intervals for our results, or the changes that we see over time. Therefore, in theory, small changes could represent underlying trends, or simply noise in the data. In the absence of confidence intervals we cannot test whether these changes are statistically significant. Nonetheless, the trends that we document in the following section come from where we would expect to see changes,\(^\text{29}\) leading us to believe that they represent real trends and not simply noise.

4.6 Data tests

We performed various tests on the indicators to measure the conceptual coherence of the PA Index, as well as the sensitivity of the Index to choices made.

In the first test, we analysed the correlation the set of z-score-transformed values for each indicator against every other indicator. This enables us to test two aspects of the indicators. First, we are interested in whether the indicators in the same dimension were capturing a facet of the same underlying concept; in other words, were they telling a similar story about each donor? Negative correlations within the same dimension suggest possible incoherence in the concept being represented. We considered and rejected several indicators in previous iterations of the PA Index (see Section 2.5) because they were negatively correlated with one or more indicators within the same dimension, which we

\(^{29}\) For example, we find that Iceland’s fall in the PA Index coincides with the abolition of its international development agency, while New Zealand’s recent improvement in the Index follows a change of direction in development policy.
decided in each case was a result of a conceptual incoherence. Correlations using the z-score-transformed variables show no negative values among indicators within the same dimension (Table 5). Second, the correlations are important for establishing that each indicator is capturing new and non-duplicative information. We do not wish to punish or reward donors for the same thing twice. We would be concerned if any two indicators had more than a correlation of 0.9. However, the highest correlations are much lower than this (less than 0.6).

For a second test, we also ran PCA on the treated values of the five indicators in each dimension to confirm that the indicators measure a coherent concept. PCA is a variable reduction technique that identifies principal components which account for the variation observed across the indicators. In our case, we use it to verify that the indicators used capture a coherent underlying concept— that is, the dimension that each is intended to proxy.

The PCA shows that there is one component (eigenvalue >1) underlying the development gaps and global cooperation dimensions. While the public spiritedness dimension shows two components, one component is dominant with an eigenvalue of almost double the value of the second component. In all cases, this suggests a strong degree of conceptual clarity within each dimension.

In a third test, we ran a sensitivity test for the PA Index by calculating the changes in each country’s ranking when removing each indicator

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Table 5  Sensitivity test, ranks when each individual indicator is removed (2018 results)
from the aggregation methodology. With the removal of any one indicator, we would expect to see changes of no more than around 10 places in the rankings (i.e. roughly one-third of the size of the total number of countries being ranked). The sensitivity test returns no instances of large changes in rank across our entire sample. This suggests that the data is relatively stable across donors, whereby no one indicator is shown to drive the results. The results of this test for the 2018 rankings are shown in Table 6.

Finally, we test the sensitivity of our results to the inclusion of EU institutions. Given that the Eastern European donors are the lowest-ranked donors in many years of the Index, we were concerned that this was partially due to the exclusion of ODA channelled through the EU (particularly in indicator 2B). Therefore, we checked the sensitivity of our results to the inclusion of ODA channelled through the EU. This does not change the ranking of any Eastern European donor.

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30 We conduct this test using the transformed variables to test whether specific indicators are driving our overall results.
References


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