

# The Principled Aid Index: An Introduction

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How do donors use development spending to pursue their long-term national interest? While the Donor Tracker provides information on the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) donors' strategic priorities, the Principled Aid Index (PA Index), created by the Overseas Development Institute (ODI), quantifies how development spending aims to serve both the recipient state and donors' own national interests. The PA Index complements Donor Tracker analyses and helps clarify the motives behind donors' development strategies as well as their impact in creating a more prosperous and sustainable world.

## Development assistance in the national interest: what's changing and why does it matter?

In recent years, the populist turn in politics around the world has granted greater imperative to servicing the national interest through official development assistance (ODA) spending. Foreign assistance that earns a domestic return through 'mutual gains' or 'win-wins' is now a common goal for political leaders seeking to justify expenditures on non-citizens overseas to an increasingly sceptical public.

Yet the more donors seek to achieve narrow short-term interests through their development assistance, the greater the risk of detracting attention, resources, and efforts away from the primary objective of global sustainable development. Donors need reminding that a safer, more sustainable and more prosperous world serves the national interest as much as it benefits recipient countries. If assistance is allocated with long-term development goals as the primary consideration, nation states – individually and collectively – are winners, with long-term mutual interests truly served.

## What is the 'Principled Aid Index'?

ODI's PA Index benchmarks 29 donors on whether the type of national interest they pursue is 'principled', 'unprincipled' or somewhere in between. A principled national interest advances a donor's interest by engaging with development challenges to create a safer and more prosperous world. An unprincipled approach prioritizes short-term political or commercial interests of donors over long-term

development outcomes. In other words, unprincipled donors care more about what development assistance can do for them than what their assistance can do for the world.

Through this benchmarking methodology, the PA Index provides insights into trends among OECD DAC donors. These insights can support the formation of alliances among donors based on shared values and foster wider discussions on the role of national interests and agendas in relation to foreign assistance.

## What does the Index capture?

Whether donors are considered principled or unprincipled in their development activities depends on the degree to which spending advances three principles:

- 1. Need:** Development assistance is principled when it is provided to support vulnerable populations and targeted to areas where need is greatest. In the long run, allocations that target needs and vulnerabilities can serve the donor's national interest by reducing the propensity for political conflict and social tension, increasing the productivity of human capital, generating more trade and investment opportunities, and furthering development prospects overall.
- 2. Global cooperation:** A principled approach to the national interest prioritizes actions that support international institutions and systems, and global public goods, such as clean air or the eradication of disease. Such goods offer benefits that extend beyond any single nation, are nonrival and nonexcludable, and are

critical for poverty alleviation and sustainable development.

3. **Public-spiritedness:** Principled development assistance allocation avoids the instrumentalization of development assistance to advance short-term economic and political agendas over recipient needs or development outcomes. Principled actions are those that remain focused on global development objectives and outcomes.

#### How is it measured?

The PA Index is a composite measure that uses 12 equally weighted indicators to proxy the principles of need, cooperation, and public spiritedness with four indicators per principle. The indicators capture different facets of donor allocations to empirically assess the degree to which donors promote a principled national interest. The full list of indicators and data sources used to compose the Index are available in our working paper and policy brief.

The Index aggregates indicators across each principle to derive a total score out of a maximum 10 points for each dimension. The scores on each principle are then summed to a total score out of a possible 30 points. In all cases, higher scores represent more principled performance.

#### How can I explore the data?

On the PA Index website, users can explore the PA Index data across years (2013 through 2017 as of publication). The website allows users to compare donors' rankings, across both principles and overall. It also presents country profiles on policies related to the national interest and trends in country performance.

#### What did we find?

Our analysis showed four main findings:

1. **There is a striking gap between top and bottom performers:** In 2017, the latest year for which data is available, Luxembourg was the highest-ranking donor on the PA Index with a score of 24.5 out of 30, followed

by the UK (23.9), and Sweden (22.7). At the bottom, we find Austria (9.9), Greece (7.9), and the Index's lowest-scoring donor, the Slovak Republic, with a score of just 5.9.

2. **Donors are becoming more principled:** Between 2013 and 2017, we find that donor scores on the PA Index generally improved due to stronger performance on the global cooperation and needs dimensions. This suggests that donors are increasingly allocating development assistance to support vulnerable populations and advance global ambitions.
3. **Donors display a worrying deterioration in their commitment to public spiritedness:** Over time, all but six donors showed an absolute decrease in their performance on the 'public-spiritedness' dimension of the Index, which captures whether assistance is "allocated to maximize every opportunity to achieve development impact, rather than short-sighted domestic return". This suggests that donors are increasingly seeking short-term wins from their development activities.
4. **More generous donors score higher on the PA Index:** We see a positive correlation between the quantity of assistance that donors provide as a share of gross national income (GNI) and scores on the PA Index, suggesting that donors that reach or are closest to reaching the 0.7% spending target tend to be more principled. The correlation is consistent across each year of the Index.

#### Conclusions

Like many areas of development policy, the case for principled development assistance relies on a long-term understanding of national interest. Unfortunately, this is inherently at odds with the short-termism of electoral cycles and the public pressures on foreign assistance budgets seen in many countries. Measuring donor principledness allows for an independent, evidence-based assessment of the nature of donors' motivations as revealed by their development spending.



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