

# The Future of Foreign Aid: A Way Forward for the Global South

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**Abstract:** In 2023, DAC (Development Assistance Committee) members provided a total of USD 216.48 billion in Official Development Assistance (ODA), which represented just 0.37 per cent of their Gross National Income (GNI). If these countries had met their commitment to allocate 0.7 per cent of GNI to aid, an additional USD 203 billion could have been available for the Global South. However, following recent announcements of aid cuts by DAC members, including the United States, this amount is expected to decline to approximately USD 135 billion in 2025, representing only 0.22 per cent of their GNI. This reduction would result in a shortfall of USD 81 billion in ODA for 2025 as compared to the ODA figure of 2024. As ODA from traditional donors declines, emerging economies, the private sector, multilateral institutions, and stronger South-South platforms should take a larger role in global development.

## 1. Introduction

The global system of international development cooperation has been undergoing significant changes, particularly with recent announcements from Development Assistance Committee (DAC) member countries regarding cuts to their foreign aid budgets. Notably, the United States has announced a drastic 90 per cent reduction in its aid similarly, the United Kingdom has declared plans to reduce its international aid budget from 0.5 per cent to 0.3 per cent of its Gross Domestic Product (GDP) by 2027. The UK and USA are not the only country to make such cuts; several European countries have recently announced significant

reductions in their official development assistance (ODA) budgets, signalling a shift in their approach to international aid. The Netherlands, for instance, is set to cut €8 billion (USD 8.64 billion) from its aid budget over the next four years, alongside a €1 billion (USD 1.08 billion) reduction in civil society funding between 2025 and 2030 a trend also echoed by the European Union's proposed €2 billion (USD 2.16 billion) reduction in aid over the next two years. Germany, Finland, Switzerland, and Norway have similarly signaled budgetary cuts, with Germany reducing its aid by nearly €2 billion (USD 2.16 billion), Finland trimming ODA by a quarter between 2024 and 2027, and Switzerland slashing USD 282 million.

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Norway, meanwhile, has proposed a USD 460 million reduction in its 2024 budget . However, the reduction in aid raises concerns about the future of global development cooperation, particularly in global south countries that rely heavily on external assistance for poverty alleviation, health care, education, and sustainable development. In light of these shifts, it is essential to analyse the potential impacts these cuts may have on the Global South that are most reliant on foreign aid for economic development. It is also crucial to assess the current trends in international aid provided by DAC countries, as these trends influence the overall trajectory of global development efforts.

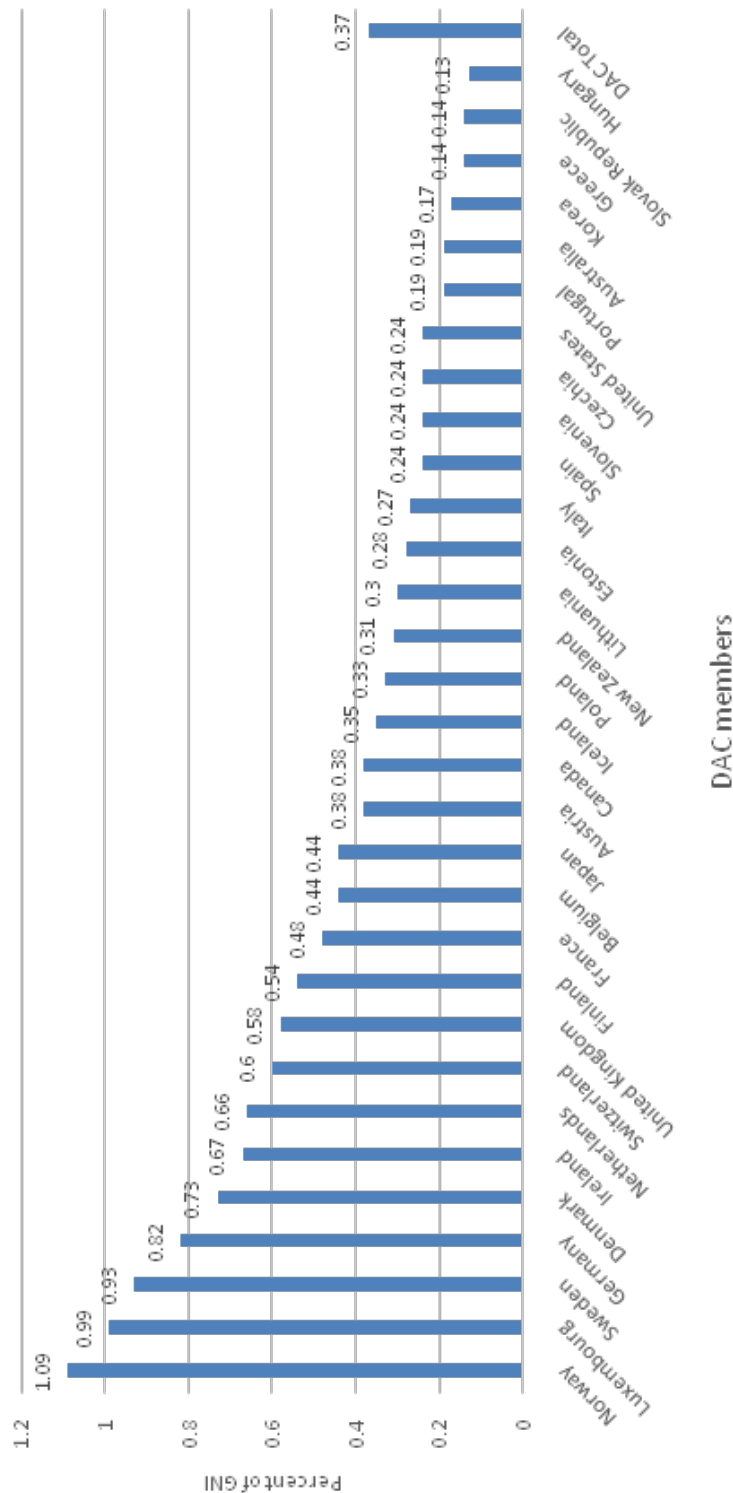
Before exploring these contemporary changes, it is important to trace the historical evolution of foreign aid. The roots of modern foreign aid can be traced back to the colonial powers' development activities in their overseas territories. Some scholars argue that the roots of foreign aid lie in the colonial era, where the development of colonies was seen as an extension of European powers' interests. In the post-World War II era, the United States initiated several key foreign aid programs, such as the Point Four Assistance Programme (1949), which marked the beginning of U.S. government assistance aimed at helping underdeveloped nations. The Mutual Security Agency (1952) and the PL480 programme (1954), which provided a legal basis for food aid, further solidified the U.S. role in global development. In parallel, international mechanisms were established to assist developing countries,

such as the United Nations' Expanded Programme for Technical Assistance (1950) and the European Development Fund (1957), which contributed to the formation of the European Economic Community. These initiatives formed the foundation of modern international aid structures and frameworks, helping to shape the flow of resources from developed to developing nations (Malek, 2015). This write-up argues that, given the growing shifts in international development cooperation, it is crucial to consider who will fill the gap left by traditional donors. Additionally, it explores the options available to countries in the Global South, many of which remain heavily dependent on international aid.

## **2. The 0.7 Per cent Target: A Longstanding Commitment in Question**

The concept of allocating a specific percentage of national income to foreign aid has been a longstanding debate. The World Council of Churches proposed a target of 1 per cent of developed countries' Gross National Product (GNP) to be directed towards aid in the late 1950s. This idea was later formalised by the United Nations Conference on Trade and Development (UNCTAD), which supported the goal, and the Pearson Commission's report (1969) proposed the target be set at 0.7 per cent of GNP. This target was endorsed by the United Nations through a formal resolution in October 1970, which set the goal to be reached by 1980. However, despite these

Figure 1: ODA as Percent of GNI in 2023, DAC Members



Sources: OECD (2024).

international commitments, the 0.7 per cent target has not been met by most developed countries. As of 2023, only five DAC members - Norway, Luxembourg, Sweden, Germany and Denmark, - have consistently met or exceeded the 0.7 per cent target (see Figure 1). “In recognition of the special importance of the role which can be fulfilled only by official development assistance, a major part of financial resource transfers to the developing countries should be provided in the form of official development assistance. Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 per cent of its gross national product at market prices by the middle of the Decade.” – UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 43.

It is also important to note that if the UN (United Nations) target of 0.7 per cent of GNI for ODA had been achieved in 2023, USD 420 billion would have been available for development assistance, compared to USD 216.48 billion. Thus, there is an apparent shortfall of USD 203 billion from the accepted norm.

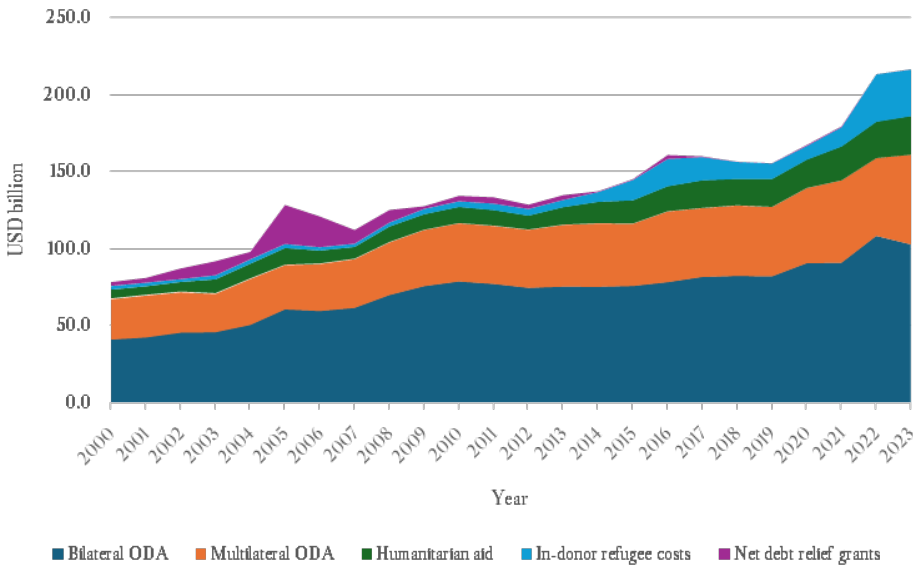
### **3. Official Development Assistance from DAC**

The Development Assistance Committee (DAC) comprising 32 members of the Organization for Economic Co-operation and Development (OECD) keeps track of the flow of Official Development Assistance (ODA) to

the developing countries, and annually releases data on the same. As per data available from OECD The flow of ODA from DAC member countries to developing nations has seen fluctuating trends over the last two decades. In 2000, DAC countries disbursed approximately USD 77.78 billion in total aid, with 52.92 per cent of it being bilateral ODA. By 2023, the total aid flow from DAC members had increased to USD 216.48 billion, with bilateral aid constituting 47.38 per cent of this amount. Humanitarian aid and debt relief also became significant components of aid disbursements, especially during crises (see Figure 2). Over the years, the share of multilateral ODA has grown, reflecting the increased importance of collective international efforts through organisations like the UN and the World Bank. The figures for humanitarian aid and refugee costs have also risen, particularly during humanitarian crises, such as the COVID-19 pandemic.

The figure also reveals that bilateral aid from DAC (Development Assistance Committee) countries has more than doubled between 2000 to 2023. In 2023, the Official Development Assistance (ODA) allocated to donor refugee costs accounted for 14.09 per cent. The analysis estimates that, due to the recent announcements of aid cuts by DAC members, this amount may decline to USD 135 billion (assuming no further aid cuts by other DAC members in 2025) in 2025, representing approximately 0.22 per cent of their Gross National Income (GNI). This reduction would result in a shortfall of USD 81 billion.

**Figure 2: Flow of Aid from DAC Member Countries to Developing Countries (USD billion), Constant Prices 2022**



*Source:* OECD stat. (accessed on 31-03-2025)

#### 4. USA Aid to Global South

The United States has been one of the largest contributors of foreign aid, particularly to developing countries. US aid flows have seen substantial increases over the years, reflecting the country’s strategic and humanitarian interests. In 2000, the total US aid stood at USD 16.15 billion, with a major portion going to bilateral ODA. By 2023, this amount had grown to USD 62.23 billion (see Table 1), with 57.12 per cent allocated as bilateral assistance. The United States has consistently directed a significant share of its aid towards humanitarian support, particularly in response to crises, such as conflicts and natural disasters. In 2023, the United States allocated USD 14.52 billion in humanitarian aid. Of this, USD 11.36

billion was directed towards Ukraine (see Table 2 in the appendix). Notably, the U.S. accounted for approximately 28.75 per cent of total ODA of DAC. The recent decision by the U.S. to cut all foreign aid will significantly impact countries in the Global South. As shown in Table 2 (in the appendix), several countries heavily reliant on U.S. aid in 2023 include Ukraine, Ethiopia, Jordan, Afghanistan, Somalia, Nigeria, Syria, Kenya, Yemen, South Sudan, Uganda, and Mozambique. The majority of these nations are grappling with ongoing conflicts, highlighting the critical role U.S. humanitarian assistance plays in their stability and recovery.

In 2023, DAC (Development Assistance Committee) member countries failed to allocate the promised 0.7 per

**Table 1: Flow of USA aid to Developing Countries (USD billion),  
Constant price 2022**

Category	Bilateral ODA	Multilateral ODA	Humanitarian aid	In-donor refugee costs	Net debt relief grants	Total	Share of bilateral ODA in total (%)	Share of multilateral ODA in total (%)	Share in total DAC
2000	9.36	4.14	1.89	0.73	0.03	16.15	57.95	25.62	20.76
2001	10.71	4.99	1.73	0.66	0.04	18.13	59.04	27.52	22.54
2002	13.47	4.25	2.16	0.22	0.66	20.76	64.88	20.47	23.96
2003	15.59	2.54	4.32	0.53	2.01	25.00	62.37	10.18	27.36
2004	18.84	5.16	4.47	0.76	0.17	29.40	64.08	17.54	30.17
2005	25.44	3.40	4.91	0.76	5.90	40.41	62.96	8.42	31.56
2006	22.55	3.33	4.24	0.68	2.22	33.02	68.28	10.07	27.39
2007	21.06	3.94	4.09	0.62	0.06	29.77	70.76	13.25	26.64
2008	24.53	4.00	5.87	0.74	0.29	35.44	69.24	11.28	28.40
2009	26.48	4.87	5.83	0.99	0.24	38.41	68.95	12.69	30.19
2010	26.82	4.92	6.27	1.00	0.03	39.03	68.70	12.62	29.13
2011	27.41	4.74	5.51	0.94	1.33	39.93	68.65	11.86	30.02
2012	26.11	6.62	4.97	1.05	0.05	38.81	67.29	17.06	30.25
2013	25.28	6.11	6.10	1.22	0.22	38.92	64.95	15.69	28.94
2014	24.76	6.83	7.32	1.52	0.06	40.49	61.14	16.88	29.56
2015	23.39	5.25	7.45	1.46	0.01	37.56	62.28	13.98	25.93
2016	24.70	7.06	7.52	2.04	0.01	41.33	59.76	17.07	25.73
2017	25.43	5.58	8.23	1.72	0.02	40.97	62.07	13.61	25.64
2018	24.48	4.44	8.17	1.87	0.00	38.97	62.81	11.40	24.93
2019	21.28	4.73	9.26	2.13	0.00	37.41	56.89	12.63	24.09
2020	21.94	6.41	9.59	1.69	0.00	39.63	55.38	16.17	23.70
2021	22.71	9.95	13.13	5.08	0.00	50.87	44.65	19.56	28.36
2022	31.87	8.33	12.35	7.78	0.00	60.33	52.83	13.80	28.28
2023	35.55	5.47	14.52	6.70	0.00	62.23	57.12	8.78	28.75

*Source:* OECD stat. (accessed on 31-03-2025)

**Table 2: USD Aid to Receiving Countries in 2023 (USD million)**

Country	USD aid USD million	Share in total (%)	Country	USD aid USD million	Share in total (%)	Country	USD aid USD million	Share in total (%)
Ukraine	11362.43	18.29	Moldova	173.96	0.28	Botswana	52.11	0.08
Ethiopia	1553.70	2.50	India	173.66	0.28	Uzbekistan	49.93	0.08
Jordan	1206.81	1.94	Rwanda	172.42	0.28	Melanesia	49.80	0.08
Afghanistan	1135.49	1.83	Turkey	170.74	0.27	Bosnia and Herzegovina	49.62	0.08
Somalia	945.64	1.52	Burkina Faso	168.87	0.27	Guinea	46.75	0.08
Nigeria	900.59	1.45	Madagascar	165.36	0.27	Panama	46.38	0.07

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Syrian Arab Republic	799.54	1.29	Indonesia	156.19	0.25	Serbia	43.41	0.07
Kenya	791.82	1.27	Cameroon	155.63	0.25	Jamaica	43.28	0.07
Yemen	790.57	1.27	Liberia	153.68	0.25	Costa Rica	43.05	0.07
South Sudan	684.14	1.10	El Salvador	149.03	0.24	Timor-Leste	41.30	0.07
Uganda	658.42	1.06	Benin	145.75	0.23	Papua New Guinea	35.01	0.06
Mozambique	614.08	0.99	Palestinian Authority or West Bank and Gaza Strip	142.75	0.23	Nicaragua	32.86	0.05
Colombia	612.35	0.99	Nepal	133.96	0.22	Mauritania	31.09	0.05
Tanzania	586.65	0.94	Morocco	129.00	0.21	Belarus	30.43	0.05
South Africa	526.00	0.85	Tunisia	123.23	0.20	Togo	26.81	0.04
Bangladesh	433.50	0.70	Cambodia	116.21	0.19	Djibouti	23.16	0.04
Sudan	424.13	0.68	Laos	109.48	0.18	Azerbaijan	20.11	0.03
Zambia	417.97	0.67	Central America unspecified	102.41	0.16	Albania	19.97	0.03
Malawi	415.57	0.67	Georgia	100.96	0.16	Paraguay	17.27	0.03
Lebanon	385.75	0.62	Sri Lanka	97.77	0.16	Kazakhstan	15.23	0.02
Haiti	328.00	0.53	Micronesia	96.41	0.16	Congo	12.94	0.02
Niger	306.23	0.49	Thailand	95.08	0.15	Gambia	11.95	0.02
Zimbabwe	305.32	0.49	Burundi	84.00	0.14	China	9.81	0.02
Iraq	292.05	0.47	Lesotho	81.48	0.13	Malaysia	8.23	0.01
Côte d'Ivoire	268.83	0.43	Namibia	81.40	0.13	Palau	7.76	0.01
Senegal	240.50	0.39	Marshall Islands	79.99	0.13	Cuba	7.46	0.01
Mali	230.29	0.37	Dominican Republic	78.71	0.13	Belize	7.10	0.01
Myanmar	227.57	0.37	Ecuador	75.62	0.12	Montenegro	6.14	0.01
Guatemala	225.66	0.36	Mongolia	72.95	0.12	Fiji	6.07	0.01
Mexico	223.04	0.36	Chad	71.55	0.12	Solomon Islands	5.35	0.01
Egypt	210.05	0.34	Tajikistan	70.65	0.11	Guinea-Bissau	5.13	0.01
Honduras	209.43	0.34	Kosovo	62.73	0.10	Turkmenistan	4.39	0.01
Peru	204.68	0.33	Libya	60.42	0.10	Argentina	4.22	0.01
Viet Nam	204.25	0.33	Sierra Leone	60.13	0.10	Polynesia	4.13	0.01
Philippines	202.67	0.33	Angola	58.86	0.09	Algeria	3.72	0.01
Pakistan	195.37	0.31	Eswatini	58.79	0.09	Vanuatu	3.37	0.01
Venezuela	194.80	0.31	Kyrgyzstan	57.92	0.09	Guyana	3.21	0.01
Ghana	189.75	0.31	Brazil	55.56	0.09	Other	19.00	0.03
Micronesia	184.49	0.30	Armenia	54.58	0.09			

Source: OECD stat (2024)



cent of their Gross National Income (GNI) for official development assistance (ODA). The total ODA for the year was USD 216 billion, which represented just 0.37 per cent of their GNI. Had DAC countries met their commitment, an additional USD 220 billion could have been available to support development activities in the Global South. However, recent announcements from the USA, UK and EU member countries indicate cuts to their aid budgets, exacerbating the decline in international aid. This reduction poses a significant challenge for aid-dependent countries, whose national budgets heavily rely on foreign assistance.

The analysis estimates that, due to the recent announcements of aid cuts by DAC members including USA, this amount may decline to USD 135 billion in 2025, representing approximately 0.22 per cent of their Gross National Income (GNI). This reduction would result in a shortfall of USD 81 billion.

However, in the short term, countries in the Global South may face challenges in compensating for the reduction in official development assistance (ODA), particularly as weakened taxation systems hinder domestic resource mobilization.<sup>3</sup> The withdrawal of USAID further exacerbates the decline in global development aid, potentially undermining trust between recipient countries in the Global South and traditional donor nations.<sup>4</sup> To address these challenges, it is imperative that countries in the Global South pursue greater self-sufficiency in their development efforts, focusing on strengthening regional partnerships in

key sectors such as climate resilience, healthcare, and infrastructure. By fostering collaboration and enhancing regional alliances, the Global South can mitigate the impact of aid reductions and promote sustainable, long-term growth.<sup>5</sup> Moreover, it is essential to recognize the role of triangular cooperation, which brings together donor countries, multilateral institutions, pivotal and recipient nations. Triangular cooperation can significantly enhance the flow of development assistance, ensuring that it is more flexible, targeted, and effective. The involvement of the private sector and civil society will also be crucial in compensating for the potential decline in aid from countries like the USA, UK and EU countries. The Global South must also explore alternative, more resilient sources of development finance.

## Endnotes

- <sup>1</sup> <https://commonslibrary.parliament.uk/uk-to-reduce-aid-to-0-3-of-gross-national-income-from-2027/>
- <sup>2</sup> Gulrajani, N., & Pudussery, J. (2025)
- <sup>3</sup> [https://www.idos-research.de/fileadmin/user\\_upload/pdfs/veranstaltungen/2025/20250228\\_Development-Cooperation-after-USAID\\_Webinar-conference-synthesis.pdf](https://www.idos-research.de/fileadmin/user_upload/pdfs/veranstaltungen/2025/20250228_Development-Cooperation-after-USAID_Webinar-conference-synthesis.pdf)
- <sup>4</sup> <https://www.youtube.com/watch?v=bFVxt-Kf6HyY>
- <sup>5</sup> [https://www.idos-research.de/fileadmin/user\\_upload/pdfs/veranstaltungen/2025/20250228\\_Development-Cooperation-after-USAID\\_Webinar-conference-synthesis.pdf](https://www.idos-research.de/fileadmin/user_upload/pdfs/veranstaltungen/2025/20250228_Development-Cooperation-after-USAID_Webinar-conference-synthesis.pdf)

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