Time for a Reset:

Development Cooperation at the Crossroads

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"A fundamental shift is needed in how existing international development assistance is delivered."

Fiji Deputy Prime Minister, Biman Prasad, Comments Delivered to the High-Level Regional Consultation on Financing for Development in Asia and the Pacific, December 2024.

"Rising fragmentation, insufficient country ownership, and lack of alignment with country priorities have undermined the effectiveness of support. This calls for a re-evaluation of the practice and purpose of international development cooperation, and reforms to the development cooperation architecture – globally and in countries – as a basis for a revitalized and more coherent cooperation that honors existing commitments, meets emerging needs, and focuses on sustainable development impact."

FFD Zero Draft, January 2025, p.12.

"Think of traditional development assistance — or "Old Aid" as I call it — as [a] melting iceberg. … This massive structure has achieved a lot, from childhood vaccinations to AIDS treatments. But it's also been weighed down by risk aversion and bureaucratic handcuffs, and is increasingly out of step with the world's needs."

Raj Kumar, Devex, January 2025.

"It is often said that we live at an inflection point in history. A moment marked by complex, interconnected challenges, in a rapidly changing world. The climate crisis is wreaking havoc … we live in an increasingly violent and fragile world, not seen since the Second World War …, [a]t the same time, economic downturns and a worsening debt crisis make it difficult for countries to recover … Despite this complicated, rapidly evolving context, our development architecture – which should help us respond to these crises – was designed six decades ago, in slower, simpler, pre–artificial intelligence, pre-Internet, pre–climate crisis times. [Yet] since the 1960s very little has changed in terms of the institutions, bodies, and governance that make up this picture."

Jorge Moreira da Silva, 2025 in *The Future of Official Development Assisatance*, CGDev, Ahmed et al.

April 2025

***Acknowledgements**: the following people kindly agreed to be interviewed for this report: Jenny Hodgson, Degan Ali, Gail Hurley, Vitalice Meja, Patricia Miranda, Rita Da Casta, Mario Pezzini, Emma Mawdsley, Nick Dearden and Karla Eugenia Majano de Palma. Florencia Terzano provided formatting and research assistance; Nikolai Hegertun, Mikaela Gavas, and Jonathan Glennie provided comments and feedback. Responsibility for all content lies with the author alone. This paper was first presented at a roundtable discussion hosted by Norad, the Norwegian Development Agency, in January 2025 and lightly revised for publication in March 2025. With thanks to Norad for supporting the research under Framework Agreement 7 Saksnr.* 2401761.

ISBN: 978-82-8369-219-8

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Abbreviations

Acronym	Definition	Acronym	Definition
AI	Artificial Intelligence	**AIIB**	Asian Infrastructure Investment Bank
AIDS	Acquired immunodeficiency syndrome	**BRICS**	Brazil, Russia, India, China, and South Africa
CEPI	Coalition for Epidemic Preparedness Innovations	**DFIs**	Development Finance Institutions
DAC	Developm ent Assistance Committee	**EU**	European Union
ECOSOC	Economic and Social Council	**FDI**	Foreign Direct Investment
FFD	Financing for Development	**GFA**	Global Financial Architecture
FOCAC	Forum on China-Africa Cooperation	**GNI**	Global National Income
GDP	Gross Domestic Product	**GPI**	Global Public Investment
GFSN	Global Financial Safety Net	**HLAB**	High Level Advisory Body
GPG	Global Public Goods	**IBRD**	International Bank for Reconstruction and Development
HIV	Human Immunodeficiency Virus	**IFC**	International Finance Corporation
HNWI	High Net Worth Individuals	**IFIs**	International Financial Institutions
ICSID	International Centre for Settlement of Investment Disputes	**INFF**	Integrated National Financing Framework
IDA	International Development Association	**MDG**	Millenium Development Goals
IMF	International Monetary Fund	**MVI**	Multidimensional Vulnerability Index
MDB	Multilateral Development Bank	**NGOs**	Nongovernmental Organizations
MIGA	Multilateral Investment Guarantee Agency	**OECD**	The Organization for Economic Cooperation and Development
NATO	North Atlantic Treaty Organization	**PSI**	Private Sector Instruments
ODA	Official development assistance	**SDR**	Special Drawing Rights
PAHO	Pan American Health Organisation	**SIDS**	Small Island Developing States
PPR	Pandemic Preparedness and Response	**SSC**	South-South Cooperation
SDG	Sustainable Development Goals	**TOSSD**	Total Official Support for Sustainable Development
SG	Secretary General	**UNFCCC**	United Nations Framework Convention on Climate Change
SOTF	Summit of the Future	**UNHCR**	United Nations High Commissioner for Refugees
UN	United Nations	**USAID**	U.S. Agency for International Development
UNCTAD	United Nations Conference on Trade and Development	**UNRWA**	United Nations Relief and Works Agency for Palestine Refugees
UNGA	United Nations General Assembly	**WEF**	World Economic Forum
UNSG	United Nations Secretary General		

Executive Summary

The Changing Role of ODA in Development Cooperation

Official Development Assistance (ODA) has for decades played a vital role in addressing poverty and financing global development goals. But even before the current upheavals precipitated by the US administration's dramatic overhaul of USAID in January 2025, the international aid system faced mounting pressure from shrinking donor budgets, emergent geopolitical rivalries, and the tendency to use ODA to meet a widening range of needs it was not designed to address, including climate finance, refugee costs, and global health security. It is these medium term and structural challenges that this paper examines. The full scale of the shocks that have been sent through the development cooperation system by the Trump administration since then are not considered in this paper, which was written and first presented as the current US administration assumed office.

The paper's primary argument, however, remains largely unchanged. Indeed, understanding the full impact of the current upheavals requires first grappling with the *underlying* pressures confronting ODA and the wider development cooperation system. This briefing paper therefore offers a holistic account of the most important drivers of change. It also includes consideration of the extent to which the governance of ODA, rooted as it is still in outdated categorizations of "developed" and "developing" nations, fails to address today's realities of inequality within countries, including the shifting geography of poverty toward middle-income and fragile states. It further provides an assessment of the range of policy responses and potential pathways forward that are available and offers recommendations for reform in relation to these. The paper takes as its starting point the following *systemic* challenges:

Key Challenges

1. **Evolving Global Dynamics**: The geography of global poverty and inequality no longer fits the binary division of rich and poor nations that underpinned traditional ODA (or "Aid 1.0"). Inequality exists both within and across countries, with poverty today needing to be addressed both in fragile states *and* middle-income nations.
2. **Rising Demands on Aid**: ODA increasingly funds global crises such as climate change, pandemics, and migration, often at the expense of traditional poverty-focused programs. But should it? For example, one-third of ODA budgets now address climate objectives, leaving less for core development priorities.
3. **Fragmentation and Complexity**: A proliferation of development actors, including emerging economies, private foundations, and multilateral institutions, has led to inefficiencies and higher transaction costs. Recipient countries struggle to manage fragmented aid flows and overlapping donor priorities; donor countries struggle to ensure coherence in their aid policies.
4. **Geopolitical Pressures**: Rising powers like China promote a different vision for development assistance than is countenanced in traditional ODA. Such a challenge to the dominance of a narrow group of donors is, in and of itself, no bad thing. But given declining trust in multilateral institutions and an increasing geopolitical orientation to aid agendas, it makes more ambitious (and cooperative) agendas for sustainable development harder to achieve.
5. **Public and Political Scepticism**: In donor countries, declining public support for aid reflects growing concerns about domestic needs. Conversely, recipient countries demand reparative aid over donor-driven models, amplifying calls to decolonize development.
6. **Structural Limitations**: A significant portion of ODA is increasingly spent within donor countries, on administrative costs and refugee support. This erodes the funds available for

direct poverty alleviation in the poorest countries and contributes to undermining both support for ODA and its overall effectiveness.

The Case for Reform

Given these challenges, the paper goes on to evaluate the case for reform. Can tweaks to the system be effective in the current context? Or are wholesale structural revisions required? Our findings are clear: structural revision is needed but the baby should not be thrown out with the bathwater. ODA has long been a critical and important tool within a larger development cooperation architecture and a central pillar of multilateral cooperation more broadly. Yet it is increasingly clear that incremental adjustments will not suffice if the world is to achieve sustainable human development amidst the challenges of our time. In short, we find that ODA needs reimagining to address global challenges, improve coordination, and restore trust. And possibly also – in the current moment – to survive.

Such a reimagination of the aid architecture must include a transition from short-term, donor-driven interventions to long-term, demand-led cooperation. ODA must also be more clearly distinguished from other international public finance flows and more strictly targeted at its core aim of poverty reduction and long-term economic development. Yet this alone will not be enough. The era of "aid" as we have known it is over. A revised commitment to development assistance targeted at poverty reduction must occur in parallel with the evolution of new and additional commitments – or complementary "tiers" – that can provide the often quite different types of financing needed to meet the planetary challenges and global public goods needs of the 21st century. ODA, in other words, must be merged into a larger development cooperation structure, comprising multiple coordinated international flows and deployments of capital that address a range of needs from climate finance and biodiversity protection to humanitarian and crisis response. This in turn will require new and stronger governance and transparency *internationally*, including better integration with the development bank system, as well as changes to the way that line ministries, treasuries and development cooperation agencies work *domestically*.

If this seems a tall order, the upheavals of 2025 combined with the political opportunities available this year – including the 4th International Financing for Development Conference and a South African G20 that could yet build consensus, after a run of four emerging economy G20s (Indonesia, India, Brazil, South Africa), on the guiding principles to inform a revised development cooperation architecture – offer opportunities for meaningful political steps forward. These are opportunities that development leaders and heads of government must now realize: the problems are only too obviously political before they are technical. To assist decision-makers in weighing the challenges and opportunities ahead, the paper further outlines five hypothetical scenarios that development cooperation (and ODA as a crucial pillar within it) may take from where we are today.

Future Scenarios

The paper outlines five hypothetical scenarios for development cooperation between now and 2040:

1. **Incremental Change**: Minor adjustments are made to improve efficiency without addressing systemic flaws. The DAC continues to lead with a focus on improving metrics and leveraging private finance.
2. **Fragmented Bilateralism**: Aid becomes narrowly tied to donor interests, such as securing resources or geopolitical influence, undermining multilateral cooperation and global development goals.
3. **Universal Development**: A transformative shift sees the UN take centre stage, prioritizing inclusivity and equity while addressing global public goods financing more fully. However, this scenario faces resistance from traditional donors.

4. **Pragmatic Pluralism**: Coalitions of the willing focus on specific issues like climate or health, achieving progress in targeted areas but neglecting broader reforms that could reduce system wide vulnerabilities and pressures.
5. **Managed Transition**: Development responsibilities gradually shift to non-governmental and local national actors, such as multilateral development banks (MDBs), with governments playing a backstop role.

Recommendations

While some of the above scenarios hold promise, some would represent a failure to meet the sustainable development needs of people and planet. To help policymakers navigate and – to the extent possible – choose between these possible futures, the paper identifies five priority reform agendas that development actors must focus on to ensure that the future evolution of development cooperation can meet the sustainable development needs of the next quarter century. These include:

1. **Shift the Narrative**: Progressively revise the narrative on development from one where "Overseas Development Assistance" (ODA) as a donor-driven agenda is treated as a separate and competing arrangement to South-South Cooperation (SSC) is connected via a common framework, such as Global Public Investment (GPI), that is based on mutual interest in shared challenges and that provides ways to also address global common goods and challenges needs and that rests on mutuality as the way to deliver this.
2. **Enable Additionality**: Create new and more bespoke funding streams for global challenges and emergency response in which all countries participate (in principle) to prevent resource diversion from core poverty programs while enhancing the provision of global public goods and response capacity: this must be a simpler and more coherent system than the present structure of multiple agencies and funds with competing mandates.
3. **Reform Governance**: Reform development cooperation governance both *internationally* (enabling a broader set of relevant stakeholders to define objectives and to hold each other to account) and *nationally* through more formally interfacing domestic line ministries with development finance (to enable a broader participation base of countries and to devolve more of the collective action burden of contribution shares to the national scale where more robust systems are in place to address allocation trade-offs).
4. **Ensure Coherency**: Beyond policy coherence *within* "aid" there must be greater coherence *between* the different sectors if a reformed development cooperation architecture is to function well: for example, by building on recent efforts to better define and align the role of the Multilateral Development Bank (MDB) system in addressing cross border challenges.
5. **Deepen Effectiveness**: At a time where it may be necessary to do more with less, the scope of the effectiveness agenda must reach beyond the project level to incorporate the wider development *system*, including through mission-defined approaches to shared challenges and multi-dimensional metrics of success beyond Gross Domestic Product (GDP).

Deciding which of these reform areas are to be prioritised, and how, will begin to answer the larger question of which development cooperation trajectory/scenario will emerge most strongly in the years ahead. In all cases, however, the clearer and the firmer the commitments that governments can make to a renewed and more positive vision of development cooperation in the 21st century, the easier it will be to implement the system-level changes that are required.

Evolving Development Cooperation: from ODA to GPI.

Ultimately, these reforms need "housing" in an overarching and clearly signalled roadmap that can lead us towards a development cooperation framework that is fit for purpose: one that makes room for global public goods provision alongside core poverty reduction and emergency response needs, and in which all stakeholders are given a meaningful say. The Global Public Investment (GPI) framework may provide the most compelling and appropriate over-arching narrative here (as a set of universal principles) under which the above reform objectives could be pursued. GPI has growing support from both lower- and middle-income countries and is firmly anchored in global civil society. Its emphasis on mutuality and dignity is a message that many different countries, including emerging economies, can get behind. Increasingly it also makes sense from the point of view of fiscally constrained wealthy countries, or traditional donors. But what would pursuing such an approach involve? An implementation strategy would need to address each of the following considerations.

1. **A Staged Process**. First, governments, civil society and other stakeholders will need to work together to collectively define a staged evolution towards a new paradigm of development cooperation: a first step in this process may be for the Financing for Development outcome document to call on the UN Secretary General (UNSG) to assemble a representative and legitimately mandated commission (modelled on the Brundtland or Pearson Commissions) that would define and outline the institutional and policy changes required.
2. **A Journey of Socialization.** Not everyone will see the case for systematically reforming the development cooperation system at the beginning. Communication will be as important as political opportunism and something like the millennium-era campaigns on debt and HIV will be needed to get the message across to different publics.
3. **Embracing the Political Realities.** It is time to call a spade a spade. Rebuilding trust requires a frank and open process of reform in which political headwinds must be channelled to areas of agreement. The language of mutual interest will be key here but so too is the need to identify a cooperation framework that, while principle-based and coherent, is sufficiently flexible to accommodate political headwinds and reversals.
4. **Pre-empting Inevitable Barriers**. Making the case for new international funding needs (e.g. financing for global public goods, will require first winning support for these things nationally. Those arguments will differ from country to country but can best be achieved by identifying and using new metrics that underscore the value of increasing international commitments: particularly in the present, inward-looking and national security focused climate.
5. **The Costs of Inaction.** Above all else, it is critical that the severity of the challenges before us are kept constantly in mind, and that policymakers are aware that changes – including further declines to existing ODA commitments – can come fast as well as slowly. Getting out ahead of those changes provides the best opportunity for shaping their evolution. The Financing for Development process is the first key forum in which the call for more and better international public finance can be heard and this point must be articulated clearly in the outcome document.

Conclusion

Development cooperation is at a crossroads. While ODA has historically been a pillar of global development, its current structure is ill-suited to address today's challenges. From the developmental and geopolitical standpoint of 2025, incremental changes to the way in which ODA works risk perpetuating inefficiencies and a collapse of the system at large. By contrast, there may not be a better moment for bold systemic reforms to explore the opportunities for redefining the role of ODA within a reformed development cooperation architecture. By embracing a more inclusive, adaptive framework, ODA can remain a vital tool for advancing sustainability, equity, and resilience in an increasingly interconnected world.

INTRODUCTION: AID AT A CROSSROADS

The world is in crisis and development cooperation must evolve if countries are to meet the challenges of tomorrow. For 80 years, Official Development Assistance (ODA) has been a central pillar of the international development finance system. But "aid" is today under enormous pressure. New global challenges, including the acute need to finance climate mitigation and adaptation, are increasingly (and confusingly) being paid for from aid budgets. This reduces the available funding for ODA's traditional objective of poverty reduction and undermines the clarity of mission that aid once had. Simultaneously, pressure from within donor countries to reduce their international spending is growing, with core providers such as France, Germany and the UK all lowering their ODA commitments in the current cycle. These pressures, combined with the increasingly vocal critique of "traditional aid" by those who feel themselves excluded from its structures of governance, are signaling the need for a fundamental rethink of the place of ODA within the wider international development finance landscape.[1]

Yet the ODA system – its objectives, principles, and institutional architecture – has many achievements to its name and should not be lightly cast aside. Indeed, the lessons of sixty years of ODA are an essential starting point for thinking about how to address the sustainable development challenges of the future. For more than half a century, ODA has been the most durable manifestation of the idea that there are circumstances in which countries should financially assist each other and transfer a portion of their own fiscal resources to that end. Even as other forms of development cooperation have emerged, such as South-South Cooperation and increasing contributions from private and philanthropic sources, ODA has certain advantages as a way of financing international objectives, including its scale and level of coordination, its publicness, its high grant and concessionality ratio, and the fact it has – until recently – been one of the most stable external resources for lower and lower-middle income countries to invest in their own development.[2] None of this is to play down legitimate critiques of "aid", which have long been articulated, and have sharped in recent years in relation to the localization and de-colonial agenda.[3] For all that ODA has its problems, none of this is straightforward to replace; nor are six decades of institutional compromise and diplomatic settlements around these arrangements easy to repeat from scratch.

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[1] See for example the recent CGDev report: Center for Global Development. (2025). *The future of official development assistance: Incremental improvements or radical reform?* https://www.cgdev.org/sites/default/files/future-official-development-assistance-incremental-improvements-or-radical-reform.pdf

[2] OECD. (2020). *Six decades of ODA: Insights and outlook in the COVID-19 crisis.* In *OECD Development Co-operation Profiles 2020*. OECD Publishing. https://doi.org/10.1787/2dcf1367.
This is not to deny there are also of course challenges with each of these attributes, from loosening criteria around concessionality to increasingly inconsistent objectives.

[3] Moyo, D. (2009). *Dead aid: Why aid is not working and how there is a better way for Africa.* Farrar, Straus and Giroux; Ali, D. (2020, July 19). *Black Lives Matter is also a reckoning for foreign aid and international NGOs.* OpenDemocracy. https://www.opendemocracy.net.

A time for change. Nonetheless, a crossroads in development financing has been reached.[4] The post-millennium era was one of optimism in international development cooperation. Increased development budgets were justified by ambitious targets such as the Millennium Development Goals (MDGs) or the ambition to end entirely the suffering from certain eradicable diseases. The volume of bilateral ODA flows grew rapidly from the late 1990s (see *Figure 1*), while new and emergent multilateral funds, such as Gavi, the Vaccine Alliance (est. 2000), the Global Fund for AIDS, TB and Malaria (est. 2002) and the Green Climate Fund (est. 2010) secured growing replenishment commitments to address what were felt to be the remaining "pockets" of poverty-related global challenges.

A quarter century later and the outlook is very different. The documented progress of the MDGs has given way to the pessimism, stagnation and soul-searching of the SDG era. We live today in an era marked by greater violent conflict and geopolitical instability, by a rapidly worsening climate emergency, by a post-pandemic decline in international trust, and with rising inequality topped by a deepening debt crisis. Amidst these challenges, ODA has limped on. Yet it has done so without serious attempt at reform and without due consideration of how it best can align with other international development finance and multilateral agendas.[5] Looking ahead, the

Box 1. Cuts to ODA Budgets in the Current Cycle. The past year has already seen several traditional donor countries announce cuts to their ODA budgets.

- → In 2024, the EU announced cuts of 2.06 USD billions from its development spending between 2025 and 2027.
- → Germany and France, too, propose major cuts in their 2025 budgets (France announced a 1.79 USD billion cut and Germany a 2 USD billion cut,.
- → Sweden, one of the few donors to have consistently exceeded the 0.7 commitment, has cut 0,27 USD billions from its aid budget. This means, from 2026, Swedish aid will be 53 billion SEK (around 5.5 USD billions), compared to the 56 billion SEK today.
- → The UK government has announced a cut on development assistance, moving from 0.5% of GNI today to 0.3% in 2027. This translates into a 1.35 USD billion cut, while the new government in the Netherlands similarly proposes to cut ODA by as much as its legal obligations allow, having announced an 8.96 USD billion cut planned between 2025 to 2029.
- → The incoming Trump administration has announced its withdrawal from Paris Treaty and WHO and initiated a freeze on all USAID spending.

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[4] The subject of a now vast literature, including:
Mitchell, I., Ritchie, E., & Rogerson, A. (2020). *Finance for international development.* CGD Working Paper 529. Centre for Global Development. https://www.cgdev.org/publication/finance-international-development-fid
Glennie, J. (2020). *The future of aid: Global public investment.* Routledge. https://doi.org/10.4324/9780429356384
World Bank. (2021). *A changing landscape: Trends in official financial flows and the aid architecture.* Discussion Paper for ODI Workshop (November 2021).
Bracho, G., Carey, R., Hynes, W., Klingebiel, S., & Trzeciak-Duval, A. (Eds.). (2021). *Origins, evolution, and future of global development cooperation: The role of the Development Assistance Committee (DAC).* Deutsches Institut für Entwicklungspolitik. https://www.idos-research.de/uploads/media/Study_104.pdf
Melonio, T., Naudet, J. D., & Rioux, R. (2022). *Official development assistance at the age of consequences.* AFD Policy Paper No. 11. Agence Française de Développement. https://www.afd.fr/en/ressources/official-development-assistance-age-consequences
Zattler, J. K. (2024). *Where to now for development policy? Between niche and mainstream, between charity and self-interest.* IDOS Policy Brief 17/2024. IDOS. https://www.idos-research.de/policy-brief/article/where-to-now-for-development-policy-between-niche-and-mainstream-between-charity-and-self-interest/

[5] ODA has continued to rise over the past quarter century, for example, but less and less has made it to where it is needed (see *ANNEX 3: In-country refugee costs as proportion of ODA*) and even total contributions appear now to be flattening out. Measured as a percentage of recipient country GDP, ODA has been decreasing for some time.

picture looks bleaker still. By 2040 *total* ODA flows to poor countries can be expected to decrease in real terms.[6]

The problem is not simply one of stretched resources and insufficient volumes. Since the millennium, a whole new development finance landscape has emerged that the ODA system at large has failed either to accommodate or sufficiently to adapt to (see Figure 1).[7] New bilateral donors have emerged, such as China, often practicing development assistance in sharply differing ways. An increasing array of innovative finance approaches, from blended finance to social impact bonds, has further complicated the landscape. Private foundations and corporate engagements are more influential and sizeable than ever before. The way that ODA works as a form of development assistance – and who it works *for* – is also under growing scrutiny by those critical of the extent to which donors call the shots. Given all these changes, **if ODA is to remain a viable and useful instrument, it is increasingly clear it will need to change. It may even need to evolve into something else**. Are the principles and institutional frameworks through which ODA operates today fit for the challenges of tomorrow? If not, what needs to change? A fresh look at the aid system is needed "from the outside in", with a view to reviewing feasible policy options and assessing the potential for reform.

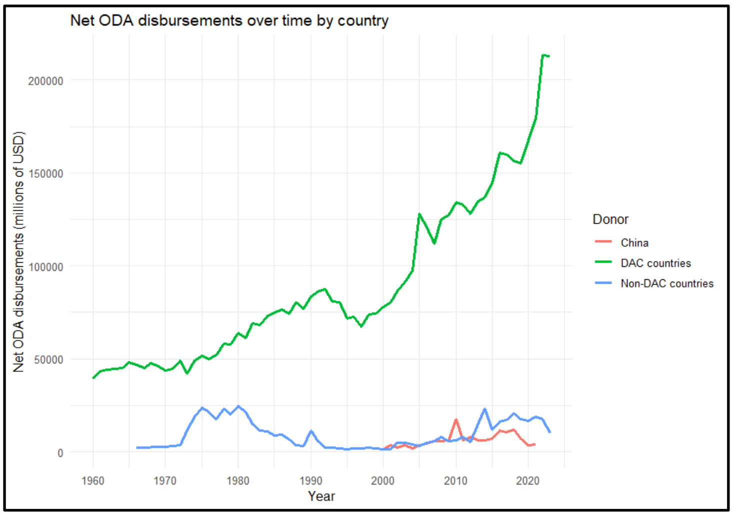

Figure 1. Net ODA Disbursements over time. *Data on China from AidData (William & Mary, 2024); Data on DAC countries and non-DAC from OECD (2024). Outside of OPEC non-DAC donors were a negligible force pre-2000.*

Rationale for this Report.

To date there has been insufficient willingness to consider reforms to ODA at the level of the system itself. This is understandable: development actors often feel, with reason, that there is more to be lost than won by rocking the boat. The overarching argument of this paper, however, is that ambitious (yet feasible) new thinking is no longer optional. It is essential. And for two reasons.

1. The risk-reward ratio of substantive ODA reform has changed in recent years: to the point that the costs of inaction now outweigh the costs of fundamental change.

[6] Kenny, C., & Gehan, Z. (2023). *The future of official aid flows.* CGD Working Paper 663. Center for Global Development. https://www.cgdev.org/publication/future-official-aid-flows

[7] Reid-Henry, S. (2022). *The international financial architecture as a global public good.* HLAB Framing Paper. March 2022. https://highleveladvisoryboard.org/event/expert-preparatory-roundtable-financial-architecture/

2. The relatively narrow scope of reform discussions aired within ODA policy discussions to date needs extending to consider the place of ODA in the larger development cooperation architecture.

Here too there is a problem of insufficient ambition and political will. For example, the Financing for Development IV Zero Draft (17 January) frames the objective of the Financing for Development process as being to "mobilize additional and innovative financing from all sources" (p. 2). Less is said about the coherency of the overall development financing system or whether the rules and practices of the existing development architecture need reforming rather than revising.[8] As the concept note for this meeting states: "**the time seems ripe for reform [but] while the development finance agenda has broadened significantly, this has happened incrementally and without a clear reset and a consensus around a new direction**."

Mindful of the short-term political barriers to reform, this paper nonetheless provides fresh insights into what the basic elements, or pillars, of a future development cooperation system might be. It explores the high-level challenges confronting international development finance, and the ODA system in particular, sets out possible future scenarios, and evaluates and explains available reform options in relation to those. **Part I** explores how ODA has evolved over recent years and reviews the primary challenges – both systemic and political – it now confronts. It reflects on how the ODA system at large has responded to these pressures. **Part II** then examines the purpose and place of ODA in relation to the wider development landscape, looking in particular at the Financing for Development process, at the evolution of the Multilateral Development Bank space, and at the tax and debt agendas as ongoing evolutions within the global financial architecture that impact upon ODA. Looking ahead, **Part III** then explores possible scenarios for ODA's development in relation to these wider shifts and processes and identifies priority reform areas that need addressing. **Part IV** offers some concluding thoughts on how development agencies and other actors may best respond to and shape the future evolution of international development cooperation. The paper draws upon a wide-ranging review of academic and policy debates pertaining to ODA and interviews with stakeholders representing different parts of the aid system.

I CHALLENGES CONFRONTING ODA

This section sets out the structural and political pressures that ODA confronts, assesses where it is well positioned to respond to these pressures (and where not), and identifies where new thinking – and new approaches – may be most needed.

1.1 Challenges and Opportunities: The Changing Aid Landscape

[8] The weakest part of the Zero Draft of the FFD outcome document was the section on "development cooperation". Amidst strong language on debt and wider reform of financial institutions such as the IMF, the development cooperation paragraphs "dissapoint". See Ellmers, B. (2025, January 22). *FfD4 conference in Sevilla: Highs and lows of the zero draft outcome document.* Global Policy Forum Blog. https://www.globalpolicy.org/

The literature on the challenges confronting different parts of the aid landscape is vast. To set the scene for this workshop's discussion, we focus here on six first order problems. First and most fundamentally, the world that ODA was designed for has changed, putting its original narrative and purpose at odds with reality. Second, ODA is today confronted by a far broader set of demands than ever before, many of which it is ill equipped to respond to. Third, the emergence of new actors and new approaches to development has led to a considerable fragmentation of the development cooperation agenda. Fourth, the nature of aid flows themselves are different today, reducing the ability for aid to make a formative impact on development challenges beyond the project level. Fifth, and closely related, ODA, as with all forms of international cooperation, is today subject to more volatile geopolitical pressures than before, making it harder to plan for longer term outcomes and to prioritize the needs of beneficiaries. Sixth, public perceptions of aid, both on the donor and recipient end, are changing dramatically, leaving the aid policy space more fragile than at any time in its history.

1. A Changing World. The world today confronts a growing burden of emergent and global challenges, at the same time as traditional barriers to development (rising debt, weak growth, and declining foreign investment) continue to constrain economic growth in many poorer countries.[9] This dual squeeze on the prevailing system of ODA is at the heart of the current crisis of international development cooperation and is a first structural challenge, or driver of change, that needs addressing. There are at least three basic ways in which this problem manifests.

- **First, the "challenge of development" is no longer one that divides along a rich versus poor country axis, yet the institutions of aid are organized still as if it was**. China is a global economic superpower yet officially classifies as a developing country and India has a larger middle class than the US. Meanwhile countries that were once amongst the world's wealthiest have the least satisfied lower-middle classes of all.[10] The reality today is not that of a world divided into rich and poor countries, but of a sliding scale with multiple axes along which all countries are in some ways developing and all face some or other developmental challenge (including the challenge of providing affordable healthcare for all in the US, for example). Against this background acute poverty has declined in aggregate but is now focused and is persistent in a few countries and regions.[11] Without eliding different degrees of severity or mistaking policy preferences for fiscal capacity, a common challenge that all countries confront (notwithstanding their many differences) is addressing the politically and socio-economically negative consequences of inequality in addition to ending poverty.[12]

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[9] World Bank. (2024). *Addressing a multitude of global challenges.* World Bank Annual Report 2024. https://www.worldbank.org/en/about/annual-report/addressing-multitude-global-challenges#:~:text=As%20we%20address%20these%20challenges,poorest%20and%20most%20vulnerable%20people.

[10] Milanovic, B. (2013). *Global income inequality in numbers: In history and now*. Global Policy, 4(2), 198-208; Reid-Henry, S. (2015). *The political origins of inequality.* University of Chicago Press.

[11] In 1990, 90 per cent of all poor people lived in low income countries, frequently in Asia, while today most acute poverty is concentraed in Sub Saharan Africa, and with 60 per cent of the world's poor living in fragile and conflict affected states. See Kharas, H., & Dooley, M. (2022). *The evolution of global poverty: 1990-2030.* Brookings Global Working Paper #166. February 2022.

[12] This is not something poverty statistics well capture: household level surveys, for example, do not capture the fact that women experience poverty more acutely than men. See Muñoz Boudet, A. M., Buitrago, P., Leroy De

- **Second, inequality exists today as much within nations as between them**. In the mid twentieth century global inequality was most strongly registered between countries. Today it is seen more within countries. This evolution in the dynamics of inequality cuts across donor and recipient countries alike and creates complex new dynamics in terms of political cleavages (which groups domestically support or stand to benefit from which aid interventions) and global constituencies (a major challenge for ODA has been that there is no undifferentiated "global middle class"). In other words, the dynamics of inequality shape the case for "aid" on both the donor and recipient side: something that has largely failed to be sufficiently incorporated into mainstream policy debates on aid, despite mounting evidence.

- **Third, poverty is no longer where it used to be**. Partly as a result of the above changes, most poverty by volume is now found in middle income countries, where it also needs addressing as a problem of inequality. At the same time, extreme poverty is increasingly "co-morbid" with fragility and armed conflict (by 2030, as much as 60 percent of extreme poverty globally will be found in fragile and conflict-affected countries. This puts different pressures on poverty reduction programming.[13] Worse still, while some of the countries to have graduated from IDA are now global economic engines, the prospects for graduation for IDA countries today looks bleak: from 2020-24 per capita incomes in fully half of the IDA countries grew more slowly than those in wealthy economies and one out of three IDA countries is poorer than it was at the start of the COVID-19 pandemic.[14]

- **Fourth, there is growing recognition among aid actors that development assistance in its broader sense will never stop**: countries will always have needs for which external financing is required, whether the reasons for that are crises or natural disasters, political changes or war, or simply failed policy regimes. This is implicitly acknowledged in the graduation policies practiced by the World Bank (IDA) and International Bank for Reconstruction and Development (IBRD), whose lending may continue beyond formal "graduation" on the basis of a wider determination of national institutional and economic strengths and vulnerabilities.[15] Yet there is evidence that poorly planned or precipitate graduation can lead to backsliding or

La Brière, B., Newhouse, D. L., Rubiano Matulevich, E. C., Scott, K., & Suárez Becerra, P. (2018). *Gender differences in poverty and household composition through the life-cycle: A global perspective (English).* Policy Research Working Paper No. WPS 8360. World Bank Group.

[13] Kharas, H., & Dooley, M. (2022). *The evolution of global poverty: 1990-2030.* Brookings Global Working Paper #166.

[14] Chrimes, T., Gootjes, B., Kose, M. A., & Wheeler, C. (2024). *The great reversal: Prospects, risks, and policies in International Development Association (IDA) countries.* World Bank.

[15] Heckelman, J. C., Knack, S., & Rogers, F. H. (2010). *Crossing the threshold: An analysis of IBRD graduation policy.* Policy Research Working Paper No. WPS 5531. World Bank. http://documents.worldbank.org/curated/en/244791468147851867

Morris, S., & Portelance, G. (2019). *Examining World Bank lending to China: Graduation or modulation?* CGD Policy Paper 135. January 2019.

additional problems.[16] This undermines the very principle of "graduation", which was intended to be the marker of where aid "stopped" (and thereby also its justification). There will always be a need for some form of concessional international finance. But equally it is increasingly recognized that different needs require different flows and lifespans and need to be treated accordingly.

Given the above, it is perhaps no surprise that development actors today no longer really believe or seek to present a single coherent narrative of "aid". Instead of evolving the narrative however, the tendency has been for aid actors to indulge an increasingly technical mission that has proven hard to convey to publics on either the contributor or recipient end. Projects and programmes have become more important than overall social "objectives" and demonstrating impact – while important – has become a more important tool for sustaining domestic aid commitments and coalitions than changing national development trajectories. Few would advocate for a return to the politicized uses of ODA that dominated during the height of the Cold War; but nor would today's policy preferences sustain the levels of ambition that once put public investments to work in support of the great strides forward of the mid-late 20th century.

2. Rising demands. Governments today confront the need to address an increasing range of global – even planetary – challenges, few of which ODA was designed to address. Yet ODA is increasingly being used to fund these emergent challenges and global public goods needs. This includes climate change and pandemics, along with the need to protect the planet's natural resources and its biodiversity. These new demands, combined with increasing "in-country" cost allocations from donor countries to themselves, are spreading aid budgets too thinly, undermining their overall effectiveness, and reducing the total volume of ODA that goes to the world's poorest.[17]

- **Around a third of the global aid budget (32.9% in 2021-22) now goes to helping developing countries pursue various climate objectives** while continuing to increase living standards and prosperity.[18] Around a third of this, in turn, is for adaptation (34%), a third for mitigation (37%), and a third for both objectives (29%). Few would disagree that such objectives are important and need funding. But given how aid is presently organized, it leaves less finance available, as a proportion, for core poverty reduction objectives. Moreover, some of the most deep-seated challenges in climate negotiations stem from the fact that the climate finance system is tied to outdated "aid" categories of who is a Pillar 1 and who is a Pillar 2 country. With funding needed for both adaptation *and* mitigation financing it is impossible to see how climate

[16] Yamey, G., Gonzalez, D., Bharali, I., Flanagan, K., & Hecht, R. (2018). *Transitioning from foreign aid: Is the next cohort of graduating countries ready?* The Center for Policy Impact in Global Health, Working Paper. March 2018. A different and more overtly political test case of the eligibility paradigm will be seen when China graduates from IBRD. See: Lester, S. (2021, January 1). *U.S. defense funding bill pushes for graduating China from receiving World Bank loans.* China Trade Monitor.

[17] Knox, D., & Wozniak, P. (2023). *Aid in 2022: Key facts about official development assistance.* Development Initiatives. Retrieved from https://devinit.org/resources/aid-2022-key-facts-official-development-assistance-oda-aid/

[18] OECD. (2024). *Development co-operation report 2024: A decade-long upward trend.* OECD. https://one.oecd.org/document/DCD(2024)20/en/pdf#:~:text=In%202021%2D22%2C%2032.9%25,a%20decade%2Dlong%20upward%20trend (p. 2)

change can be addressed in the current ODA-structured (and largely financed) framework.

- **The need for prevention, preparedness and response to pandemic and other global health threats is another unavoidable priority in today's world.** Pandemic financing was costed during COVID-19 at around USD 34 billion. Yet the Pandemic Fund, set up during the pandemic to ensure financing for pandemic PPR has to date obtained commitments of just USD 1.6 billion. This was after the ACT-A mechanism had already run into the limitations of ODA eligibility for outcomes that benefit also wealthier countries.[19] The Coalition for Epidemic Preparedness Innovations (CEPI), for example, was able to increase its ODA "eligibility" coefficient with the DAC Working Party on Development Finance Statistics from 66% to 88% in 2023. But the fact of a ceiling is a reminder that the definition of ODA can only be stretched so far and additional categories are ideally needed.[20]

- **Migration is another area that largely exhausts the capacity of ODA to meet critical needs.** The world is in the midst of the largest global displacement since second world war. 216 million people may be on the move within borders by 2050, and the number of climate refugees is growing. According to UNHCR, the number of forcibly displaced people has doubled over the past decade. In 2023 more than 110 people were displaced owing to persecution, conflict, violence and human rights violations.[21] The only way to avoid a world that more and more resembles the map in Figure XX is through effective use of transfer financing that addresses the drivers – and the transboundary consequences – of forced migration. That requires financing additional to ODA.

- **To date these critical and emergent global needs are funded in an ad hoc manner**, be it as supplying priority Global Public Goods, protecting the global commons, and maintaining critical services such as the core functions of international institutions, regulatory frameworks and processes are funded in an ad hoc and chaotic manner, including from philanthropic and other sources, reducing their value as well as drawing down scarce ODA. This creates only further pressures and fragmentation within the development finance system. These are not just challenges of volume, either, but of how the system is structured. Small Island Developing States (SIDS) for example, are especially vulnerable to the impacts of climate change, and suffer higher borrowing rates in part because of this. Yet they are often not eligible for ODA. Ultimately, a separate and coordinated system for financing shared global challenges will be needed to ensure that these new financing needs are met, are fit for purpose, and are additional to existing ODA flows, the need for which will also persist for some time.

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[19] OECD. (2023). *Frequently asked questions on the ODA eligibility of COVID-19 related activities.* https://www.oecd.org/content/dam/oecd/en/topics/policy-issue-focus/covid-19-related-activities-in-oda/faqs-oda-eligibility-of-covid-19-related-activities.pdf See also: Reid-Henry, S., et al. (2023). *Global public goods for health: Problems, prospects, opportunities.* PRIO Paper, January 2023.
[20] CEPI. (2023). *CEPI 2023 annual progress report.* https://static.cepi.net/downloads/2024-07/CEPI%202023%20Annual%20Progress%20Report.pdf
[21] UNHCR. (2022). *Five takeaways from the 2022 UNHCR global trends report.* UNHCR. https://www.unrefugees.org/news/five-takeaways-from-the-2022-unhcr-global-trends-report/

3. Emergent actors and approaches. The emergence of new actors has brought with it new approaches to development cooperation. This has led to the gradual emergence of a new politics (and a new geography) of development finance provision.

- **The number of self-reporting donor countries has doubled since the turn of the century**.[22] While non-DAC forms of development cooperation are in some cases older than the DAC itself, more countries are now engaging formally in development cooperation by, for example, establishing development cooperation agencies (particularly in Latin America, with El Salvador establishing a cooperation agency as recently as 2021) and with emergent donors such as the UAE actively looking into setting them up.[23] Within the OECD too, new donor geographies are emerging: Southern European donors, for example, have been steadily increasing their ODA (albeit from a low share). Greece, Italy, Spain, Portugal, Croatia, and Malta increased their ODA by 22% in 2022 (to a combined USD 12 billion) and mostly to a limited number of recipient countries.[24] These are signs of a deepening recognition among countries that cooperation agencies, or their equivalent, are an important part of contemporary government to government relations.

- **While South-South cooperation has provided a compelling counter-narrative to Northern development aid, to date it lacks a coordinating structure.** South-South Cooperation has existed since the Bandung Conference in 1955 but is more prominent today than ever before.[25] While it lacks a formal coordinative framework, such as the DAC provides for ODA, SSC nonetheless represents a clear and alternative paradigm based on principles of mutual benefit, reciprocity, and non-interference in domestic affairs.[26] It is as yet unclear, however, to what extent these non-DAC donors will seek to cooperate on development financing multilaterally (rather than bilaterally). Indeed, South-south cooperation has always been strongly regional in its focus, has emphasized trade and investment, and has mostly eschewed policy conditionality. The growth in SSC has been driven in part by the growing share of south-south trade (which grew from 8 % in 1980 to 25 % already in 2010).[27] Today, intra-South trade accounts for a quarter of all global trade, and combined outflows of FDI from the South

[22] Radelet, S. (2022, August 22). *How the structure of global aid and development finance is changing.* Brookings. https://www.brookings.edu/articles/how-the-structure-of-global-aid-and-development-finance-is-changing/

[23] Calleja, A., et al. (2024, May). *How do non-DAC donors cooperate on development?* Center for Global Development.

[24] Devex. (2025). *Southern European donors at a glance.*

[25] The UN platform for SSC, BAPA, was inaugurated in 1978 by fully 138 UN member states. BAPA, or the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries (BAPA), was signed in Argentina, on September 18, 1978. See: United Nations. (n.d.). *What is 'South-South cooperation' and why does it matter?* United Nations Department of Economic and Social Affairs. https://www.un.org/nl/desa/what-‘south-south-cooperation’-and-why-does-it-matter

[26] Outside of a very soft-touch UN Office for South South Cooperation. Chahoud, T. (2008). *Financing for development series: Southern non-DAC actors in development cooperation.* German Development Institute, Briefing Paper 13/2008.

[27] UNDP. (n.d.). *The rise of the south: Overview analysis - Chapters 1 to 9.* United Nations Development Programme. https://www.undp.org/sites/g/files/zskgke326/files/migration/cn/UNDP-CH02-Overview-Analysis---Chapters-1-to-9.pdf

represent a third of the global total. Views tend to split between those who see SSC as a viable alternative to ODA and those who worry it will be subsumed within the DACs already existing governance arrangements – the DAC having recently welcomed a number of non-traditional donors and emerging economies such as the Slovak Republic, the Czech Republic, Poland and Iceland – and with further countries consideration for accession, such as Latvia and Malaysia.[28] Current macro-economic and geopolitical currents make it perhaps more likely that, absence an appropriate multilateral governance framework, SSC will fall into the trap of bilateral and tied preferences that have been the hallmark of many traditional ODA providers: something that could potentially undermine its own solidarist narrative.[29] Meanwhile DAC "enlargement" proceeds only slowly.

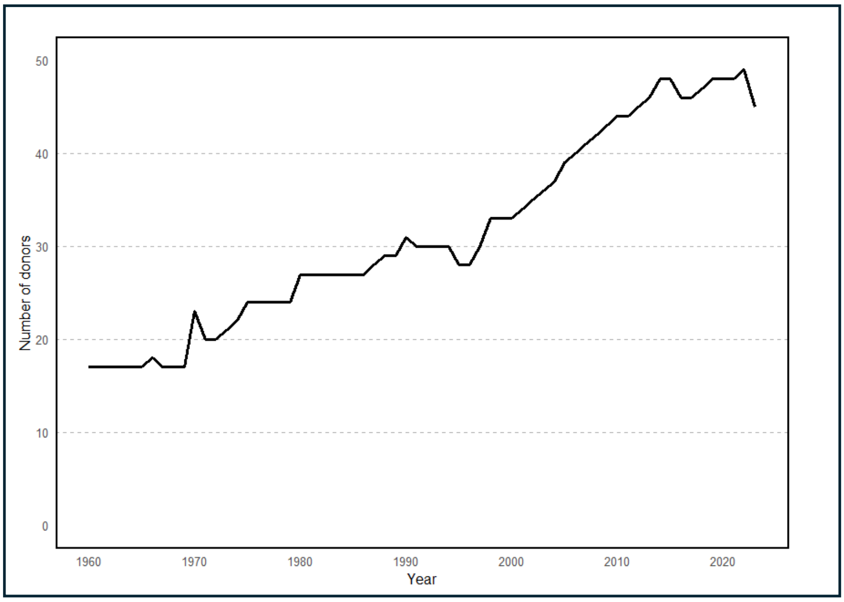
- **Private donors are a more important source of development finance today than before**. The rise of private donors, from philanthropic foundations to corporations and High Net Worth Individuals (HNWIs) adds further complexity to the changing geography of aid actors. These actors have emerged to fill a development gap, but they also bring their own interests and operational approaches. One impact of the growth in private actors, including foundations, has been the emergence of a model in which private money is used to leverage public money (contra the oft-stated intention of using public money to leverage private). Moreover, private actors thus work both unilaterally and in conjunction with traditional donors and development actors (*see Figure 3: Ratio of ODA to Private donors in total flows from DAC countries*) creating new synergies but also additional complexities and governance challenges for the ODA ecosystem. Formal ODA flows are today equally dwarfed by individual financial flows sent as remittances, albeit these tend to flow mostly to a relatively limited number of middle income countries. Already in 2018, remittances totalled USD 466 billion, more than twice that year's ODA equivalent; by 2023 they stood at an estimated USD 669 billion.[30]

- **New institutional actors, including new International Financial Institutions (IFIs), have also emerged in recent years**. The bulk of these have been established in relation to the regionalist agenda of major economic actors, such as China and the BRICS. Examples include the BRICS Contingency Reserve Arrangement (2015) and New Development Bank (2015), the Asian Infrastructure Investment Bank (AIIB) (2016) and the annual Forum on China-Africa Cooperation (FOCAC). While China often dominates discussion, a large number of other institutions have been established in recent years, including national development cooperation institutions. (See Annexes for a full list of DAC and non-DAC development agencies). These new actors are promoting or forming

[28] OECD. (2023). *Development co-operation report 2023: Financing development in times of crisis.* OECD. https://one.oecd.org/document/DCD/DAC(2023)24/FINAL/en/pdf
[29] Mawdsley, E. (2019). South–South cooperation 3.0? Managing the consequences of success in the decade ahead. *Oxford Development Studies*, *47*(3), 259–274. https://doi.org/10.1080/13600818.2019.1585792
[30] See: https://www.worldbank.org/en/news/press-release/2023/12/18/remittance-flows-grow-2023-slower-pace-migration-development-brief

new alignments around a competing set of development principles and practices, including most recently the "butter for guns" approach of Russia.[31]

- **The proliferation of actors and approaches has resulted in a growing problem of fragmentation.** Growing fragmentation, owing to the proliferation of both development finance providers and implementing entities, increases the transaction costs of aid.[32] Some countries now have more than 60 donor entities to report to and whose projects they need to manage; others complain of the construction of parallel civil service structures (See *Figure 2: Growth in Aid Providers, 1973-2014*).[33] As more actors enter the arena, particularly when they adhere to different rules and principles, the costs of cooperation are greater, and synergies take longer to develop. At the implementation end inefficiencies emerge and reporting costs are higher for recipients. A growing number of providers is only half of the aid fragmentation story, however; the other half is the shrinking size of the average ODA transaction (from around USD 2.2m in 2000, to around USD 1.4m since 2009). The average value of ODA grants in 2019 was just 0.8m. Aid fragmentation also impacts negatively on the prospects for domestic resource mobilization, with studies showing it hinders tax revenue.[34]



[31] Schwarz, R., & Rudyak, M. (2023). *China's development co-operation*. OECD Development Cooperation Working Paper No. 113. (December 2023); Glantz, M. (2023). *What you need to know about Russia's new foreign policy concept*. United States Institute of Peace. Analysis. (May 2023).
[32] World Bank. (2022). *Understanding trends in proliferation and fragmentation for aid effectiveness during crises*. World Bank. https://thedocs.worldbank.org/en/doc/ef73fb3d1d33e3bf0e2c23bdf49b4907-0060012022/understanding-trends-in-proliferation-and-fragmentation-for-aid-effectiveness-during-crises
[33] Brookings. (2022, May 17). *Roundtable discussion on understanding trends in proliferation and fragmentation for aid effectiveness during crises*. Brookings. https://www.brookings.edu/events/roundtable-discussion-on-understanding-trends-in-proliferation-and-fragmentation-for-aid-effectiveness-during-crises/
[34] Compaoré, A., & Tagem, A. M. E. (2022). *Does aid fragmentation affect tax revenue dynamics in developing countries? Observations with new tax data*. WIDER Working Paper, 2022/99. United Nations University World Institute for Development Economics Research. https://doi.org/10.35188/UNU-WIDER/2022/233-1

__Figure 2. Growth in aid providers, 1960-2023.__[35]

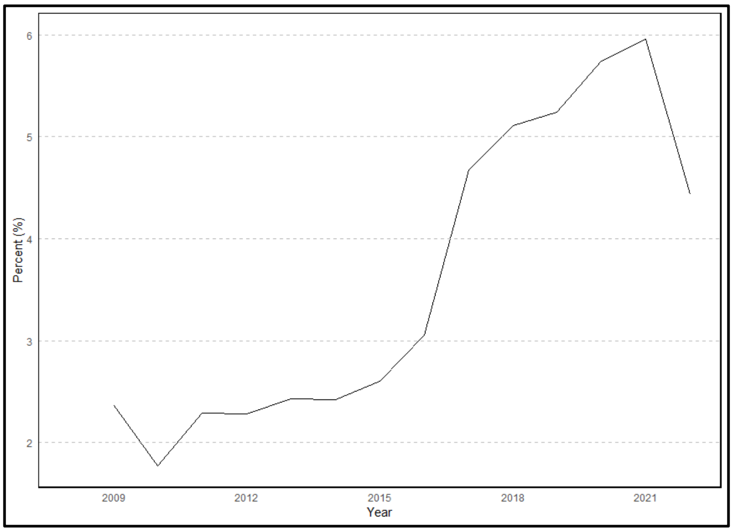


Figure 3. Ratio of ODA to Private donors in total flows from DAC countries*. From: OECD (2024)*

4. The Changing Nature and (de facto) Purpose of ODA flows. Amidst the growing diversity of the aid provider landscape, recent years have also seen a growing complexity – and in cases inconsistency – in the purpose and even direction of aid flows. Greater volumes of ODA are today also captured *within* donor countries or are channeled via a proliferating series of (often northern based) intermediary organisations leading in turn to more disbursements of a lesser dollar value.[36]

- **ODA flows *into* countries are in many cases undermined by debt payments flowing *out*.** As reported in 2024, debt service payments presently outpace aid and investments flowing into many developing countries, further undermining the poverty reducing effect of aid. Net financial transfers have fallen from USD 225 billion in 2014 to USD51 billion in 2024, with more than one in five developing and emerging market economies paying more in debt service than they received in ODA in 2022. This figure may reach one in three in 2025. On current trends, indebted countries will pay out more than USD 2 trillion a year by 2030.[37] This is both unsustainable and self-defeating with respect to common ambitions such as the SDGs.

- **A growing volume of ODA is channeled through multilateral agencies and organizations,** including the World Bank and UN agencies. There are both positive and negative effects of the increased role of multilateral agencies and organizations as aid

[35] Data from OECD-DAC For a similar visualization based on a shorter date range (1973-2014) see Compaoré, A., & Abrams, M. E. T. (2022). Does aid fragmentation affect tax revenue dynamics in developing countries? *UNU WIDER Working Paper*, 2022/99. https://doi.org/10.35188/UNU-WIDER/2022/233-1
[36] AidUnlocked. (2024, October). *Glassdoor for primes: Increasing transparency and accountability in global development subcontracting*. https://cdn.prod.websitefiles.com/64230dc9afdfc901ff425554/672142e2133864b5b7d9f5b0_Glassdoor%20for%20Primes.pdf
[37] ONE. (2024, January 22). *Debt service payments outpacing aid investments in developing countries*. ONE. https://www.one.org/us/press/debt-service-payments-outpacing-aid-investments-in-developing-countries/

intermediaries. Multilaterals can provide greater technical and sectoral competencies, for example. Yet at the same time, the rise in multilateral organisations has led to overlapping mandates and fragmentation. To the extent they are financed by bilateral ODA, they also enable what one stakeholder interviewed for this report referred to as a growing tendency among aid providers to focus on “buying products” rather than “supporting those in need”. The UN too is a recipient of ODA, of course: and perhaps the single most important one. The UN’s share of ODA has remained relatively stable since the mid 1980s. Conversely, the EU has grown to become the largest single multilateral provider of ODA (See *Figure 4. The rise in multilateral donors over time by net volume).*

- **In country donor costs make up a growing portion of ODA allocations**. Today more aid than before remains within a donor country’s own borders where it is used to cover in-country refugee costs, for example (*see Figure 5: Percentage of ODA going towards in donor country expenditures versus other expenditures over time*).[38] In some cases these costs are driven by conflict and inequality and are themselves a reminder that development challenges increasingly impact on all countries to degrees; in others they are the result of accounting flexibilities. The problem is that, when donor countries are able to label spending on their own in-country costs such as this, it dilutes the legitimacy of the ODA category. When all in-country costs (in-donor, research and education, and other) are removed, the growth in total ODA since 1960 has been far more modest. In summary, as much as 20 per cent of ODA never makes it out of donor countries and even less reaches the poorest and most vulnerable of all. Conversely, combined inflows to Least Developed Countries, landlocked developing countries, and Small Island Developing States made up just 3.5 per cent of total ODA in 2020.[39]

- ODA is increasingly used within other financing modalities. In line with the objective to leverage greater volumes of private finance for development, blended finance and guarantees have become a growing modality of ODA, for example. ODA to blended finance (and other private sector instruments) has grown rapidly over recent years, to around 34.5 billion from bilateral donors in 2021.[40] In 2019 the DAC agreed to trial Private Sector Instruments (PSI) as an eligible tool of ODA. The former has struggled to raise finance for higher risk, lower income settings, however and, with growing debt burdens, more and more sovereigns will be precluded from access.

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[38] Kenny, C., & Morris, S. (2022, May 6). Biden’s foreign aid is funding the Washington bubble: As usual, U.S. assistance pays everyone except governments actually providing services to the world’s poor. *Foreign Policy*. https://foreignpolicy.com/2022/05/06/us-foreign-aid-biden-build-back-better-world-development/

[39] Ahmed, M., Calleja, R., & Jacquet, P. (Eds.). (2025). *The future of official development assistance: Incremental improvements or radical reform?* Center for Global Development. https://www.cgdev.org/sites/default/files/future-official-development-assistance-incremental-improvements-or-radical-reform.pdf (p. 35)

[40] UN DESA. (2024). *2024 Financing for sustainable development report* (p. 97). United Nations Department of Economic and Social Affairs.

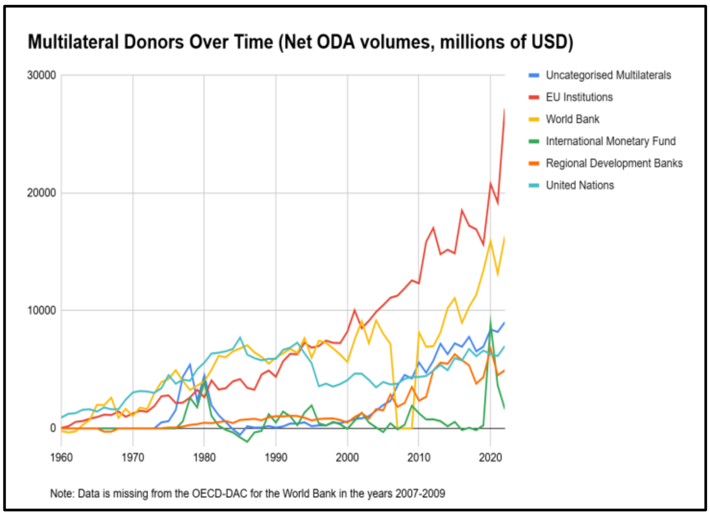

Figure 4. The rise in multilateral donors over time by net volume. From: OECD (2024)

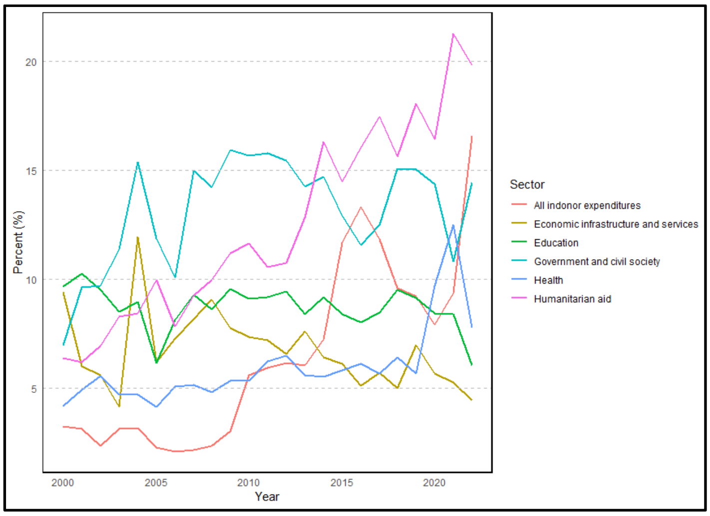

Figure 5. Percentage of ODA going to in-donor expenditures versus other expenditures over time

5. Geopolitical Pressures. The growing complexity of aid flows is today intensified by an increasingly rivalrous geopolitical and geoeconomic world order, be it fiscal pressures from the war in Ukraine and donor countries' felt need to prioritize defense spending over aid or the resurgence of the BRICS grouping. Development cooperation is becoming more political, and this trend will be exacerbated by trade wars and gridlocked multilateral institutions. The ripple effects of the Trump administration's slashing of US aid commitments and roll back of USAID will also have far-reaching consequences across the aid system. Prior to these more immediate developments four longer-term trends can be noted.

- **First, under pressure of alternative cooperation models and critiques from non-DAC members of the way it is governed, the institutional authority and legitimacy of the DAC as the central pillar of development cooperation has eroded.** The power of the DAC has always been that it provided a coherent way to coordinate the activity of the most important bilateral donors. But the DAC's members are increasingly not the most important donors for many recipient countries. G7 countries remain the largest providers of grants and concessional loans by volume. But the willingness to make loans for basic infrastructure by countries like China and Turkey, rather than on social sectors like health, education and humanitarian aid, is seen by many, including stakeholders interviewed for this report, as ultimately more in tune with their needs: 65 per cent of Chinese lending for the period 2005-19 was for infrastructure, compared to 12.9 % from OECD-DAC creditors.[41] This is despite Chinese and private loans to Africa having higher interest rates than Paris-club creditors (averaging 3.2%, 6.2%, and around 1% respectively).[42] The appeal lies in the pragmatism of loans and the willingness to provide financing now and ask, often quite expensive, questions later (e.g. through modalities such as resource-backed lending and confidentiality clauses).[43] The future role and purpose of the DAC is today less assured than perhaps at any time in its history.

- **Second, while traditional donors continue to provide the backbone of core ODA this is changing: and rapidly now with the USAID exit**. Historically, around 90% of the total volume of IDA contributions has come from just 15 donors, with the largest portion of that in turn from G7 countries.[44] At the same time, tracking recent contributions of donors across IDA 13-20 replenishments reveals two trends. First, the total volume of replenishments from G7 countries has tailed off gradually while the contribution of non-traditional donors (the largest being China, Saudi Arabia, Korea, India, Indonesia, Brazil and Mexico) has grown (*see Figure 6: IDA Contributions over time*), albeit at substantially lower levels.[45] Putting this in perspective, African finance ministers last year called for a tripling of IDA resources between now and 2030.

[41] Carnegie Endowment for International Peace. (2021, June). *What do we know about Chinese lending in Africa?* Carnegie Endowment for International Peace. https://carnegieendowment.org/research/2021/06/what-do-we-know-about-chinese-lending-in-africa?lang=en
[42] European Centre for Development Policy Management (ECDPM). (n.d.). *China's role in African sovereign debt: Implications for Europe*. European Centre for Development Policy Management. https://ecdpm.org/work/chinas-role-african-sovereign-debt-implications-europe
[43] Carnegie Endowment for International Peace. (2021, June). *What do we know about Chinese lending in Africa?* Carnegie Endowment for International Peace. https://carnegieendowment.org/research/2021/06/what-do-we-know-about-chinese-lending-in-africa?lang=en
[44] World Bank. (2024). *Financial assistance for development: Overview of funding trends and priorities*. World Bank. https://documents1.worldbank.org/curated/en/099841004042214431/pdf/IDU0071008f30a7bf04ecd0b4e00311325799dc2.pdf
[45] The contributions of Scandinavian countries have remained largely stable throughout the period.

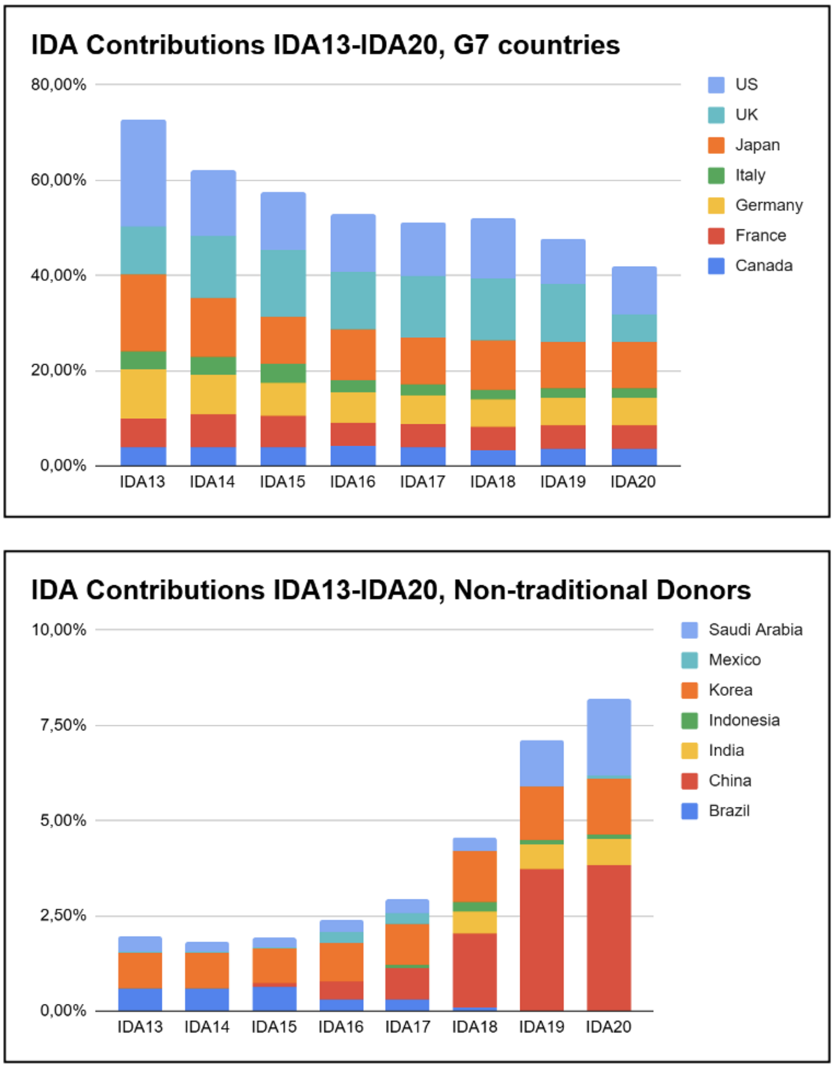

Figure 6: IDA Contributions over time: G7 Countries and Non-traditional donors. *From: IDA (2002-24) available here.*

- **Third, emergent political groupings and cooperation fora are reshaping the (geo)politics of aid.** Two of the more powerful non-DAC groupings to have emerged over the past two decades are the expanding (and resurgent) BRICS group, and the G20. Both are playing an increasingly influential role as fora for international development cooperation policy debates. The reasons here are not singular, however. The resurgence of the BRICS has been hastened by the war in Ukraine and its diplomatic fallout, as well as by lingering resentments from the pandemic. The gradual rise of the G20 as a more relevant global policy forum than the G7 relates to the sheer weight of trade, industry and population that the G20s combined members represent, and the way in which it has closely coordinated finance ministries with heads of government in the formation of its annual ministerial declarations. The G20 is also seen to have a respectable track record in getting global policy commitments "done": be it Basel reforms or the recent MDB reform agenda. To this list can also be added the Forum on Chinese Africa Cooperation (FOCAC), which will be an important vehicle through which African countries turn away from traditional aid will be facilitated.[46]

- **Fourth, the political fallout from COVID-19, which struck a heavy blow to North-South cooperation, has coalesced into a durable political schism. The** Covid-19 vaccine rollout favoured wealthier nations and was for many lower and lower-middle income countries a final straw in their patience for "donor driven" decision-making. Numerous stakeholders interviewed pointed to the very low levels of trust between rich and poor countries today. Moreover, recent high-level events and multilateral processes, demonstrate that constructive political energy in multilateral affairs is increasingly coming from the global South: from the rise of the Bridgetown agenda to the role of the Africa Group in wrenching authority over the global tax debate out of the hands of the OECD and into a UN General Assembly resolution calling for a Framework Convention on Tax.

6. Public Perceptions of Aid. Public attitudes to aid have changed perceptibly over recent years. Within many donor countries, there has always been a lack of public understanding as to what aid is for and how much is spent on it (usually polls reveal that publics think much more is spent than is the case.[47] The rise in right wing populism in western liberal democracies, including many of the most significant traditional donors, is intensifying the public's scepticism of aid. With a rise in "anti-aid" sentiment in many recipient countries as well, ODA is effectively caught on the horns of the growing political polarisation that we are seeing across a range of social and policy issues globally.

- **For many in lower income and aid-recipient countries, the discussion about the future of aid cannot not be separated from the issue of reparations**. One of the more significant reasons leading to a sharpened divide between North and South regarding the legitimacy and value of multilateral institutions is the growing insistence that what formerly colonized countries require is reparations not charitable grants. This may be articulated most sharply by civil society activists where, ironically – and this is one of the paradoxes of the current moment that needs addressing – it puts northern populists and southern decolonisers on the same "anti-aid" page.[48] Increasingly, however, even mainstream political interventions, such as Kenyan President Ruto's critique of French President Macron's aid agenda during the Paris summit in 2023, are

[46] FinDev Lab. (n.d.). *China-Africa relations: Debt and investment – Are there new models for engagement?* FinDev Lab. https://findevlab.org/china-africa-relations-debt-and-investment-are-there-new-models-for-engagement/

[47] A recent national poll by the University of Maryland found that the majority of Americans believe that at least 20 per cent of the federal budget goes to foreign aid, and feel that it should be cut to around 10 per cent (in reality it was at no more than 1 per cent before the recent USAID cuts): Public Consultation. (2023, September 14). *Large bipartisan majorities oppose deep cuts to foreign aid*. Public Consultation. https://publicconsultation.org/foreign-aid/large-bipartisan-majorities-oppose-deep-cuts-to-foreign-aid/

[48] Foreign Policy. (2025, March 21). *USAID's Africa mission: Foreign aid and development*. Foreign Policy. https://foreignpolicy.com/2025/03/21/usaid-africa-foreign-aid-development/ ;Development Today**.** (2025, March). *Africa without foreign aid for health: Free at last?* Development Today, 2. https://www.development-today.com/archive/2025/dt-2--2025/africa-without-foreign-aid-for-health-free-at-last ; The Economist**.** (2025, March 6). *Why some Africans see opportunity in foreign aid cuts*. The Economist. https://www.economist.com/middle-east-and-africa/2025/03/06/why-some-africans-see-opportunity-in-foreign-aid-cuts

underlining the desire for policy autonomy and a fair playing field.[49] In short, the governance of aid needs to fundamentally change in recognition of the needs and interests of *all* countries.

- **For many citizens in higher income countries, by contrast, aid is seen as a waste of scarce domestic public finance.** While development actors may lament the declining portion of ODA that makes it to the poorest, recent public sentiment polling reveals national publics that are more resentful of those that are not like them, and less trusting of either business elites or governments to address the world's problems).[50] As the Global Solidarity Report underscores the limits of internationalism may be felt most acutely by younger voters: who are now less supportive of internationalism than their older counterparts. In reality, ODA costs the wealthier in a society more, at least where there are progressive tax systems. Therefore, support for ODA tends to be negatively correlated with income levels across society. At the whole of society level, ODA is positively correlated with income equality (see *Figure 7: Aid volumes are positively correlated with domestic equality*): in other words, more equal societies tend to also be more generous societies when it comes to ODA.[51] This relationship has weakened over time, however, with data from 2014 showing the same countries (e.g. Reid-Henry, 2015) revealing a stronger correlation.

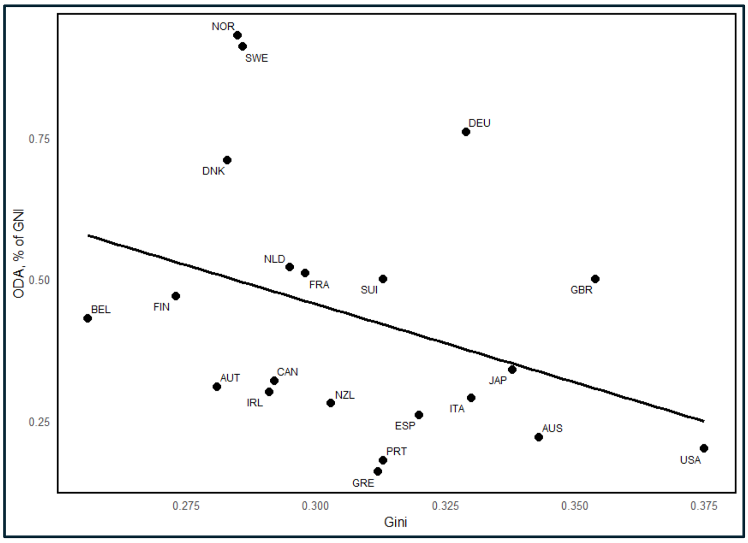

Figure 7. Aid volumes are positively correlated with domestic equality (2021 data).

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[49] They are also echoed by engaged public constituencies in the North too: as demonstrated by the widespread rejection in the UK of Bob Geldoff's latest release of Band Aid 4. See: Alexander, C. (2024, November 14). *Band Aid at 40: How the problematic Christmas hit changed the charity sector*. The Conversation. https://theconversation.com/band-aid-at-40-how-the-problematic-christmas-hit-changed-the-charity-sector-241649

[50] The Edelman barometer breaks this down further into a lack of belief in a better future (western democracies in particular score low, on average less than 30% of respondents), a growing mistrust of international institutions (two thirds of respondents worry about journalists, government officials and CEOs intentionally lying to them). According to the report "Government needs to prove its competence again, to deliver results that benefit the individual citizen."

[51] Global Nation. (2024). *Public perceptions of aid data: Global solidarity report results: Coming generational challenge*. Global Nation. https://globalnation.world/global-solidarity-report/

- **More generally, since the financial crisis there has been a broad decline in trust in multilateral institutions**.[52] Trust in institutions and others leads to confidence in policies and, in turn, to greater economic dynamism.[53] The WEF reports that global cooperation "flatlined" during and has failed to pick up ever since the pandemic.[54] The reasons for this are not all political malfeasance. The rise in technology and decline in public interest media all contribute to a widening gulf in beliefs and world views, which in turn leads to increasing distrust and scope for disagreement.[55] Figure 8, *Net Confidence in the UN, 2017-2022,* shows changing levels of trust in the UN over recent years, for example. The chart reveals a clear North-South divide, overlain by some interesting regional dynamics (Asian countries growing in confidence in the UN, Latin American countries declining in confidence, and Western Europe divided). Rebuilding such trust is essential if multilateral cooperation is to succeed, as recently concluded by the High Level Advisory Board on Effective Multilateralism.

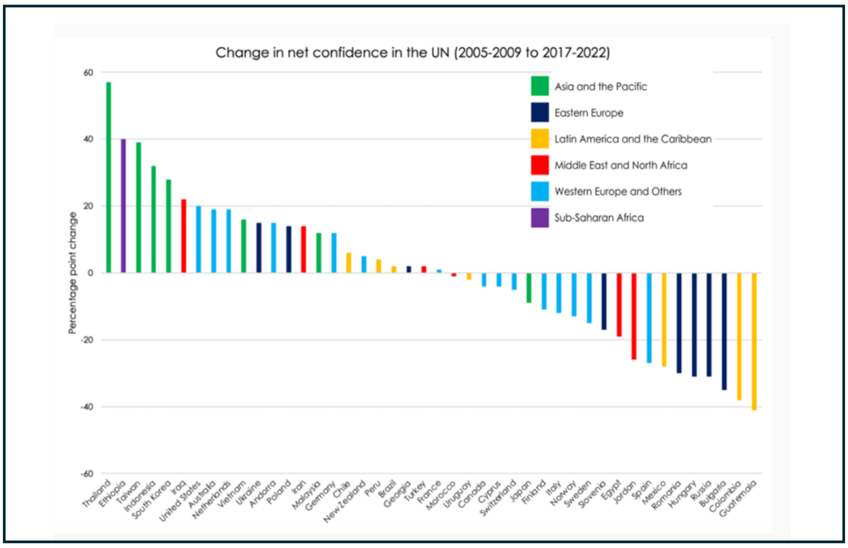

Figure 8. Net Confidence in the UN, 2017-2022. *From: IPI Global Observatory (February 2023)*

- **Domestic political configurations matter for aid.** Such international commitments must be anchored in supportive domestic political configurations. It is well known that 2024 was an unprecedented year of elections: it is less often remarked that elections matter for aid flows. As Figure 9 (*Political spectrums and aid contributions*) shows, mapped across time, centre left governments are more likely to provide a greater volume of international aid than centre right or centrist governments and coalitions.

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[52] Villeroy de Galhau, F. (2023, October 11). *The future of multilateralism: Three hard facts, three needs, and one belief*. Speech presented at the 2023 Global Meeting of the Emerging Markets Forum, Marrakech. Banque de France. https://www.banque-france.fr/en/governors-interventions/future-multilateralism-three-hard-facts-three-needs-and-one-belief
[53] Lipton, D. (2018, May 10). *Trust and the future of multilateralism*. IMF. https://www.imf.org/en/Blogs/Articles/2018/05/10/blog-trust-and-the-future-of-multilateralism
[54] See, for example, the results from its Global Cooperation Barometer here: https://www.weforum.org/stories/2025/01/global-cooperation-stalled-experts-deepen-collaboration/
[55] International Fund for Public Interest Media. (2024, September). *A Moment of Truth: Securing the Survival of Independent Journalism.*

	Right/ Conservative	Left/Labour/ Progressive	Others (Centre/Liberal/ Independent)
US	2,90	3,32	0,00
UK	0,66	6,68	0,00
France	0,83	1,36	23,92
Germany	4,16	8,33	0,00
Norway	4,25	6,75	28,78
Sweden	2,50	10,94	16,19
Denmark	0,14	8,01	31,46
Average	2,00	6,00	14,00
Total	15,00	45,00	100,00

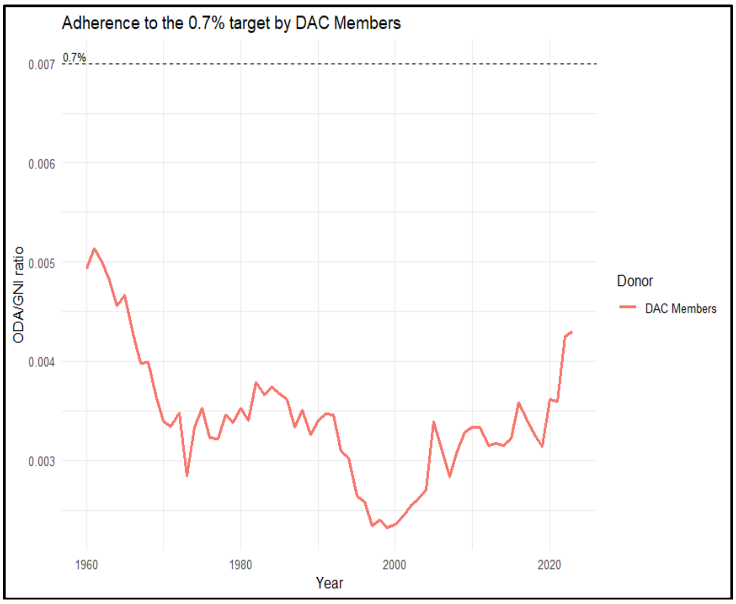
Figure 9. Political spectrums and aid contributions: *Average year-on-year percentage increase in net ODA disbursements, grouped by government in charge. From: Author Calculations*

1.2 The Limits to ODA: Preparing for an Era of Transition

ODA as presently constituted is poorly positioned to respond to today's global challenges. It lacks the clarity, the legitimacy, the policy coherence with other development actors, the right ways to measure these challenges, and in many cases the support from donor governments themselves. Overburdened as it is, the very concept has become diluted and the practice of ODA increasingly inefficient. The flexibility in how ODA is used and the loosening of criteria regarding what counts as ODA has enabled ODA to adapt to changing circumstances: but increasingly this flexibility too has become a liability.

Perhaps this is unsurprising. A system of international transfers built upon the premise of mostly bilateral transfers to a select group of recipient countries ultimately cannot be well suited to addressing the large, multilateral challenges of today. The reality, so far as stakeholders from lower income countries are concerned, is that aid has failed to deliver. As Oxfam recently calculated, the unmet portion of the 0.7 per cent commitment from DAC donors, stands at USD 5.7 trillion, with their actual average annual percentage of GNI going to ODA around just 0.3 per cent.[56] While the target has never been reached (or even close to being reached) in most donor countries (see *Figure 10. Adherence to the 0.7% target over time*), with current rates of ODA cuts across the donor spectrum in the current cycle, the era of the 0.7 commitment must surely be over. New approaches are needed to meet the challenges and political sensibilities of the age.

[56] Oxfam. (2020, October). *50 years of broken promises: The $5.7 trillion debt owed to the poorest people* (Briefing Note).



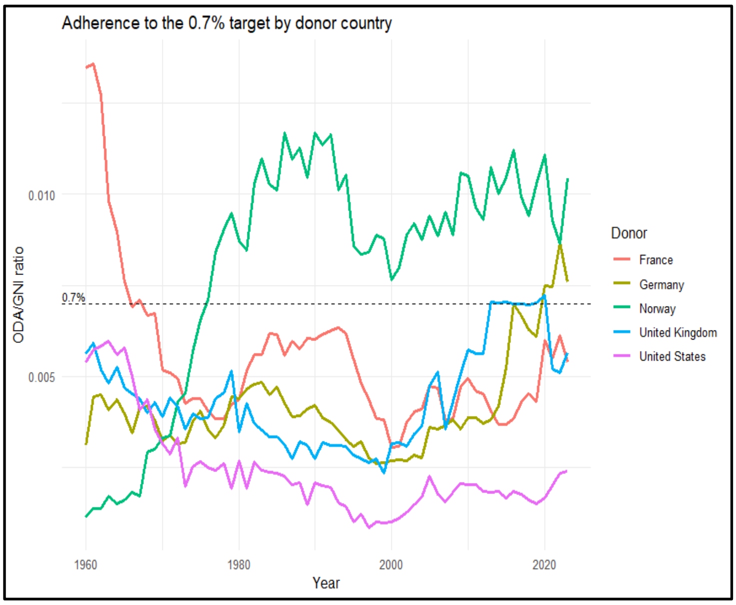


Figure 10. Adherence to the 0.7% target over time. *From: OECD (2024)*

But equally, in the short to mid-term future, there will remain a need for ODA within the overall development financing architecture. Aid will however need to be redefined around an achievable set of objectives that could be delivered through a modified set of institutional frameworks. There are lessons to take from ODA's own history, including on transparency and effectiveness, that can be drawn on here. In response to growing complexification, for example, the DAC has for some time now taken steps to modernize its own practices, including by improving its indicators and developing new measurement frameworks. The clarification of eligibility rules for peace and security expenditures, for example, combined with new ways of accounting for debt relief and grant equivalent flows via financial instruments such as loans, guarantees and equities, have made it possible to better track and account for ODA flows. At the same time, new measures, in particular the TOSSD framework, have made it possible to track additional non-DAC cross border flows and have done so in ways that are more inclusively designed, with civil society, recipient, south-south participants and multilaterals all involved.[57]

In our assessment, however, such incremental reforms are not enough in the current highly volatile context. The continued interaction of the structural pressures examined will only lead to more downward pressure on aid volumes in the future and increasing fragmentation that undermines aid effectiveness and limits how much actually reaches the world's poorest. As these developments play out, a more proactive approach to development cooperation reform will be needed. For aid actors, the primary challenge moving forward will be to identify the specific role of ODA within the wider development cooperation architecture while simultaneously moving to define and shape what that larger architecture needs to look like, including how international public finance flows in a post-ODA world are to be measured and managed in the interests of all. These are policy and political issues as much as technical ones. With this in mind, the next section reviews the place of ODA within the wider development finance architecture.

II THE ROLE AND FUNCTION OF ODA WITHIN THE WIDER DEVELOPMENT FINANCE ARCHITECTURE

ODA plays a small but important role in a much wider development finance architecture, which has itself evolved substantially over recent years. This section looks at some of the most important ODA-development finance interactions to explore the likely future role of ODA in relation to other financing streams and to break open the question of what a preferred global development financing arrangement might look like.

2.1 The Financing for Development Agenda. Trends and Implications for ODA

Financing for Development (FFD) is the primary UN forum for development policy. For 25 years it has provided all member states with the opportunity to shape high-level development policy priorities. The most recently concluded Addis Ababa Action Agenda (Addis Agenda) agreed to at the FFD III summit in 2015, provided the central guiding framework for sustainable development during the SDG era. "Addis" has also provided this era with its underlying theory of development assistance, encapsulated in the so-called "billions to trillions" narrative. This is the idea that public money can most impact upon development when it is used to leverage larger volumes of private investment. Public money for development (ODA) thus becomes a means to an end – of raising further volumes – rather than an end (human development) in itself. Since 2015 the volume of private sector resources for development has doubled to around $61 billion. Yet little of this has gone to the poorest countries, with Middle Income Countries taking the largest share (at 77 per cent).[58]

[57] OECD. (2025, November 18). *Financing for development 2025: Fact sheet on international development co-operation* (Draft, p. 4).
[58] OECD. (2025, November 18). *Financing for development 2025: Fact sheet on international development co-operation* (Draft, p. 5).

The upcoming Seville Agenda has a key role to play in any consideration of the future of development cooperation. It will focus on the following main areas: volumes and allocation, climate and biodiversity finance, development effectiveness, and the development cooperation architecture. However, to deliver on the first three requires, in our view, first establishing what the last section – the nature of the development cooperation architecture – itself should look like. Here the FFD IV agenda has been disappointing to date. While the Zero Draft headlines the importance of a "new financing framework", the actual proposals for enhancing the development cooperation architecture are limited to strengthening country led plans and ownership, through Integrated National Financing Frameworks (INFFs) for example, leveraging more the convening role of the UN (including FFD and the Development Cooperation Forum) and pushing for greater accountability.

If new frameworks and approaches are to be established, however, it appears they will need to emerge (or be introduced into the FFD Agenda) from outside the traditional development system. Two things at least are needed. First, a proposed series of "cooperation principles" are needed to guide how international development cooperation (including but not limited to ODA) would interface with the wider economic agendas (including trade, MDBs, private finance, debt, and science & technology) that impact upon sustainable development. These principles will need, second, to centre agreement on the unique role of public money in international development finance (including its role in market shaping rather than market fixing) and the different ways that ODA now needs to be used to finance sustainable development objectives (including through supporting or mobilizing other sources of capital, such as blended finance, carbon markets, guarantees, interest rate buy downs, solidarity levies, etc.).

2.2 Implications of Development Bank Evolutions for Development Cooperation

A key evolution in the development landscape in the era of the SDGs has been the greatly expanded – and more coordinated – role of the Multilateral Development Banks (MDBs).[59] Today there are more than 20 MDBs and, by volume, they lend far more than donor countries provide in grants and concessional loans (although they still manage less capital than *national* public development banks as an aggregate: the more than 500 PDBs manage over USD 23 trillion in assets).[60] The MDBs have recently developed substantially more coordinated lending practices than they had in the past and target a growing portion of this at GPGs including climate finance. MDBs currently have more than USD 800 billion in active loans to lower and lower-middle income countries and account for the vast majority of multilateral

[59] See for example the Marakesh Statement of 2023: World Bank. (2023, October 13). *Statement of the heads of multilateral development banks group: Strengthening our collaboration for greater impact.* World Bank. https://www.worldbank.org/en/news/statement/2023/10/13/statement-of-the-heads-of-multilateral-development-banks-group-strengthening-our-collaboration-for-greater-impact, and the follow up Viewpoint Note of 2024: Inter-American Development Bank. (2023). *Multilateral development banks deepen collaboration to deliver system-wide impact.* Inter-American Development Bank. https://www.iadb.org/en/news/multilateral-development-banks-deepen-collaboration-deliver-system.

[60] See: Public Development Banks are "state-owned financial institutions with a mandate to deliver on public policy objectives that normally support the economic development of a country or region." UNDP. (2022). *The role of public development banks in scaling up sustainable finance.* UNDP, New York, p. 9.

climate finance (USD 50.5 billion in 2020).[61] In the future MDBs will have an increasingly important role to play in the achievement of both development goals and climate finance. They are in a position to provide quickly available, long-run and affordable financing and are well positioned to catalyze domestic and private sector resource mobilization. Finally, they are critical to the ambition of funding the wider global public goods agenda[62]: as is being explored by the World Bank, amongst others, in the context of its Global Challenges Programs launched in October 2024 (itself launched as part of the World Bank Group's wider Evolution Process in line with its vision of "a world free of poverty on a livable planet", first endorsed in Marrakech in October 2023).[63]

But loan financing provided by the Multilateral Development Banks needs more closely aligning with ODA flows and objectives. In the current context, MDBs face a challenge to provide enough financing at sufficiently affordable rates as to enable investments in sustainable development without creating unmanageable debt burdens. Of the USD 114bn disbursed in 2022, just USD 16bn was concessional, for example. Given estimates of the finance needed to meet current climate goals (ranging between USD 3-4 trillion annually by 2030[64]), for example, around USD 250-390 billion of this will need to come from MDBs by 2030.[65] Yet MDB disbursements (as a share of GNI) are currently down on their peak of three decades ago (see *Figure 11: MDB disbursement volumes over time*). More paid in capital is needed to increase the gradual rate of growth of concessional lending while ensuring that the cost of capital remains affordable for borrowers. This requires commitments to support MDB and WB loans in higher growth investments, while also supporting countries in developing the skills and institutional capital that can secure bankable projects.[66] A more joined up approach to MDB lending and ODA flows is required here, including in respect of the World Bank Group Evolution agenda and exploration of new global public goods-type financing windows. One way this latter could be achieved is by systematically expanding the current global challenges funding programmes or even taking seriously the idea of establishing a new World Bank agency (alongside IDA, IBRD, IFC, ICSID and MIGA) or wider MDB coordination framework specifically overseeing the provision of GPG finance across the grants to loans

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[61] Delivorias, A., & Falkenberg, D. (2024, October). *The future of development finance: Key trends and challenges*. European Parliament. https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762477/EPRS_BRI(2024)762477_EN.pdf
[62] For an early illustration of this see Kaul, I. (2017). *Providing global public goods: What role for the multilateral development banks?* ODI Report, April 2017.
[63] World Bank. (n.d.). *Global challenge programs: An overview*. Washington, D.C.: World Bank Group. See also the Development Committee. (2023, September 27). *Ending poverty on a liveable planet: Report to Governor on World Bank evolution*, along with World Bank Group. (2024, April 20). *Viewpoint Note: MDBs working as a system for impact and scale*, endorsed by the heads of the AfDB, ADB, AIIB, CEB, EBRD, EIB, IDB, IsDB, NDB, and WBG. Washington, D.C.and the World Bank Group. (2024, April). *Board Paper: IBRD Framework for financial incentives for projects that address global challenges with cross-border externalities*. Washington, D.C.
[64] Songwe, V., Stern, N., & Bhattacharya, A. (2022). *Finance for climate action: Scaling up investment for climate and development*. Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.
[65] Summers, L. H., & Singh, N. K. (2023, July 24). The multilateral development banks the world needs. *Project Syndicate*. https://www.project-syndicate.org/commentary/world-bank-mdbs-how-to-triple-funding-and-make-more-effective-by-lawrence-h-summers-and-n-k-singh-2023-07
[66] Club de Madrid. (2024, September). *Working Group 1. Policy Paper. Scaling Up Funding and Reforming Financial Institutions*.

spectrum and an international office to oversee measurement and reporting of all GPG finance (including bilateral).

MDBs can also do more to support ODA "agendas", including leveraging their greater potential than bilateral donors to crowd in additional private finance for higher risk projects – something ODA backed guarantees and de-risking schemes have struggled to do – particularly in support of public sector and infrastructure investments.[67] Different options exist here: including channeling private finance via MDB balance sheets to raise greater volumes without compromising public accountability.[68] Other reform discussions centre on loosening the Banks' tolerance of lending risks (in effect giving less unilateral say to credit rating agencies) and providing more callable capital. In line with the recommendations of the G20 Independent Review on MDBs Capital Adequacy Frameworks, momentum is growing for the banks to increase their lending ceiling by around 300-400bn over the decade ahead.[69] The Asian Development Bank has already unlocked more than USD 100bn in additional lending by reforming its Capital Adequacy Frameworks. The World Bank Roadmap and Finance in Common both also provide fora through which development bank coordination can be increased, assisting the provision of development finance beyond ODA. ODA will continue to have an important potential role to play in many of these reform agendas. But it will need to align with current and ongoing efforts by the Banks to develop new ways of making finance available for a wider range of objectives, including cross-border challenges if the ambitions of dramatically scaling up sustainable development finance are to be met.[70]

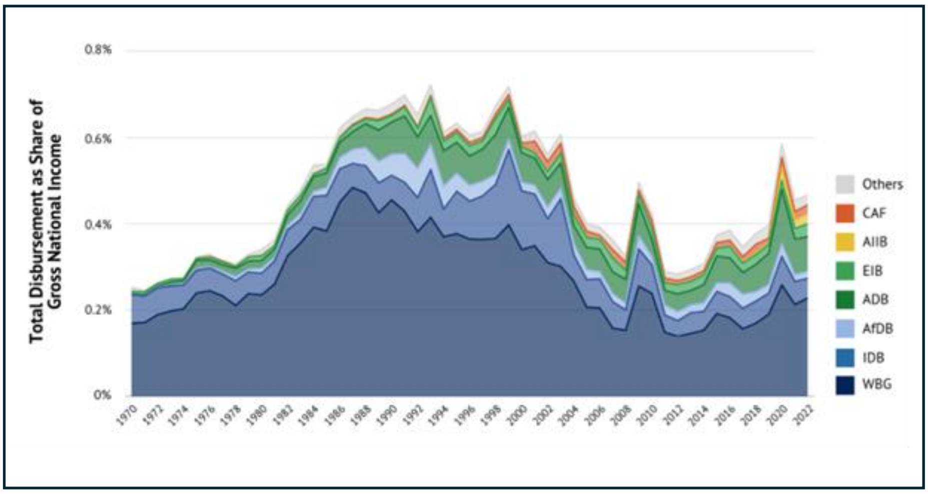

Figure 11. MDB disbursement volumes over time. *From: Gallagher et al (2024)*

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[67] Gurara, D., Presbitero, A. F., & Sarmiento, M. (2018, December). Borrowing costs and the role of multilateral development banks: Evidence from cross-border syndicated bank lending. *IMF Working Paper, Strategy, Policy and Review Department*.
[68] Kessler, M. (2022, September 2). Supercharging multilateral development banks. *FinDev Gateway*. https://findevlab.org/supercharging-multilateral-development-banks/
[69] Boosting MDBs' investing capacity. (2022). *An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks*.
[70] Prizzon, A., Getzel, B., Cao, Y., Colenbrander, S., Hart, T., & McKechnie, A. (2024, April). Addressing cross-border challenges: What should multilateral development banks do differently? *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)*. https://www.giz.de/de/downloads/giz2024-en-MDBs-and-GPGs-report.pdf

2.3 Other Macro-level reform agendas relevant to ODA.

There are numerous agendas relevant to development cooperation and the future of ODA that cannot be covered here. These include those parts of the global economic system that impact most strongly on sustainable development, such as trade, innovation, and the need to address illicit financial flows.[71] These fall in a wider circle of relevance, however. More directly impacting upon how ODA flows are raised and allocated, and on their ultimate impact and effectiveness, are three areas that any consideration of ODA reform will need to consider: not least since all of them impact directly on the fiscal space of developing countries, and thereby also on the capacity for beneficiary countries to make use of ODA flows. The first are current proposals to enhance the existing global financial safety net, the second is a reformed international debt architecture with a functioning debt workout mechanism at its centre, and the third is tax harmonization and the question of taxation on cross-border flows and other international levies.

A functioning and accessible Global Financial Safety Net (GFSN). The need to provide an enhanced global financial safety net is critical to the wider development agenda and to the way that ODA needs to function if it is to remain useful. The future is likely to hold numerous moments of crisis and economic shock, yet the world cannot afford further periods of policy retrenchment in the aftermath of crises when supply side support dries up. A development finance architecture that is fit for purpose must therefore be supported by a sufficiently robust (and for developing countries, accessible) global financial safety net that can ensure access to liquidity even in a crisis. Yet the GFSN has been shrinking over time for lower and lower middle-income countries. Development providers need to ensure that the needs of the poorest countries are catered for in future SDR issuances, for example, and that a more evenly accessible GFSN is supported through, for example, the development of regional financial arrangements.

An enhanced global debt architecture. The level of unsustainable debt owed by developing countries has escalated dramatically since the Covid-19 pandemic. Global debt increased more in 2020 than during any other year in the past half century.[72] Today, the number of countries paying out more than 20 per cent of total government revenue in debt services is as high as it was during the last debt crisis at the turn of the century. UNCTAD estimates that 3.3 billion people now live in a country that pays more in debt service than it does on health or education investments.[73] ODA has a critical role to play in alleviating debt unsustainability, both through reducing the need for countries to borrow unsustainably, and for investing in their capability to make greater use of the loans and investments they do receive from other providers and private actors, enabling them to generate greater economic value. A reformed ODA system must be better attuned to the realities of debt distress and growing debt burdens

[71] The "Aid for Trade" agenda, for example, nominally accounts for around a fifth of total ODA flows, including aid for economic infrastructure and productive capacity building (rather than simply aid that is specifically for trade policy and regulation outcomes). See the work of the Committee on Trade and Development within the WTO: https://www.wto.org/english/tratop_e/devel_e/a4t_e/about_aid4trade_e.htm
[72] Miranda, P. (n.d.). Global debt architecture: Reforming the system for greater equity and efficiency. In E. Bilsky et al. (Ed.), *Spotlight on global multilateralism: Perspectives on the future of international cooperation in times of multiple crises*. Global Policy Forum Europe. https://www.globalpolicy.org/sites/default/files/Global%20Debt%20Architecture_final.pdf
[73] UNCTAD. (2023, July 12). *A world of debt*. UNCTAD. New York.

on the budgets of developing countries. There must be concessional windows available on demand in situations of debt distress.

International taxation and tax harmonization. If development cooperation is to raise additional finance for emergent global needs and challenges, without compromising current disbursements to core ODA objectives, then new sources of revenue will be essential. These will have to come either from internal reallocations in donor countries or through new forms of international taxation. For years the former was more likely than the latter. In the current multilateral context (and given political headwinds in donor countries) the latter may now be the more likely. Development cooperation has to date focused on taxes primarily as a matter of capacity building for domestic resource mobilization – which is critical – and only relatively recently on the question of tax harmonization. This has now changed. Global Taxation Reform provides a central pillar of the agenda put forward by the UN Secretary General in *Our Common Agenda* (2021).[74] The need for a "reformed international tax system"[75] was articulated throughout the pages of *Our Common Agenda*, which recognized both that "taxation is one of the most powerful tools of government"[76] and that it is needed "to respond to the realities of growing cross-border trade and investment and an increasingly digitalized economy"[77] : an essential plank in the delivery both of much needed (global) public goods and as part of a responsible and sustainable global social incentive structure. On the table today are two key developments that make the question of international taxation even more relevant to development cooperation actors: one is the proposal for a global wealth tax, given support by the Brazilian G20 in 2024[78], and the other is the UN Framework Convention on Taxation, initially approved by the UNGA in November 2023.[79] Both have the potential to raise new sources of development finance, at least some of which could legitimately be used for development purposes and fiscal transfers (such as grants and concessional loans). At present, however, neither agenda has a yet settled sense of how the revenues raised would be used, presenting a clear opportunity for development actors to help shape this agenda.

2.4 Conclusion: reimagining the role of international public finance

These evolutions and developments across the wider development finance architecture underscore why it is imperative that ODA is taken out of its comfort zone of internally

[74] In defining the scope of a preferred taxation reform agenda, Our Common Agenda, points first to the OECDs then maturing "blueprint" proposals of a minimum corporate tax and policies on base shifting while underscoring, before immediately going on to note that – in these discussions – "the perspectives of all countries must be heeded,"- something which many countries feel has not been the case. Op cit.
[75] United Nations. (2021). *Our Common Agenda: Report of the Secretary General* (p. 6). United Nations. New York. https://www.un.org/en/content/common-agenda-report/assets/pdf/Common_Agenda_Report_English.pdf
[76] Ibid., p.25
[77] Ibid., p.26
[78] Zucman, G. (2024). *A blueprint for a coordinated minimum effective taxation standard for ultra-high-net-worth individuals.* European Tax Observatory. https://www.taxobservatory.eu/publication/a-blueprint-for-a-coordinated-minimum-effective-taxation-standard-for-ultra-high-net-worth-individuals/
[79] In November 2023 the UNGA approved a resolution on the "Promotion of inclusive and effective international tax cooperation at the United Nations" (document A/C.2/78/L.18/Rev.1), that responded directly to the SGs call to include all countries in the tax reform discussion, with efforts focused on being universal in approach and scope and fully taking into account the different needs and capacities of all States, developing and countries in particular. The Second Committee (Economic and Financial) approved the draft resolution, submitted by Nigeria, on behalf of the Africa Group, in a vote by 125 to 48 (with 9 abstentions)

established objectives and indicators and is better aligned with other financing streams. But realizing the synergies between ODA and the wider financial architecture will require rethinking how development cooperation is undertaken, beyond its present (inherited) frameworks. This will need to include:

First, governments will need to find ways to incorporate transboundary problems alongside in-country programming. This is technically feasible, but it will feel burdensome in the current policy context and complex and fragmentary unless governments also establish or commit to identifying a separate "category" of international public finance (to which they can allocate or report funds) and updating the primarily country-based operational model they work with. Since this is not just a challenge for development agencies (MDBs, too, share with ODA a need to address cross-border challenges and to update their at present primarily country-based operational model) there are opportunities for greater collaboration between development cooperation agencies and public (national and international) development banks. A division of labour that is well coordinated will be essential.

Second, there should be a greater focus on the quality and not just the quantity of the finance: here the value of public (ODA) commitments can be leveraged through a variety of publicly accountable financing modalities, be it conditionalities (e.g. socialising risks and rewards) or making better use of national development banks to ensure country-owned and high impact pathways and mission-driven strategies.[80] In other words, there are ways in which the development toolkit can be expanded to better meet the demands of the present: including ways of ensuring profit sharing among public and private actors (not simply de-risking).

Third, the focus must shift from derisking development for the market to showing the market where to take risk and giving it the confidence so to do. The total annual volume of blended finance has stagnated over recent years at around just 15 billion: with private capital contributing just 38% of the total mobilised funds and with LICs mobilising only 0.37 cents of private capital for every dollar of public financing committed, as compared to 1.06 cents in lower middle-income countries. In other words, as Mariana Mazzucato puts it, "blended finance is diverting scarce concessional resources toward de-risking privately initiated deals in lower-risk regions, and sectors."[81] Finding ways to avoid overburdening ODA with risk will be essential and for this, greater clarity about the overall objectives and long-term commitments to seeing them through will be needed.

Fourth, governments (and the multilateral institutions they channel funding through) will need to tolerate a greater degree of risk. While this has been taken up thus far mostly in the MDB reform discussion on capital adequacy frameworks, it needs

[80] Mazzucato, M. (2025). *Reimagining financing for the SDGs – From filling gaps to shaping finance*. UN DESA Policy Brief No. 170. United Nations Department of Economic and Social Affairs. https://desapublications.un.org/policy-briefs/un-desa-policy-brief-no-170-special-issue-reimagining-financing-sdgs-filling-gaps

[81] UN DESA. (2025, January). *Blended finance is not working. It's time for a new approach to mobilizing finance for the SDGs*. UN DESA. https://desapublications.un.org/un-desa-voice/sdg-blog/january-2025/blended-finance-not-working-it-time-new-approach-mobilizing

applying to development finance across the board. As Yuen Yuen Ang has shown, all development begins with weak institutions, and supporting and driving weak institutions to become strong institutions requires taking risks and anticipating (and bearing) losses.[82]

2.5 Conclusion: Are we thinking about ODA reform in the right way?

What sort of crossroads are traditional development actors at, then? And where does this leave ODA in the wider development cooperation picture today. The above evolutions ultimately fall into two distinct camps.

- *Some* are short term approaches, focused on policy evolutions that appear possible within today's political constraints. Examples include campaigns for SDR issuance, debt swaps, pause clauses and other changes to debt contracts, and fund replenishments. These are all crucially important but do not address questions of the underlying purpose and legitimacy of development finance in how these approaches are pursued.

- *Others* are longer-term approaches, focused on more structural transformations such as debt renegotiation, internationally coordinated taxation, reform of multilateral development banks. All of these are crucial aspects of international public finance, but to make substantial progress on them we need to contextualise these efforts in a broader framework for international public finance. It is here that the real work begins.

Arguably, what is most needed today, therefore, is a third approach that would chart a course between these two poles and fill the gap in the Financing for Development Agenda: namely the reluctance to propose a concerted common effort to define a new developmental paradigm or set of principles around which such a new approach could feasibly be built. Such an approach will need to emerge from concrete efforts to identify and institutionalise those principles in such a way as articulates also clear priorities and mission goals (be they on climate finance, poverty reduction, or debt workout mechanisms) that will be essential in the fiscally constrained context of the next few years. In Section IV we outline how an evolution towards such a system might work. To do so we first identify a hypothetical range of development futures that could potentially emerge, against which backdrop a more coherent reform agenda can be placed.

III. LOOKING AHEAD: THE FUTURE EVOLUTION OF ODA

Given the challenges of Section I and the changing context and opportunities of Section II, how might development cooperation potentially evolve in the years ahead? And where would such an evolution leave ODA? In this section we explore five possible scenarios, based upon current realities.

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[82] Ang, Y. Y. (2016, July 18). The future of development assistance – Creating adaptive aid agencies. *Foreign Affairs.* Retrieved from https://cpsblog.isr.umich.edu/?p=1515; see also Ang, Y. Y. (2017). *How China escaped the poverty trap.* Cornell University Press and UNDP. (2014, December). Doing development in the polycrisis. *UNDP Blog*. https://www.undp.org/blog/doing-development-polycrisis

3.1 Future Development Financing Scenarios

The following scenarios represent "ideal types". It is unlikely that the actual evolution of development financing will follow any one of these pathways directly. Much more likely is a combination of some of the outcomes envisioned along these pathways. However, each highlights a particular policy dynamic, and some scenarios would be more likely to exclude others. We present them here mostly as a tool to think with.

Scenario 1. Doubling Down. Under this scenario of "incremental change" there is no major evolution from current practices, but rather a continued effort to tinker with the existing approach, focused on improving the measurement and evaluation of aid, on seeking to use aid to leverage additional private investment through blended finance and other "innovative" approaches, and through finding efficiencies wherever possible. The system remains overseen by a largely unreformed DAC, which undertakes meaningful (but limited) efforts to incorporate additional (middle income) members, but not to change its governance practices. These changes would be just enough to prevent alternative approaches, such as SSC, from forming a competing development cooperation framework, leaving the DAC as the primary development cooperation framework. DAC members continue to promote the idea of aid as something "given" to the world and continue to deploy a voluntarist ethos as the meta-narrative to justify this. Development cooperation in this scenario remains project focused and fragmented. There are efforts to do aid better, but without challenging the status quo. The same key governments continue to provide the largest share and continue to expect most of the decision-making power as a result. Some innovations, such as paying for results or a scaled-up cash transfer programme, and shifting intermediaries from the north to the South in accordance with a gradual deepening of the localization agenda would occur.[83] But this will be in the context of limited change in what development "offers" donor nations own societies, and no real change in the extent to which beneficiaries are able to influence how a large part of ODA is used. However, as northern-based Nongovernmental Organizations (NGOs) increasingly lose out on their source of income and support, their advocacy in support of aid also declines leading ultimately to a gradual decline and reduction in the volume and impact that this continued approach to traditional aid is able to have.

Scenario 2. The Wild West. Under this scenario, there *is* a course correction, but it is strongly in the direction of more narrowly defined operations for national aid agendas and development agencies through an intensified bilateralization of ODA allocations. The current US administration is at present embarking on this approach. What remains of "aid" among traditional donor countries would for the most part be limited to humanitarian and emergency assistance overseen by more tightly leashed development agencies on the one hand and an expanded role for Development Finance Institutions (DFIs) – such as the Development Finance Corporation (US), Norfund (Norway), or Cofides (Spain) in supporting private sector development in "partner" countries that is in line with donor government objectives. Both of these more self-serving uses of ODA would be more closely tied to regional and foreign policy priorities, particularly the latter which would likely play an increasingly

[83] Kharas, H., & McArthur, J. W. (2023, August). Updating institutional technologies: A purpose-driven fund to end extreme poverty. *Brookings Working Paper* 183. https://www.brookings.edu/research/updating-institutional-technologies-a-purpose-driven-fund-to-end-extreme-poverty/

prized role in securing donor country access to highly sought after technologies, and even minerals and resources. Increasingly, aid becomes a tool in larger geopolitical agendas, but not in the way that it once was during the Cold War. The future of a bilateralized development cooperation system in the 21st century would, by comparison, be much more volatile and subject to short-termism, in some respects undermining existing progress on sustainable development goals. Initial steps in this direction could be forced upon USAID and US-sponsored development programmes during a Trump era hiatus, rather than planned out aforethought. UN agencies would suffer in this scenario, since many rely heavily on voluntary contributions from just a few core donor countries – especially the US – to sustain them and their multilateral mandate would be less needed in a more heavily bilateralized era. The historic experience of UNRWA may be telling in this respect. There would, over time, be less and less commitment to common and transparent international standards and ambitions. At the same time, a proliferation of new-to-aid actors (including private and philanthropic providers) would occur, also on the implementation side, as some stepped in to make up for the withdrawal of once major aid players and these would be heavily focused on one or two issues at the expense of others. Aid "blocs" would be likely to form in keeping with geopolitical alliances and as a means to try to manage an otherwise highly fragmented system. Team Europe may step in to support its own preferred issues, for example, with a strong focus on Africa, leaving other agendas and regions to other actors. UN agencies that thrive would be those that are most relevant to global development outcomes affecting also donor countries, creating knock on effects in the multilateral spaces (such as ECOSOC) of the UN.

Scenario 3. Universal Development. In this scenario, in place of moves towards greater *bilateral-ization* we see instead the opposite: a rapidly intensified *UN-ization* of development finance that shifts the centre of gravity of development cooperation from the DAC to the UN. As envisaged in current civil society proposals for a UN Framework Convention on Development, such an evolution would de facto see South-South and other development cooperation approaches assume a more prominent role, while removing the power to decide what qualifies as aid and how it may be used from the DAC, or on debt from China.[84] The central driving force of this evolution would be demand, primarily from the Global South, for radical reforms to current global economic governance. In that sense, the UN-ization of aid would also impact more widely across the development finance ecosystem. Such an approach would see changes in which development outcomes are funded and how: in particular, it would likely see the emergence of more universal contribution approaches. In this scenario a transfer of power goes hand in hand with a revision of the way that UN and other multilateral agencies work: including of voice and power within them. UN agencies might become more consistently financed and operationalised in the way that NATO is, for example, or they may increasingly look to top up their own funding through investment rounds, such as the WHO has recently undertaken (with some success).[85] Additionally, there would be greater scope within this scenario than others to ensure coordination across sectors: the UN already being home to climate commitments, under the UNFCCC, and likely soon also to tax cooperation

[84] Nocerino, S. (2024). Time for OECD DAC reform and a UN convention to define what can be counted as aid. *Development Today*, *10*. https://www.development-today.com/archive/2024/dt-10--2024/time-for-oecd-dac-reform-and-a-un-convention-to-define-aid; see also CSO for FfD. (n.d.). The IDC work. *CSO for FfD*. https://csoforffd.org/work/idc/

[85] Benn, C., & Garcia, R. (2024, November). *WHO investment round: Significant step towards sustainable and predictable funding*. Joep Lange Institute.

commitments. In the short-term, development policy discussions would become louder and more chaotic; but in the longer term it could prove to be the case that deeper and more durable cooperation frameworks are established.

Scenario 4. Pragmatic Plurilaterallsm. This evolution sits somewhere between the incremental evolution and universal development scenarios outlined above: its watchword would be "coalitions of the willing" functioning as collective action clubs. In other words, the approach to development cooperation here would still be primarily voluntarist, but not uncoordinated, and with a strongly multilateral ethos retained. Such an approach would be sectoral and issue-oriented, rather than cross-cutting. Its chief modality would be the replenishment campaign. Where this future already exists is in the fact that we have a UNFCCC that oversees national commitments on climate, for example, but which says nothing about health or social protection, despite the overlap of these issues. To each issue its own financing modality and wider ecosystem of donors, advocates, and implementing entities. Governments would cooperate more deeply than at present on international agendas, but also on narrower objectives than are lain out in the Financing for Development agenda zero draft, for example. Such an approach would not be immune to geopolitical tensions, however. Global cooperation is more feasible in some areas than others: and this approach would tend to focus on "doable problems". More complex structural problems that do not have clear solutions would be less likely to be addressed. This may then mean that the build-up of deep-seated tensions and drivers of macro-economic instability fail to be adequality addressed in this scenario. The World Economic Forum would profile the successes, and a critical press would be left to pick over the failures. The driving force at the heart of this model would be a growth in the Public Private Partnership model that has been pioneered by the likes of the Global Fund, Gavi, and other issue specific funds, including the Green Climate Fund. These models will increasingly provide an issue specific channel for traditional aid financing, which whether it grows or declines, is less mission critical given the ability of these organizations to secure funding from other sectors, such as philanthropy, and to develop innovative and adaptable implementation models. Thus, under this scenario too it could be anticipated that philanthropic financing would come to play a larger and more decisive role than at present.

Scenario 5. Managed Handover. The final scenario depicts neither a bang nor a whimper but a managed process of transition in which development cooperation policymaking is steadily handed over to non-government actors, particularly the IFIs and MDBs, with an anchoring in nationally-owned development plans. In this scenario, more and more of the development policy space – beginning with global challenges, such as the recent pandemic, but increasingly including larger elements of climate finance and other emergent issues, would be given (horizontally) to MDBs and national development banks to design and implement, and (vertically) to local actors to take over, in a more full-fledged commitment to localization amounting to the exiting of "northern" aid (and its intermediaries) from aid programmes and on-the-ground operations. Indirectly this would create knock on effects in the ways that UN agencies and the UN system operate. Such an evolution thus represents a deliberate process of de-sovereignization, with an accompanying transformation in the larger development ecosystem, much of which relies at present, on ODA financing via development agencies, to sustain itself. In some cases, this handover of responsibilities would be welcome and would enable improved delivery on development outcomes. The work of the Finance in Common platform, for example, provides clues as to how the horizontal part of this evolution might play out over time. Government-funded ODA would increasingly be reserved for playing a backstop role in approaches designed by others: as a source of derisking capital, for example.

3.2 How can development actors best respond to (and potentially even shape) these development pathways?

The above scenarios are all hypothetical, but they are rooted in actual trends and current policy realities. As they look to shape the actual trajectory of development assistance over the next fifteen years, development actors will need to be mindful of the above evolution pathways, while also ensuring that a more concrete set of identifiable "reform needs" are addressed. Whichever future trajectory is embarked upon, success or failure along that pathway will depend on how well a reformed system meets these current needs, which are distilled from a scoping of the current development literature, including perspectives from the stakeholders across the development spectrum, civil society and private sector viewpoints regarding the challenges of ODA-based development cooperation today.

Develop a clearer (new) narrative. Whatever narrative emerges to explain and justify the future approach to development that is taken, the project of "development" must be reimagined for the challenges of the current century. If the contributor base is to be broadened so that more countries can contribute to global challenges in particular, then a narrative based upon mutual interest seems the most likely to generate broad-based buy in. At the same time, a rethink of the whole question of targets in ODA and development cooperation is needed. The question of targets – most famously the failed fulfillment of 0.7% commitment (see Annexes) – has been a longstanding source of debate and tension in development cooperation.[86] The advantages are clarity of agenda, pressure to commit resources, and a yardstick by which to measure success. But targets also incentivise efforts to "game" the system and when they are not fulfilled (as often) they contribute to a lack of trust and confidence in the system. In other words, the political costs often outweigh the economic benefits. We believe that a new development narrative, given the political engagement, diplomatic, and governance challenges lying ahead, must be forged around a soft approach to targets. Quantitative goals and indicative commitments should be adopted in place of "targets" and engagement and participation should be prioritised over both. Trust in cooperation modalities needs rebuilding first. The level of ambition can be raised thereafter.

Ensure additionality of new financing. As the range of demands upon development cooperation grow it becomes more important than ever to avoid taking from Peter to give to Paul. Some of the above approaches, such as separately categorized national budgets for international development and GPG financing, lend themselves to this by simplifying measurement and accountability and making it clearer to national publics where the money is coming from, what it is going to, and in whose interests it is being spent. While some will raise the challenges of securing agreement on the new definitions and measures that would be required to implement new and additional financing streams, it is worth remembering that even the DAC's own definition of ODA has always been revised, and the history of DAC

[86] Clemens, MA., and Moss, TJ. 2005. *Ghost of 0.7%: Origins and Relevance of the International Aid Target*. CGDev Working Paper 68 (September 2005).

revisions has been towards an increasing flexibility (or loosening) of the definition.[87] This loosening (e.g. that in-country donor costs and other expenditures in provider countries are countable as having a "development purpose" or in the accounting rules on concessionality, which enables counting of quite profitable loans for creditor countries as "concessional" and so to be included as ODA) has contributed in turn to weakening the legitimacy of ODA spending, for all that it has been a practical and necessary process.

Reform the governance of development cooperation frameworks. Longstanding calls for reforms to the IFIs, or to more inclusively managed issue specific agendas (such as the particular make up and powers of the boards governing international funds such as the Pandemic Fund) have become more vocal of late. There are good reasons to embrace these positions, given the connections between inclusivity, expanded donor bases, and better decision making. Governance is the key to unlocking the development cooperation trilemma (see Annexes). More inclusive governance structures also lead to better decision-making when managed correctly, including via use of constituency arrangements that can ensure civil society, technical, private and other appropriate stakeholders have the necessary voice in arrangements that are both inclusive and sufficiently agile.

Ensure coherency between sectors and across scales. One of the major challenges confronting international development cooperation today is the problem of fragmentation and the paradoxes this leads to: of, for example, outflows of debt contra inflows of ODA. There is a need to ensure that the capacities of one sector (such as the IFIs) are not kept isolated from others. Similarly, in a reformed ODA system where separate categories of finance exist for traditional development purposes and emergent global public goods needs, ways should be found to coordinate government with MDB financing agendas: through for example, the use of sovereign donor guarantees to a (future) GPG Agency or Window at the World Bank where they could provide a form of quasi-equity and also be used to enhance the overall concessionality of lending for GPGs.[88]

Broadening the effectiveness agenda. The aid effectiveness agenda, emerging from the Fourth High Level Forum on Aid Effectiveness in Busan, helped development actors to make important progress on the way that international development cooperation is undertaken: improving transparency, common standards and country ownership. But the effectiveness agenda needs updating and applying not only to emergent practices in ODA that have become more prominent since Busan (such as blended finance). It also needs updating and applying to the development cooperation system as a whole: particularly as countries "move away

[87] Hynes, W., & Scott, S. (2013, December). *The evolution of aid statistics: Achievements, criticisms, and a way forward* (OECD Development Co-operation Working Papers No. 12). Organisation for Economic Co-operation and Development (OECD).; Organisation for Economic Co-operation and Development (OECD). (2023, November 21). *Frequently asked questions: The modernisation of official development assistance (ODA)*. Retrieved May 2024, from https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/oda-modernisation-faq.htm

[88] Khanna, R., & Healy, C. (2023, June 7). *The World Bank needs a bank for global public goods and the World Bank should be reformed to play that role: A new global public goods bank within the World Bank Group* https://icrier.org/g20-ieg/pdf/19.pdf ; see also Reid-Henry, S. (2022, September 28). *A GPI mandate for a mission-oriented World Bank/MDB system* [Concept note presented to the UN Secretary-General's High-Level Advisory Board on Effective Multilateralism].

from aid".[89] Here, what was originally conceived of as a reform agenda within existing structures of development finance provision needs more fully addressing as a political agenda applied to development cooperation itself: ensuring that more open and equitable forms of governance are given the opportunity to determine what success looks like, including consideration of how best to measure outcomes (whether as GNI, for example, or according to more multidimensional indicators of value, such as the Multidimensional Vulnerability Index, or MVI).

Delivering on 360-degree accountability. Accountability has been a key concern of development cooperation since widely publicized cases of corruption in the 1970s and 1980s. But accountability has to be of all partners to each other, ensuring not just government to government accountability, or between donors and recipients, but of civil society over the private sector and governments, and of each of these actors to each other. Crucially, and in line with a growing localization agenda, accountability needs to be more people centred. The needs and wishes of communities and national citizenries need to be the starting point of all development cooperation, and it is only through accountability mechanisms that it can be certain their interests are properly and sufficiently taken into account. A reformed development cooperation system needs to ensure that all relevant stakeholders, as constituencies, are given meaningful voice in decisions and that accountability of all partners is assured. This should include new constituencies such as youth.[90]

Digitalization needs mainstreaming in development cooperation. Whatever approach to development is taken and whichever of the above scenarios proves most accurate, successfully implementing it will require making full use of the power of digital and other knowledge amplifiers, including AI. Whether this is through the provision of digital public goods or by using new technology platforms to monitor and maximize flows to where they are needed most, development cooperation in the digital era must be digital development or it will soon be nothing at all.

The objective of decolonization needs normalizing as a common agenda. The decolonization debate too often reduces to a circular logic in which the problems of development assistance are solved by doing away with development cooperation altogether. Decolonizing aid does not provide the answer to all of aid's problems, in other words: it may not be compatible with enhancing its effectiveness, for example, though it would lead to greater accountability and aligns well with a localization agenda focused on meeting national priorities (such as through Integrated National Financing Frameworks (INFFs)). This is one example of where a principles-based approach to development cooperation, rather than a results-based approach, can be the right and a more politically feasible way to go.

IV. CONCLUSION: NAVIGATING THE CHANGES AHEAD

[89] Calleja, R., & Prizzon, A. (2019, December). *Moving away from aid: Lessons from country studies*. ODI Report.
[90] See, for example, the "Principles of meaningful involvement of communities and civil society in global health governance. (n.d.). *Governance Principles*. Retrieved from https://governance-principles.org

This paper has argued that ODA is at a crossroads and that systemic change from here is inevitable. Put simply, the system of international development cooperation based upon a model of "traditional aid" is ending.[91] Given the changes in its function and purpose, and in the world in which it operates (as discussed in Section I) this system has in practice been in decline since the very beginning of the SDG era, despite the mixed signals from rising net ODA volumes. The recent sharpening of the climate crisis, the growing geopolitical fragmentation of the world, and the shock (and economic costs) of the Covid-19 pandemic have combined – amongst other challenges – to accelerate the process. The impact of the new Trump administration's anti-aid stance, in what has been the single most important international donor by volume throughout the seven decades history of the project of international aid, is likely to make those changes irreversible. The question now is: what sort of future awaits? On this question we have further argued that there is much in traditional aid that needs preserving, including its emphasis on measurable indicators, on transparency and on formal arenas for aligning bilateral agendas around global development "norms". But the principles that underpin ODA, and its place within a reformed development cooperation system, all need thinking anew.

These are no longer choices that can be eschewed. Doing nothing could itself see development cooperation slide into a "wild west" scenario, with missed opportunities for rebuilding a stronger multilateralism, let alone addressing the major planetary threats before us. At the same time, there are clear opportunities ahead that can be seized to remake international development cooperation anew: moving it away from a project-based focus towards a mission or initiative-oriented focus – one capable of generating wider support and achieving larger impact, and perhaps even rebuilding belief (and trust) in multilateral solutions at a time of rising nationalism and xenophobia.

The Changes Ahead. Whatever happens, we are likely to see a transformation in how development (especially northern donor) agencies operate in the decade ahead, including changes to the purpose and operational modality of ODA, and a transferal of some responsibilities to other actors, such as the MDBs and a more structured philanthropic sector.[92] The impact of these changes will be felt not only by providers and recipients of development finance: they will impact the entire aid "ecosystem". In several of the future scenarios envisaged in this report, civil society organizations and NGOs will also experience a long-term decline in what, to date, has been their core source of funding, and this will force them to rethink their business and operational models. In more extreme scenarios we may even see the long predicted "end of ODA" as we know it materialize.

How the UN will fare in this evolution is harder to predict. An already observable waning of commitments to core financing will likely be intensified by the changes above, and dramatically so when a major donor – such as the US, which presently funds around 20% of the UN budget – withdraws or greatly reduces its spending. This will mean internal changes

[91] Kumar, R. (2019). *The business of changing the world: How billionaires, tech disruptors, and social entrepreneurs are transforming the global aid industry*. Beacon Press.
[92] Calleja, R., Casadevall Bellés, S., & Cichoka, B. (2025). *What does it mean for agencies to be effective in a changing development landscape?* CGD Policy Paper 350. Centre for Global Development. Retrieved from https://www.cgdev.org/sites/default/files/what-does-it-mean-agencies-be-effective-changing-development-landscape.pdf

within the UN and its agencies as well and will challenge the capacity of the UN to operate as a development actor. Rather like we have seen with the WHO, the UN might then retreat to more of a normative function. The fate of the UN will also rest on how wider power dynamics and the struggle for voice between the global North and South within global governance arenas plays out. In the next few years, the UN could either struggle terribly or experience a renaissance, depending in part on the interplay between a resurgent G77 and the next Secretary General.

In considering the potential impact of these changes, it is important not to underestimate the speed of change. International development actors are accustomed to a world of incremental and hard-fought changes of degree. The TOSSD process, which has for nearly a decade painstakingly built a revised approach to measuring development finance, is one case in point. The UN reform agenda is another one. But the macro-political context is more volatile today and the impacts of a Trump administration in particular could unleash rapid changes in what other countries are doing. More positively, the rapid progress within the General Assembly to initiate a UN Framework Convention on International Tax Cooperation, underscores that the global South is finding its voice in the international arena and is also capable of *initiating* policy changes that once seemed they would take many years to action. All of this should sensitize policymakers to the fact that systemic changes can and do happen quickly as well as more gradually. Recent high level preparatory meetings for FFD IV, and the lukewarm response to last year's Summit of the Future (SOTF), all indicate a growing impatience and demand for change.

Ultimately, for decisionmakers, this evolving landscape may best be approached as a series of paradoxes that require navigating with political savvy and intelligence. Aid fragmentation is a major problem for effectiveness, for example, yet broadening the donor base is also key to raising the volume of finance needed going forward. A broader paradox still, is that, for collective action to succeed in the world of the next 10-15 years; development actors will need to do "more but better with less", as one Development Agency representative recently captured it, at the same time as governments absolutely *have* to find new ways to reliably and sustainably raise the finance needed to meet the world's problems and achieve some noteworthy big "wins" in the process that can restore public confidence in the idea of sending money abroad.

Looking ahead, the challenges of reinventing ODA, and international development cooperation more broadly, will require farsighted imagination and the policy commitments to back it up. The primary objective that is needed now, in 2025, is to define where international development needs to be in 10-15 years' time and to envisage the steps required to chart a course towards that. In the current political context of resurgent nationalism and declining trust in multilateral solutions, the current meta narratives of "charity" and "solidarity" (preferred by traditional aid actors) and those of "justice" and "reparation" (preferred by traditional aid's staunchest critics) are insufficient to the task: valuable though they are. A framework that can modify arguments along a sliding scale of mutual interests, one that veers to national self-interest at one end and enlightened common benefits at the other, is required. We think the narrative of development cooperation as mutual interest is the best headline framing of that agenda. This, however, is just the start. The following elements will also need taking into consideration:

→ **A staged process.** Clearly not all changes will be achievable right away. By contrast, some are already quite well established. Political realities will determine much of what can be done and things will look different at the end of 2025 than they do today. Within the context of the larger challenges confronting the ODA *system* at large that we have focused on in this report, however, it is possible to think of how governments, development agencies, beneficiaries, civil society and private sector partners could **work together to proactively define and implement a staged evolution towards a new paradigm of development cooperation** that would allow for more of the positive attributes outlined above to be built into a more inclusive multilateral framework overseeing international development cooperation. A schematic interpretation of how such a staged evolution might look is set out in **Box 2** at the end of this Report. The staging is important because the initial steps needing taking in the direction of a future framework based on mutual cooperation may not be the same as the ultimate arrangement: this in any case is the lesson to be drawn from the way that countries have successfully evolved domestic spending over the past century and a half to finance "public goods" of all sorts, including basic welfare and economic development, at the national level.

→ **A journey of socialization requiring clear focus and leadership.** In order to bring about the above staged evolution of the development cooperation system from an ODA-centred model to something like a multi-tiered and multi-directional Global Public Investment framework, communication will be as important as political opportunism. Something like the millennium-era campaigns on debt and HIV will be needed to explain why a new approach is needed. Large scale public campaigns would then in turn help to mobilize public support – in North and South alike – around the needs and benefits that each and every global citizen is due. Supporting such a campaign is one critical area where philanthropic funding has a role to play, along with Civil Society actors and NGOs, who would each also renew their mandate.

→ **Embracing the political realities.** There has been an understandable tendency in development circles to smooth away crises and to avoid rocking the boat. This leads to a lot of "development speak" and euphemistic language that has depoliticised the aid agenda. The time is ripe for honesty and directness in global development debates, but not political naivety or fixed opinions about what will or won't work. The SDGs, for example, will not be achieved in 2030. Perhaps instead of seeking ways to "learn lessons" and "recommit" to achieving them (the "Doubling Down" scenario above), there should instead be a hard headed call to acknowledge that they have failed at least in part because of the inability of the current system of international public finance to deliver on them.[93] Looking beyond 2030, what is needed therefore is not a new set of "goals" but a new and "ongoing" framework to deliver on quality, equitable, and sustainable development. The evolutions above, if they have progressed sufficiently, could then be pointed to as proof that such development

[93] Liden, J. (2024, June). The UN must suspend the SDGs to tackle more urgent crises. *The World Today*, Chatham House Blog.

cooperation has in fact a larger and more essential role to play at the very core of multilateral relations in the future.

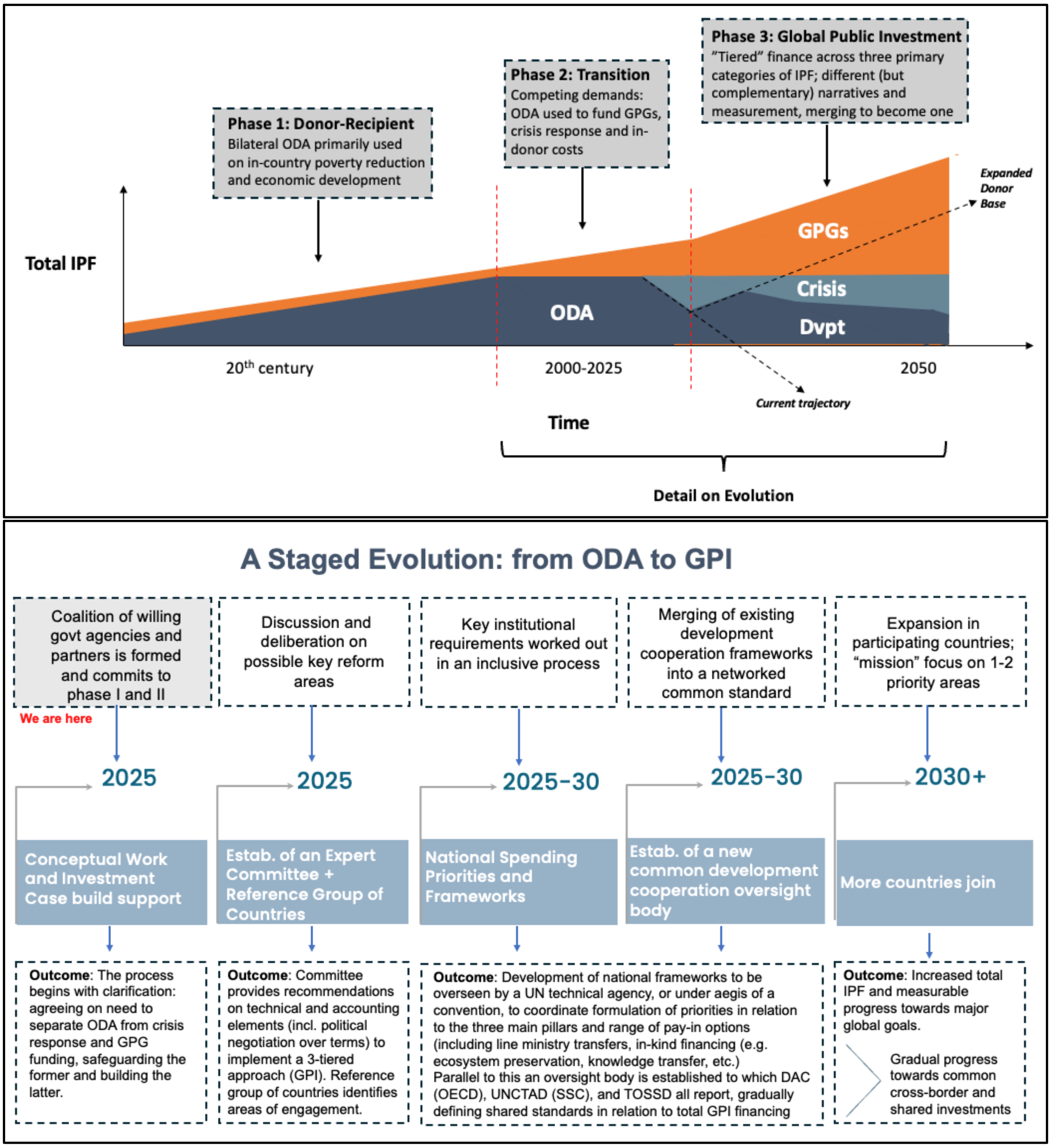
→ **Pre-empting the inevitable barriers.** It is always easier for stakeholders to find reasons why desperately needed structural reforms are not viable, will be unpopular, or otherwise too costly. What is therefore also needed is clear-headed work building the case (both evidence-based and policy-based) that can help stakeholders to address those barriers to reform in advance. For example, one of the problems of evolving international public finance from an ODA model (which everyone agrees is too small, too narrowly governed, and too focused on donor interests rather than structural reforms and beneficiary requirements) to something broader and more universal (something like a GPI model) is the extent to which ODA is a hammer that needs everything it does to look like a nail. **Instead, ODA finance could already be split into** different tranches (e.g. core poverty reduction, GPGs, humanitarian and emergency assistance) and the necessary "governance" evolutions around these different tiers, along with different arrangements for how the funding could be used (blended finance, loans, grants etc.).[94] See also Box 2 (below) for an example of how this might look.

→ **The costs of Inaction.** Finally, the scenario that must be avoided above all else is the scenario of not doing anything. This will almost certainly result in substantially reduced global ODA budgets as well as precipitating a crisis of legitimacy in development cooperation writ large. The outcome here could well be international aid budgets that are far smaller than even current predictions, which are based on current trends and realities, and one in which, as Chart 1 in the Annex to this report shows, will themselves decline unless the contributor base is expanded beyond traditional donors. Yet the needs of sustainable development will never go away and there will always therefore be a need for development finance and ways of cooperating on its delivery. At present we have an outdated system that was built for different purposes and in a different time. The next 10-15 years must be spent building the next generation of development cooperation that is fit for purpose in the mid 21st century. This paper has tried to show both why such a task is necessary and what the major trends likely to impact upon its evolution will be.

[94] Reid-Henry, S., & Benn, C. (2023, July). Global public investment for global challenges. *T20 Policy Brief*, Task Force 6: Accelerating SDGs: Exploring new pathways to the 2030 Agenda. India 2023 G20.; and Reid-Henry, S. (2020). Global public investment: A preliminary sketch. *Revue d'économie du développement*, 27(2), 169-201.

Box 2. Outline Sketch of a Staged Evolution in Development Cooperation.

(*Nb. The figure below is intended as a conceptual illustration and neither the relative volumes, nor the categorization of the tranches themselves should be taken as given: the evolution of a Global Public Investment framework would require input and agreement from all relevant parties that would shape the ultimate arrangement*).



ANNEXES.

Annex 1. A Scorecard for ODA Reform Proposals

Key questions that will need to be asked of any reform agenda include the following. More formally worked up these could provide the basis of a score card or index for assessing the most useful way forward.

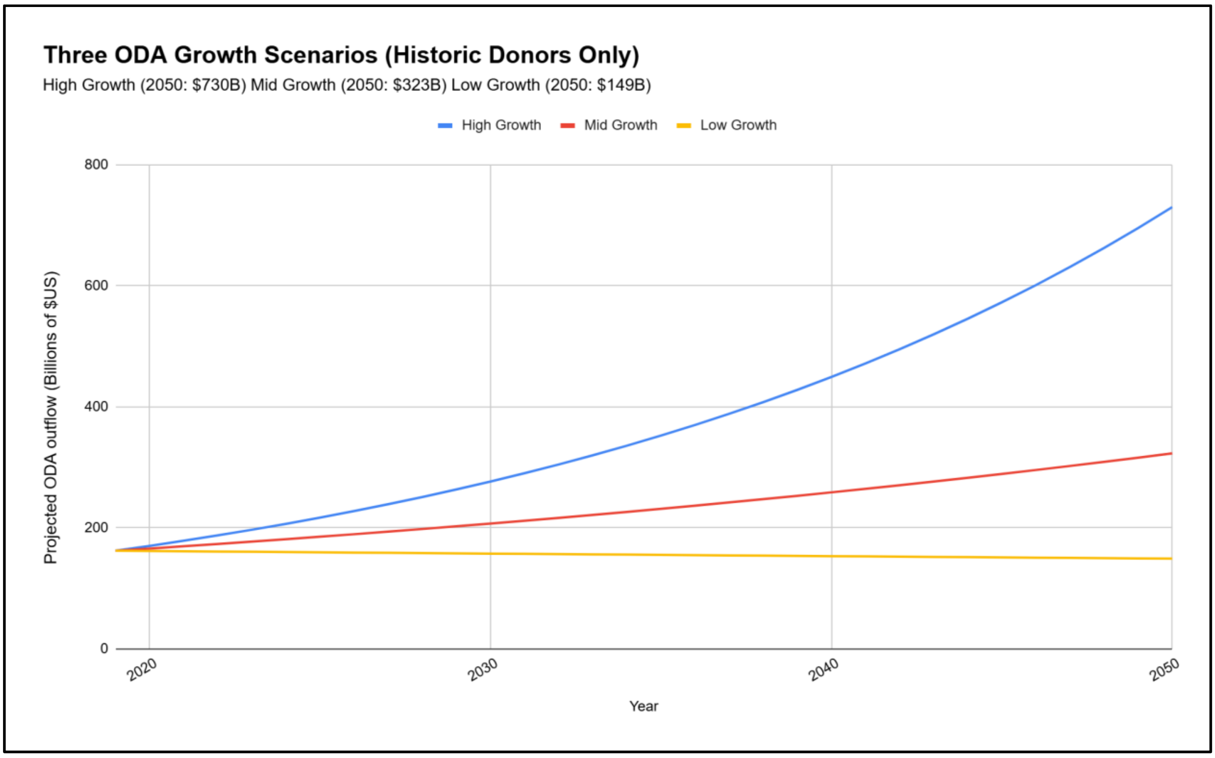
1. Purpose	Can the reform provide the basis for a new narrative? Historically this was tied to rebuilding Europe (1940s-50s), postcolonial nations (1960s-70s), poverty eradication, and then globalization (1980s-2000s). In the SDG era it has struggled with a reactive approach linked to unachievable goals in context of challenges like the financial crisis and COVID fallout.
2. Policy Coherence	Does the system avoid contradictory flows, mission creep, and ensure positive-sum outcomes? It must align with the broader GFA on debt, tax, and capital (ODA, Development Banks, Innovative Finance) while using tools like the Multidimensional Vulnerability Index (MVI) to account for economic spillovers beyond GDP.
3.Legitimacy	Does the reform answer the growing legitimacy questions posed of ODA? From broadening the contributor base to effective programme implementation, the extent to which a reform agenda succeeds will, over the longer term, be determined in large part by how well it addresses longstanding questions of governance.
4. Ownership	How are national priorities identified, voiced, and reflected in multilateral policy prioritization? Any reform will need to ensure this, ideally through a framework modeled on national development priorities, building on existing platforms like the Integrated National Financing Frameworks (INFFs) .
5.Effectiveness	Is the reform likely to ensure scarce public resources are spent effectively and deliver real impact on outcomes (e.g., poverty reduction, financing global goods)? Regardless of ODA levels, development assistance will always be relatively scarce and must be used as efficiently as possible.
6. Durability	When crises hit, how durable will the reformed system be? Even in stable times, can it adapt to allow countries to "forum shop" across different spheres of a wider and more modularised development system (e.g. the countries can leverage GPG flows when needed vs. in-country capacity building at other times) for a meaningful mix that meets their evolving needs?
7. Leverage	How well will the reformed system work to enhance (by volume, or nature) the role of private finance in development outcomes? How will it ensure that this leveraging is undertaken in market shaping rather than market fixing ways?
8. Transparency	How will the reform objectives not only be clearly separated (e.g., emergency assistance, poverty reduction, GPGs) but flows between them accounted for, with indicative targets set for each to prevent "robbing Peter to pay Paul"?
9. Country-Programmability	Will the reform lead to more country-programmable aid: which is not tied to bilateral providers' interests but is defined and spent according to domestic priorities. This requires addressing both ownership and donor-side factors, such as longer-term (5-year) non-binding pledges for predictability, or multi-year rolling determinations (e.g., revolving funds like PAHO) to secure contributions across income groups.
10. Elasticity	How will the system be designed to evolve over time, to account for the fact that development is never static? Emerging powers can't simply be incorporated into the provider side based on their historical needs and current capacities; both emerging and traditional donors need to be part of a dynamic framework that will continue to adapt over the next 15 years.

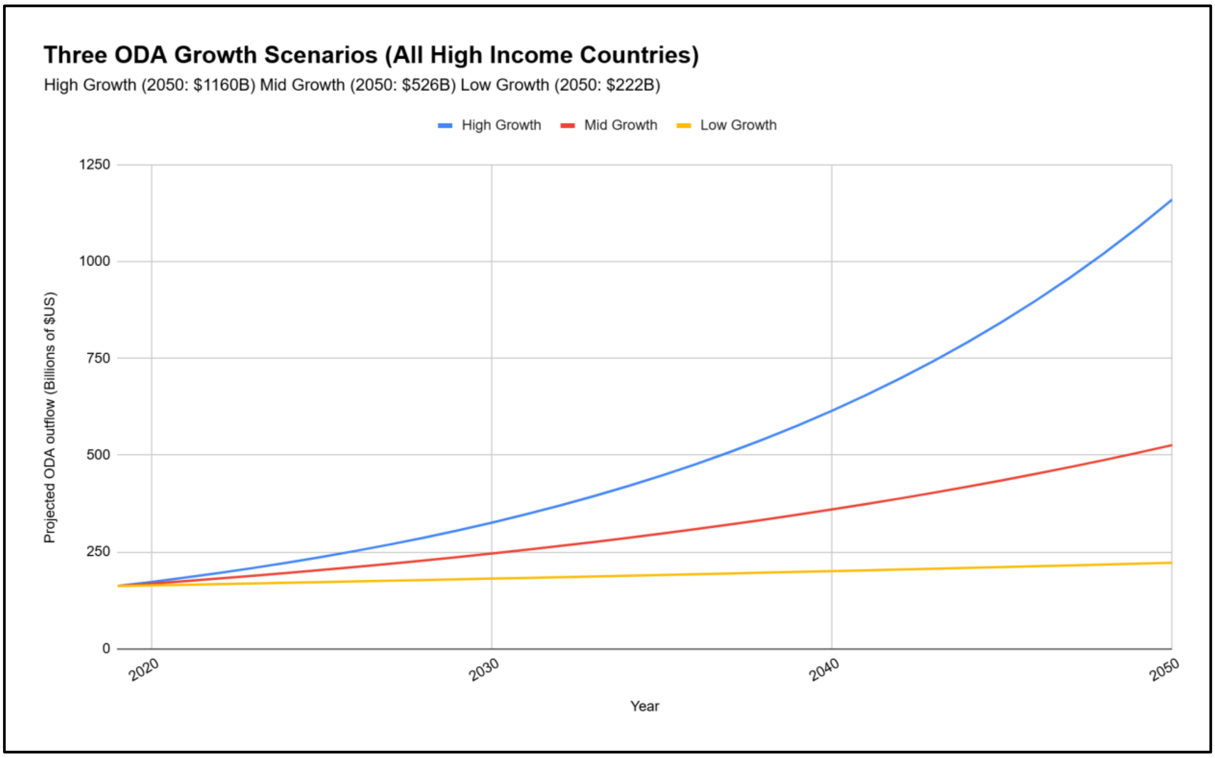
Annex 2. ODA Growth Scenarios: High, Medium, Low.

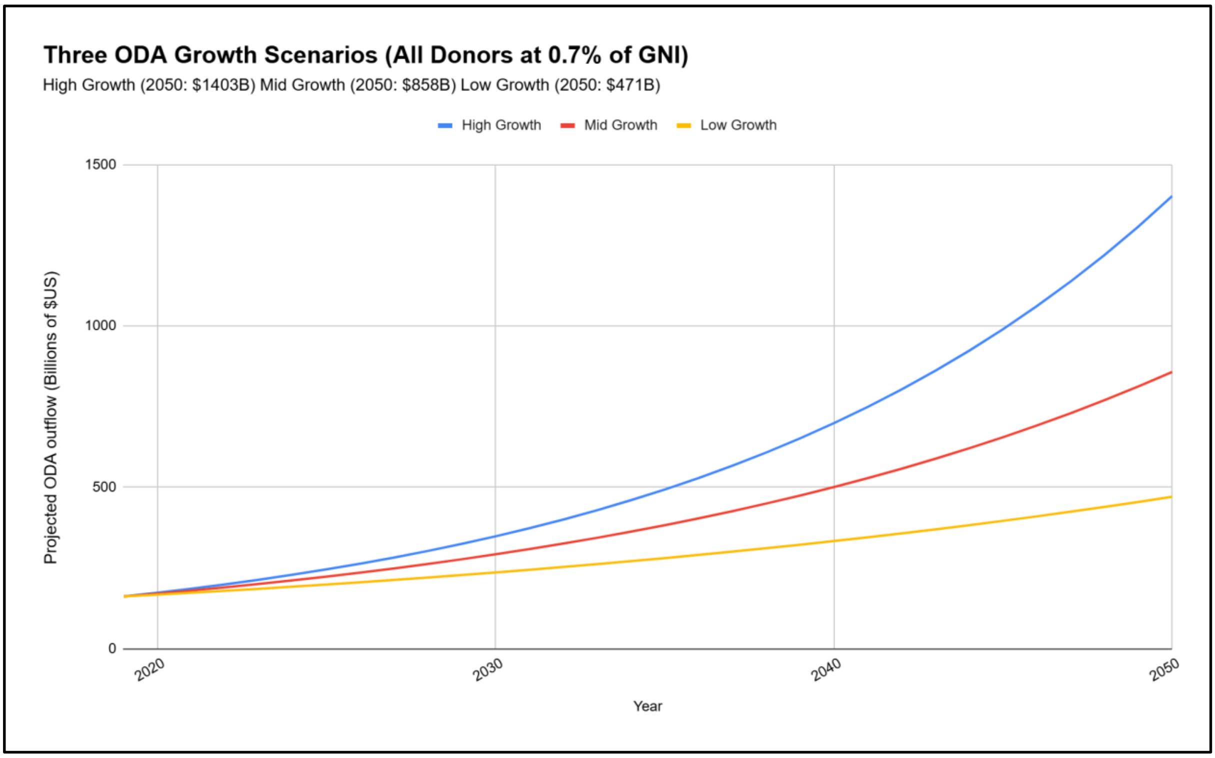
The following graphs provide high-level assessments (based on data in Kenny & Gehan, 2023). Four different scenarios are provided:

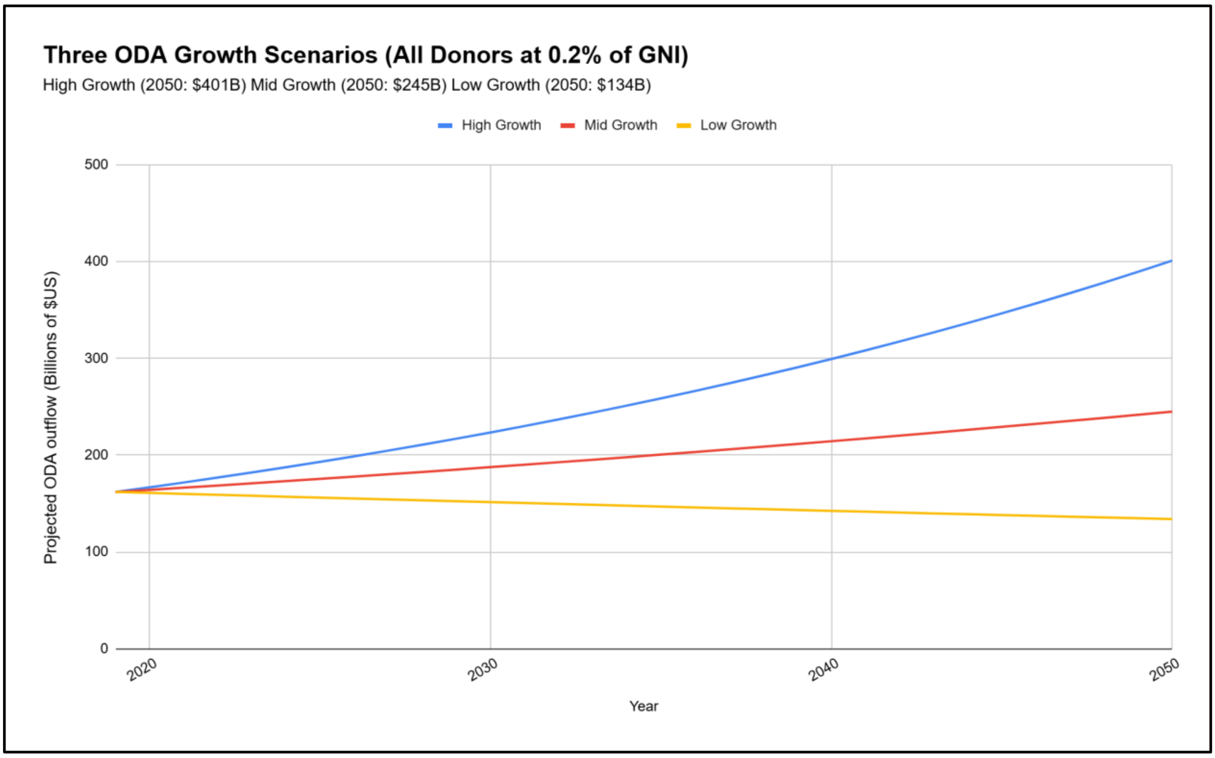
1. All Historic donors
2. All High-income countries (including countries predicted to become High income countries by 2030 and 2050 respectively)
3. All Historic donors, if they were to meet the target of 0.7% of GNI
4. All Historic donors, if they were to give at a level of 0.2% of GNI
5. Non-traditional donors (Upper middle income countries at 0.5% of GNI)
6. Non-traditional donors (Lower middle income countries at 0.5% of GNI)
7. Non-traditional donors (African countries at 0.5% of GNI)
8. Non-traditional donors (China at 0.5% of GNI)

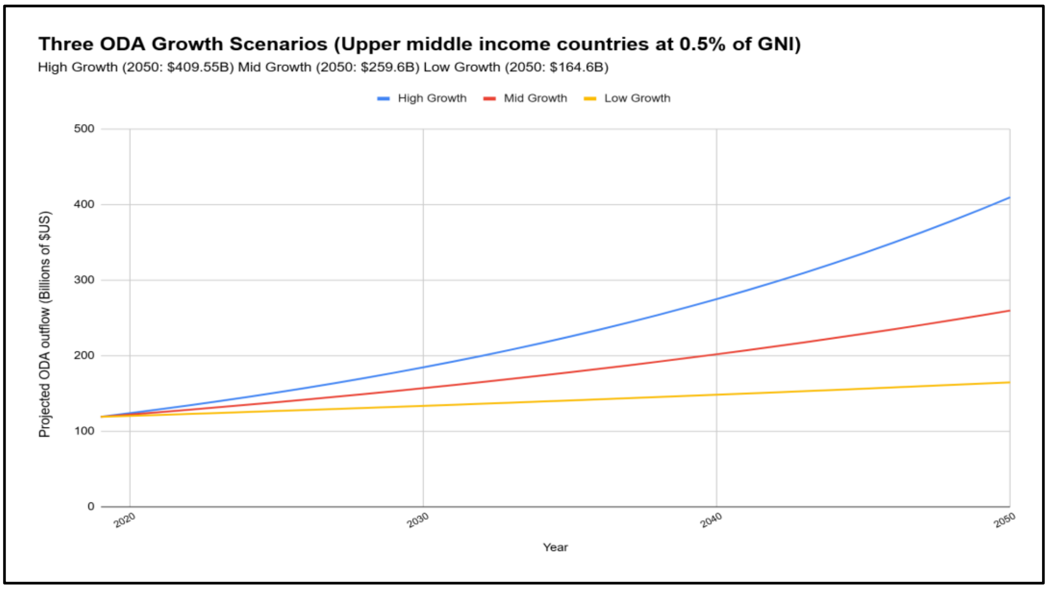
For each of these three scenarios there are three trend lines, based on a High, Medium or Low growth trend. The graphs for the predicted scenarios in Annex 2 are based fully on numbers from two papers by Kenny & Gehan (2023) - the first being *Scenarios for Future Global Growth to 2050* and the second being *The Future of Official Aid Flows* - in which the authors predict GNI growth for a selection of countries up until 2050, with 2019 as a baseline. Below we have visualised the numbers they provide in those reports. The first four graphs are based on *The Future of Official Aid Flows* and the last four are based on our calculation of the annual volume of ODA as a percentage of year on year GNI growth (from 2019 to 2050) using the predicted 2050 GNI levels provided in *Scenarios for Future Global Growth to 2050*.

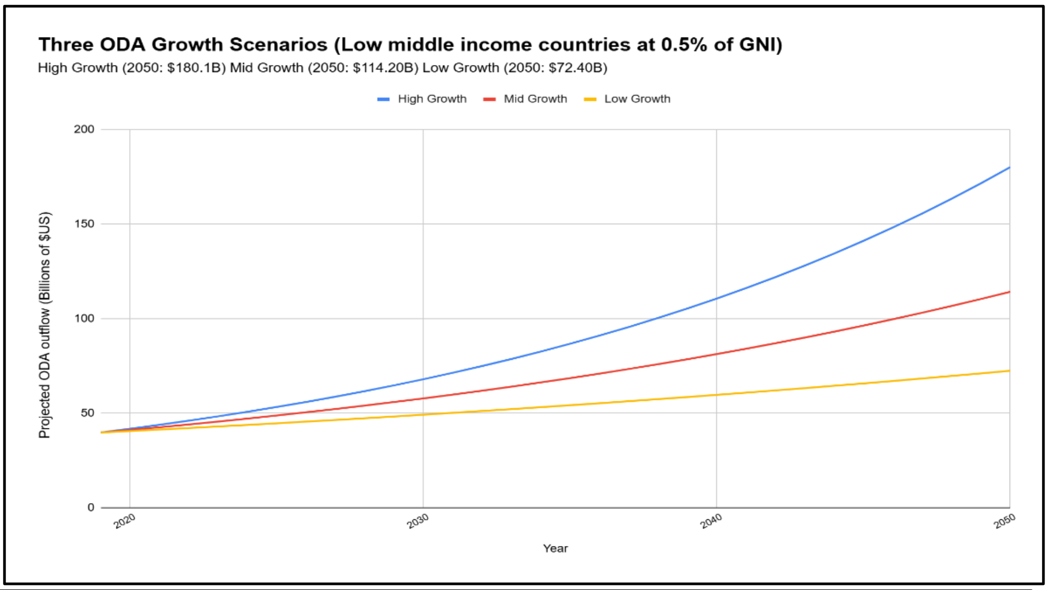


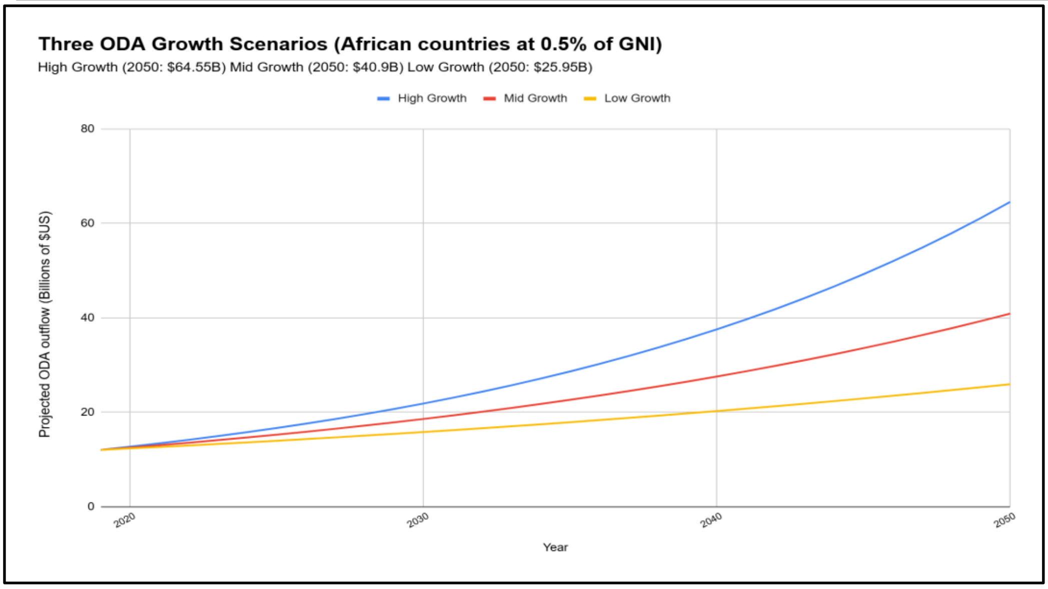

Three ODA Growth Scenarios (All High Income Countries)
High Growth (2050: $1160B) Mid Growth (2050: $526B) Low Growth (2050: $222B)
High Growth
Mid Growth
Low Growth
1250
1000
750
500
250
0
Projected ODA outflow (Billions of $US)
2020
2030
2040
2050
Year

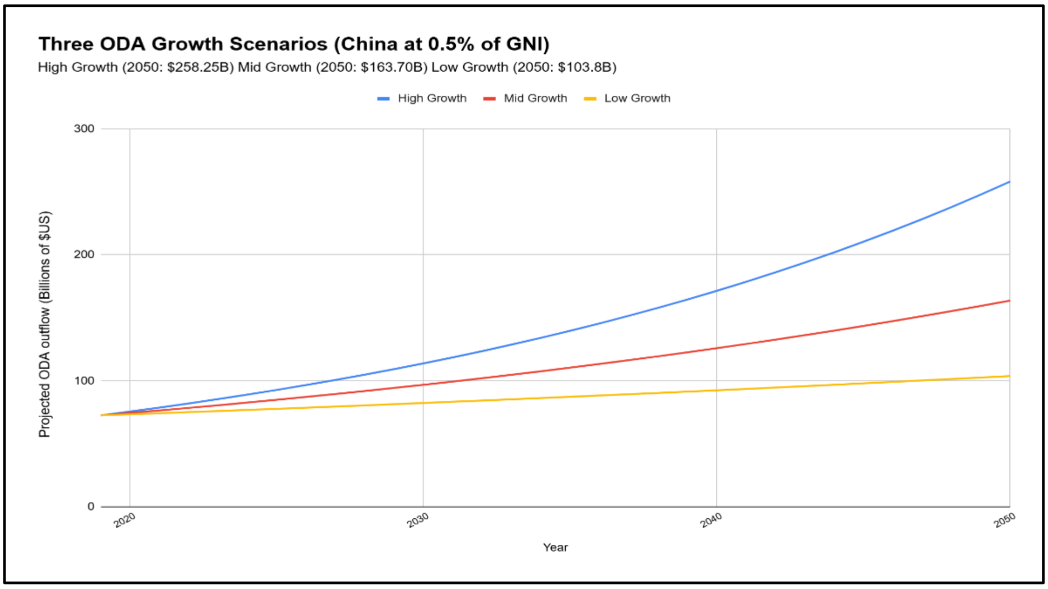

Three ODA Growth Scenarios (All Donors at 0.7% of GNI)
High Growth (2050: $1403B) Mid Growth (2050: $858B) Low Growth (2050: $471B)
High Growth
Mid Growth
Low Growth
1500
1000
500
0
Projected ODA outflow (Billions of $US)
2020
2030
2040
2050
Year


Three ODA Growth Scenarios (All Donors at 0.2% of GNI)
High Growth (2050: $401B) Mid Growth (2050: $245B) Low Growth (2050: $134B)
High Growth
Mid Growth
Low Growth
Projected ODA outflow (Billions of $US)
500
400
300
200
100
0
2020
2030
2040
2050
Year

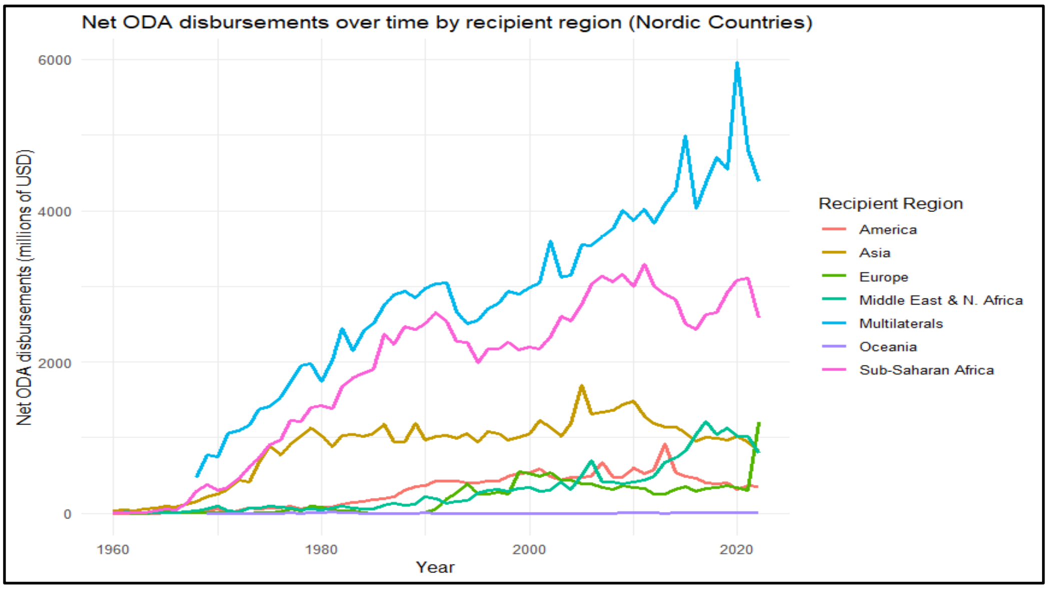

Three ODA Growth Scenarios (Upper middle income countries at 0.5% of GNI)
High Growth (2050: $409.55B) Mid Growth (2050: $259.6B) Low Growth (2050: $164.6B)
High Growth
Mid Growth
Low Growth
Projected ODA outflow (Billions of $US)
500
400
300
200
100
0
2020
2030
2040
2050
Year

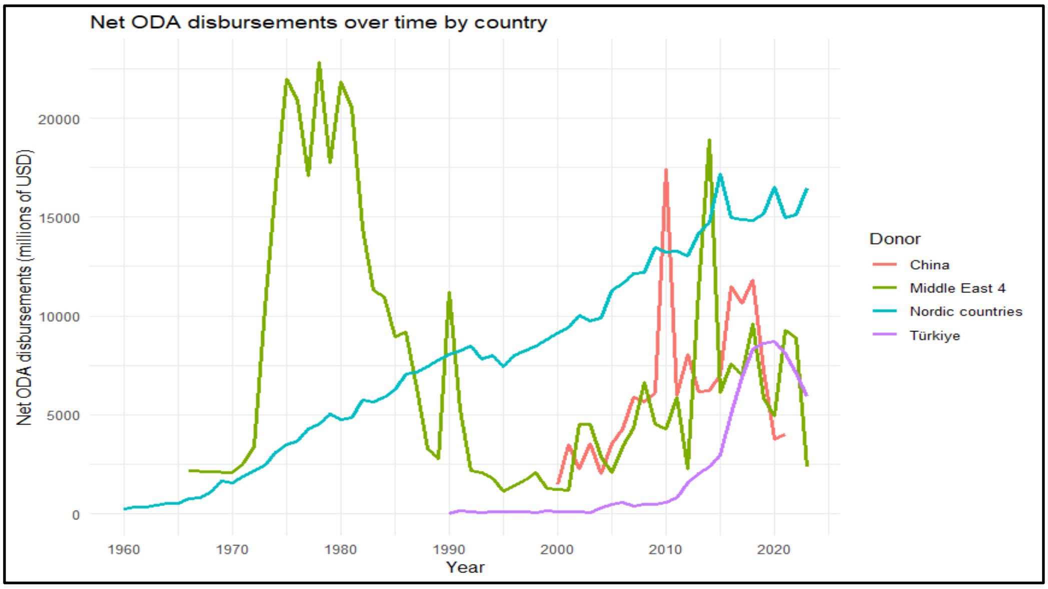

Three ODA Growth Scenarios (Low middle income countries at 0.5% of GNI)
High Growth (2050: $180.1B) Mid Growth (2050: $114.20B) Low Growth (2050: $72.40B)
High Growth
Mid Growth
Low Growth
Projected ODA outflow (Billions of $US)
200
150
100
50
0
2020
2030
2040
2050
Year

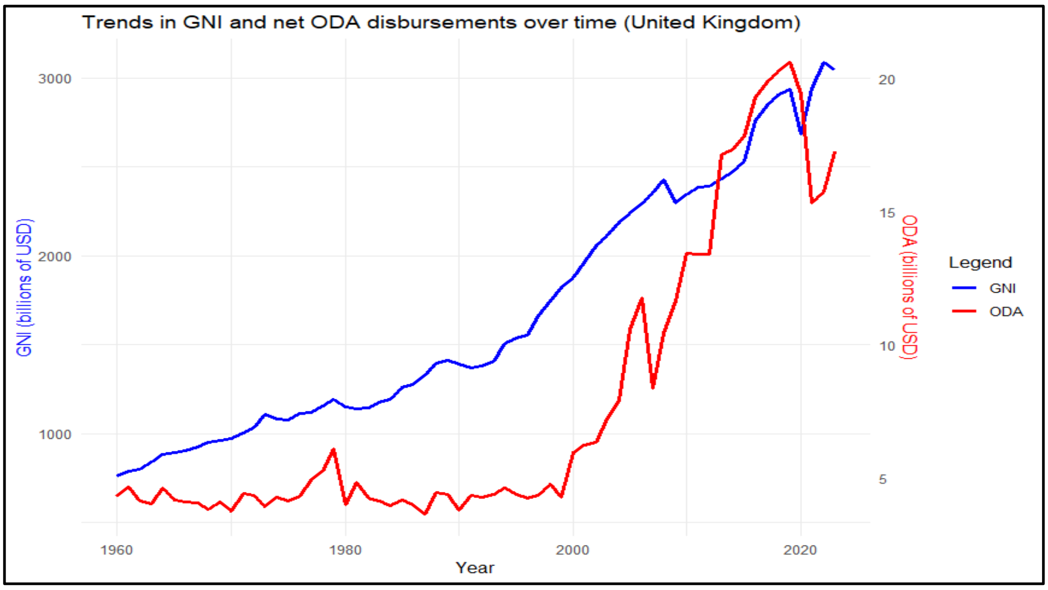

Three ODA Growth Scenarios (African countries at 0.5% of GNI)
High Growth (2050: $64.55B) Mid Growth (2050: $40.9B) Low Growth (2050: $25.95B)
High Growth
Mid Growth
Low Growth
Projected ODA outflow (Billions of $US)
80
60
40
20
0
2020
2030
2040
2050
Year



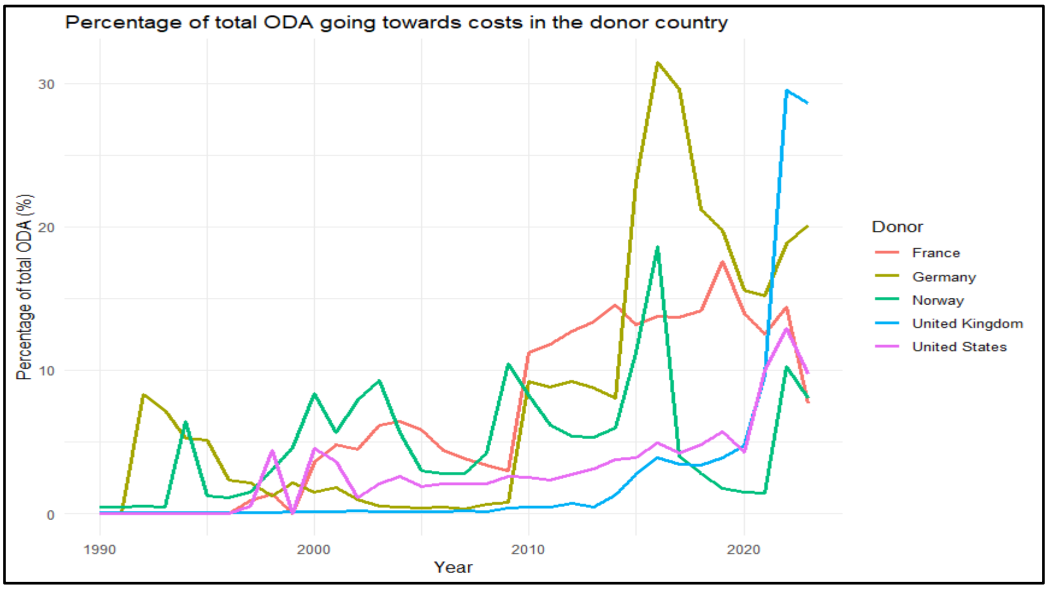
Annex 3. Further ODA Trends.



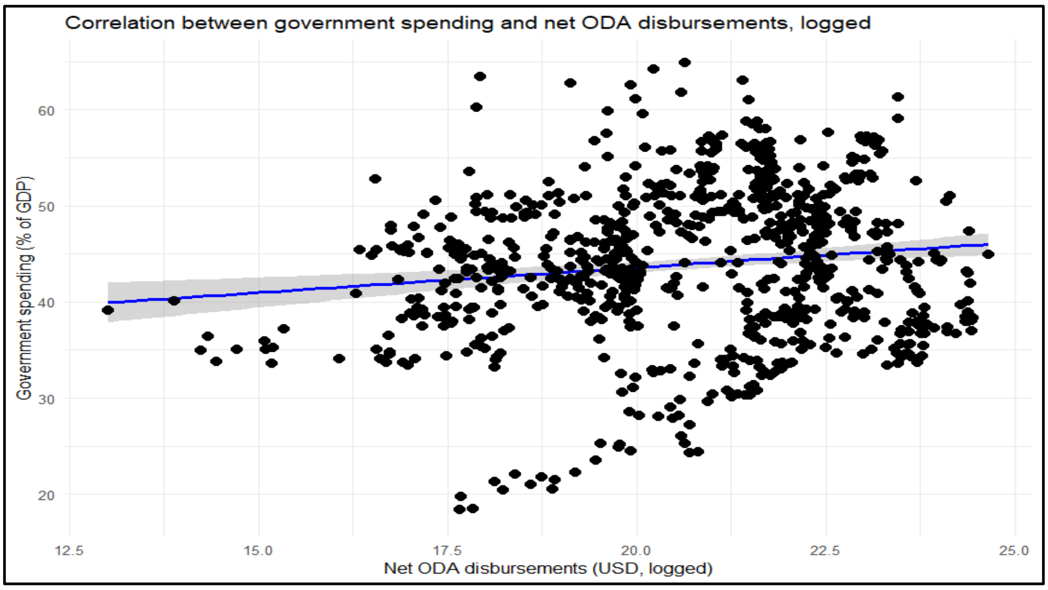

Net ODA disbursements over time by country
Net ODA disbursements (millions of USD)
20000
15000
10000
5000
0
1960
1970
1980
1990
2000
2010
2020
Year
Donor
China
Middle East 4
Nordic countries
Türkiye

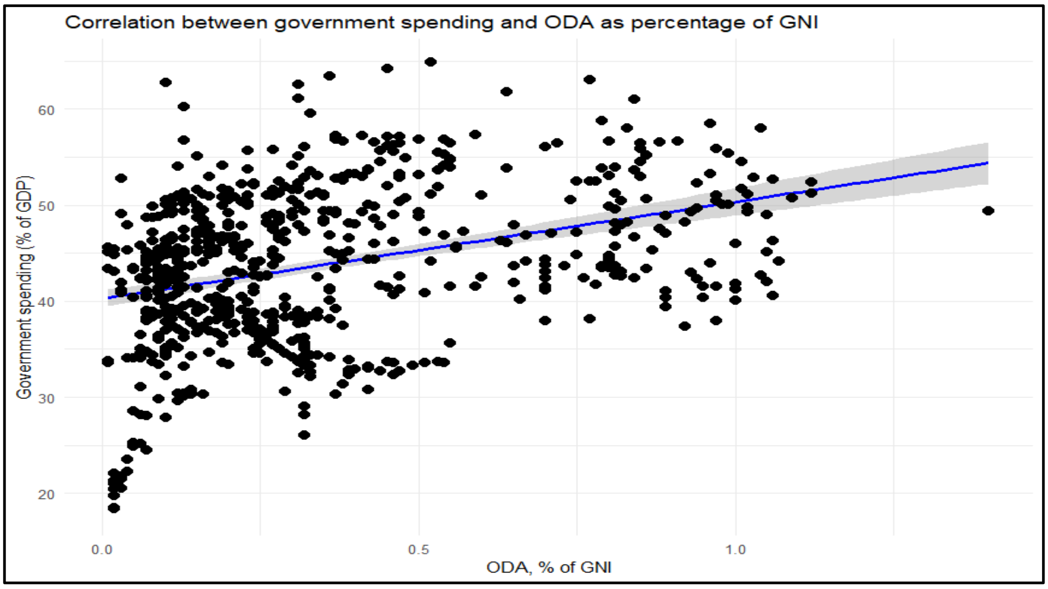


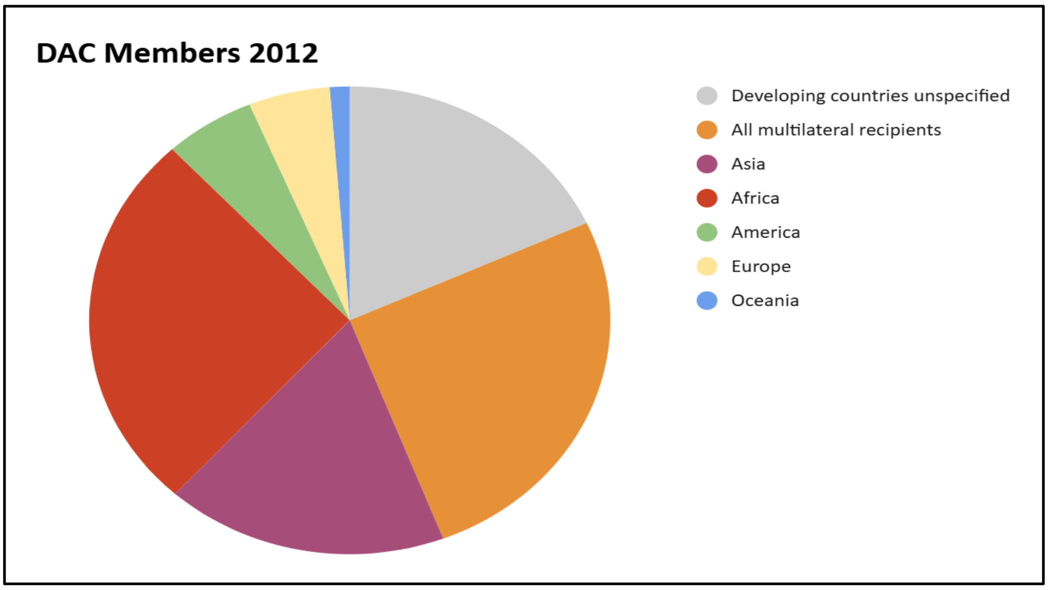
Trends in GNI and net ODA disbursements over time (United Kingdom)
3000
2000
1000
GNI (billions of USD)
20
15
10
5
ODA (billions of USD)
1960
1980
2000
2020
Year
Legend
GNI
ODA

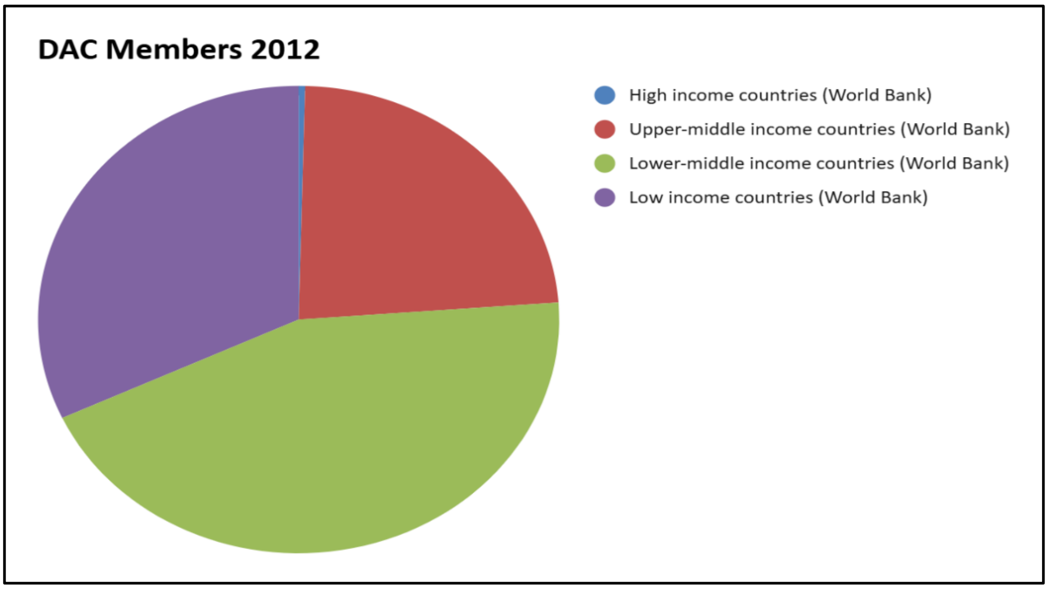


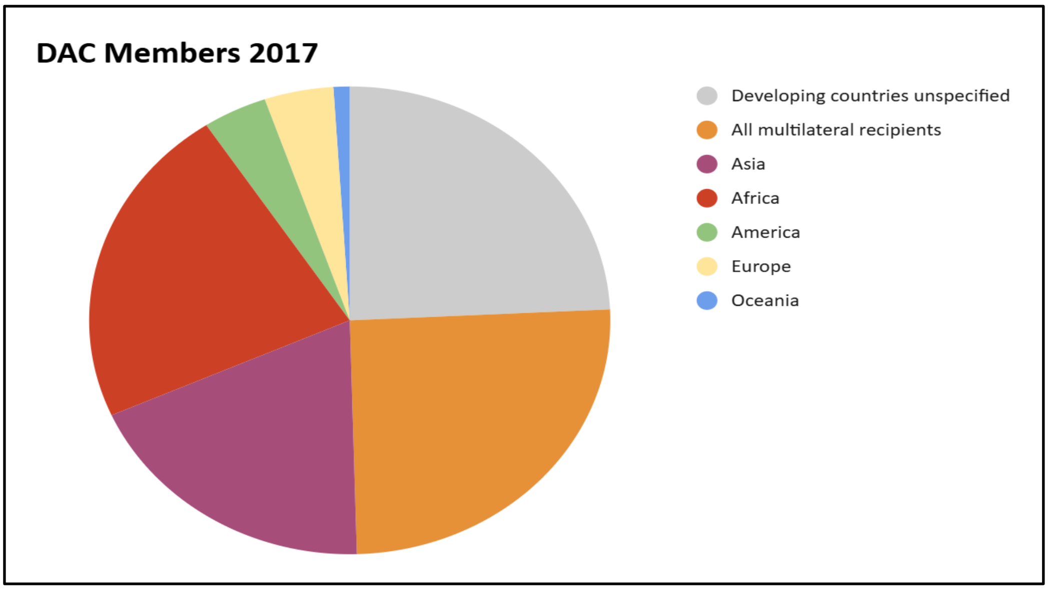
Percentage of total ODA going towards costs in the donor country
30
20
10
0
Percentage of total ODA (%)
1990
2000
2010
2020
Year
Donor
France
Germany
Norway
United Kingdom
United States

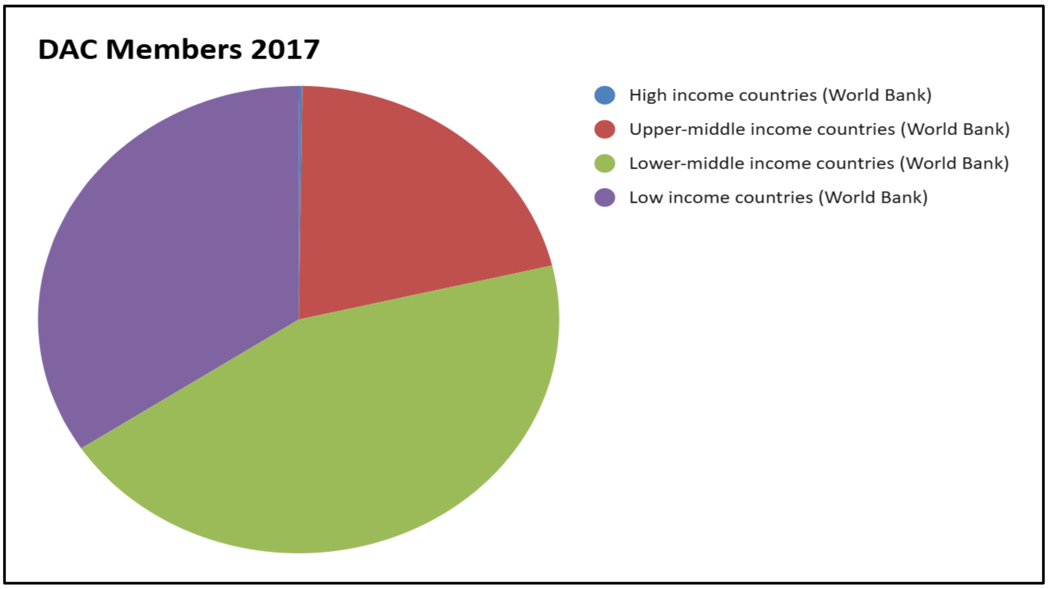

Correlation between government spending and net ODA disbursements, logged
Government spending (% of GDP)
60
50
40
30
20
12.5
15.0
17.5
20.0
22.5
25.0
Net ODA disbursements (USD, logged)

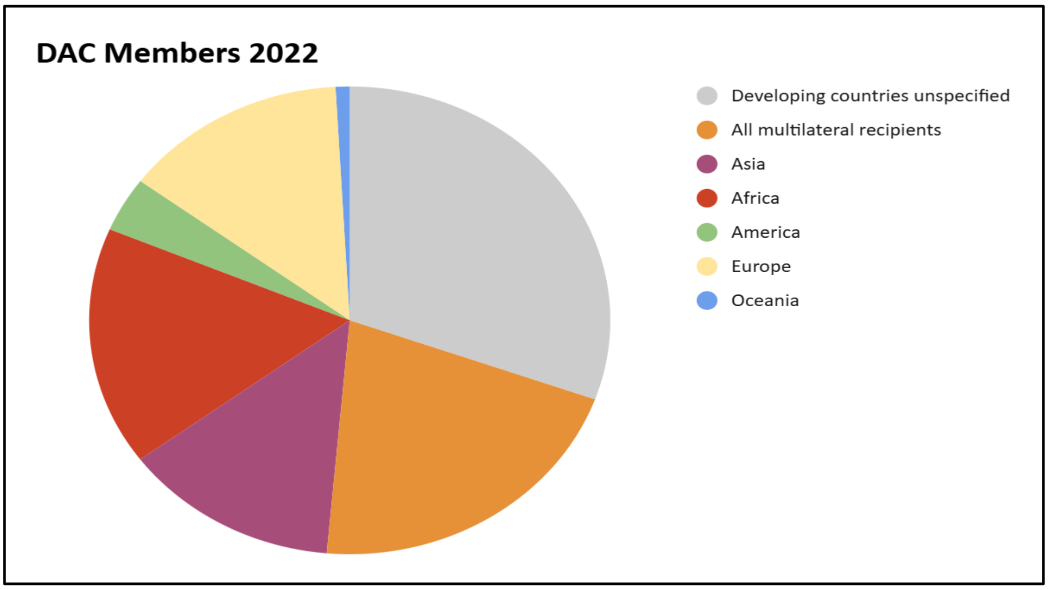

Correlation between government spending and ODA as percentage of GNI
Government spending (% of GDP)
60
50
40
30
20
0.0
0.5
1.0
ODA, % of GNI

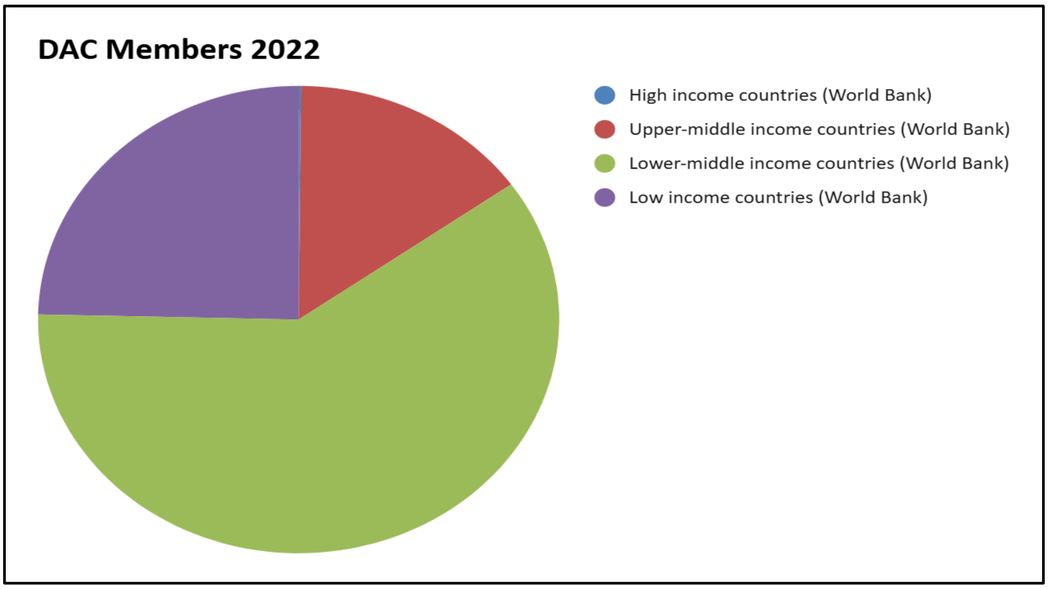

DAC Members 2012
Developing countries unspecified
All multilateral recipients
Asia
Africa
America
Europe
Oceania


DAC Members 2012
High income countries (World Bank)
Upper-middle income countries (World Bank)
Lower-middle income countries (World Bank)
Low income countries (World Bank)


DAC Members 2017
Developing countries unspecified
All multilateral recipients
Asia
Africa
America
Europe
Oceania


DAC Members 2017
High income countries (World Bank)
Upper-middle income countries (World Bank)
Lower-middle income countries (World Bank)
Low income countries (World Bank)

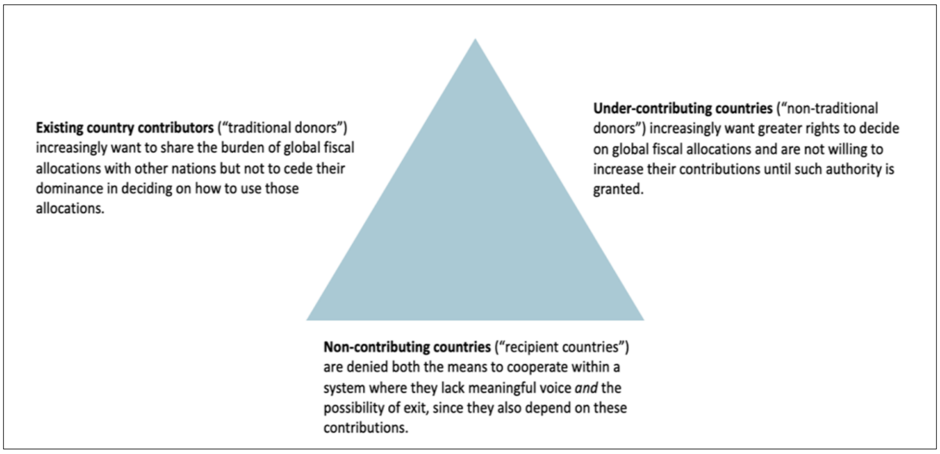

DAC Members 2022
Developing countries unspecified
All multilateral recipients
Asia
Africa
America
Europe
Oceania


DAC Members 2022
High income countries (World Bank)
Upper-middle income countries (World Bank)
Lower-middle income countries (World Bank)
Low income countries (World Bank)

Annex 4. The “Development Cooperation Trilemma”

The table below (top) shows the gap in voluntary financing commitments, as compared to UN Assessed Contributions, for “emerging” donors. This gap can be explained by a “development cooperation trilemma” (bottom), in which the trade-offs between contribution capacity and decision-making authority require addressing via concrete governance interventions.

Country grouping	GNI, Atlas method (current US$) 2020	Share of World Population	UN Regular Budget Assessed Contributions 2020, gross (incl WHO)	Multilateral voluntary mechanisms		
				ACT-A total	Gavi (2021-2025)	Global Fund (2023-2022)
G7	47%	10%	48%	83%	69%	88%
HIC, incl. G7	63%	15%	73%	99%	99%	99%
HIC, excl. G7	17%	5%	25%	16%	30%	11%
HIC, excl. G20	12%	4%	49%	12%	23%	9%
G20	80%	60%	80%	88%	77%	91%
G20, HIC only	51%	11%	24%	87%	76%	91%
G20, non-HIC	29%	48%	56%	1%	1%	0%
UMIC	28%	33%	25%	1%	0%	0%
LMIC	9%	43%	2%	0%	0%	0%
LIC	0.4%	9%	0%	0%	0%	0%



The result of this trilemma, when left *unaddressed*, is that the total available public resource for different types of funding mechanism is locked into an uneven and self-limiting structure. This is not simply a problem of insufficiently tapped resources (where, it might be added, not only UMICS but also many “free riding” HICs could potentially contribute much more than they do). It is above all a problem of governance itself: because, as accounted for in the development cooperateion trilemma, unless these UMIC and other potential contributing countries find a place for themselves within the governance of multilateral initiatives, they will continue to be unwilling to contribute to them.

Annex 5. Non-DAC Development Cooperation Agencies (Evolution over time).

Country	Region	2023 GNI/Capita (USD)	World Bank Income Level	OECD member ?	Dev. Agency	Year established
Chile	South America	15800	High income	OECD	AGCID	1990
Colombia	South America	6810	Upper middle income	OECD	APC-Colombia	2011
Costa Rica	Central America	14260	Upper middle income	OECD		
Israel	Middle East	55020	Upper-middle-income	OECD	MASHAV	1958
Latvia	Europe & Central Asia	22630	High income	OECD	Latvian Development Cooperation Agency	2022
Mexico	North America	10590	Upper middle income	OECD	AMEXCID	2008
Turkey	Europe & Central Asia	11730	Upper middle income	OECD	TIKA	1992
Algeria	North Africa	4960			AICA	
Argentina	South America	12890	Upper middle income		ACIAH	2022
Azerbaijan	Europe & Central Asia	6660	Upper middle income		AIDA	2011
Bulgaria	Europe & Central Asia	14280	Upper middle income		VEDA	1997
China	Asia Pacific	13390	Upper middle income		CIDCA	2018
El Salvador	Central America	4960	Upper middle income		ESCO	2020

Indonesia	Asia Pacific	4810	Lower middle income		AID (previous versions existed)	2019
Kazakhstan	Europe & Central Asia	10730	Upper middle income		KazAID	2020
Libya	North Africa	7570	Upper middle income		EAPD	2014
Morocco	North Africa	3580	Lower middle income		AMCI	1986
Nigeria	Africa Western and Central	1880	Lower middle income		Multiple	
Palestine (Gaza Strip and West Bank)	Middle East	*No data for 2023*	Upper-middle-income		PICA	2016
Peru	South America	7090	Upper middle income		APCI	2002
Qatar	Middle East	79430	High-income			
Romania	Europe & Central Asia	16660	Upper middle income		RoAid	2007
Rwanda	Africa Eastern and Southern	990	Low income		RCA	2013
Singapore	Asia Pacific	70590	High income		SCP *(not exactly an agency)*	1992
South Africa	Africa Eastern and Southern	6480	Upper middle income		SADPA	2013
Thailand	Asia Pacific	7200	Upper middle income		TICA	2004
Tunisia	North Africa	5020	Upper middle income		ATCT	1972

United Arab Emirates (UAE)	Middle East	53290	Lower-middle-income		Cooperation Council for the Arab States of the Gulf *(not exactly an agency)*	1981
Uruguay	South America	19700	High income		AUCI	2010
Vietnam	Asia Pacific	4110	Lower middle income			

A Note on the Graphs Used in this Report.

For all graphs in this report the following countries are included in the OECD-DAC data used.

DAC Members:	**Non-DAC countries:**
Australia	Azerbaijan
Austria	Bulgaria
Belgium	Chinese Taipei
Canada	Croatia
Czechia	Cyprus
Denmark	Israel
Estonia	Kazakhstan
France	Latvia
Germany	Liechtenstein
Greece	Malta
Hungary	Monaco
Iceland	Romania
Ireland	Thailand
Italy	Timor-Leste
Korea	Türkiye
Lithuania	
Luxembourg	**Middle East 4:**
Netherlands	Kuwait
New Zealand	Qatar
Norway	Saudi Arabia
Poland	United Arab Emirates
Portugal	
Slovak Republic	
Slovenia	
Spain	
Sweden	
Switzerland	
United States	
United Kingdom	
EU Institutions*	