



# Declining Official Development Assistance: A Way Forward for the Global South

## Introduction

The global system of international development cooperation has been undergoing significant changes, particularly with recent announcements from Development Assistant Committee (DAC) member countries<sup>1</sup> regarding budgets cuts to their foreign aid. 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.<sup>2</sup> The UK and USA are not the only countries to make such cuts; several European countries have recently announced significant reductions in their official development assistance (ODA) budgets, signaling a shift in their approach to international development cooperation. 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 of ODA by a quarter between 2024 and 2027, and Switzerland slashing USD 282 million. Norway, meanwhile, has proposed a USD 460 million reduction in its 2024 budget.<sup>3</sup> However, the reduction in aid raises concerns about the future of global development cooperation, particularly in Global South countries<sup>4</sup> they rely heavily on external assistance for poverty alleviation, health care, education, sustainable development and other sectors.

In light of these shifts, it is essential to analyse the potential impacts these cuts may have on the countries of Global South which are reliant on

RIS Policy Briefs are prepared on specific policy issues for the policymakers.

This policy brief is prepared by Dr Sushil Kumar, Assistant Professor at RIS. Author is grateful to Professor Sachin Chaturvedi, Vice-Chancellor, Nalanda University and Director General, RIS for providing much needed guidance and insights preparing this Policy Brief. Views are personal. Usual disclaimers apply. E-mail: sushil.kumar@ris.org.in

foreign aid for economic development activities. It is also crucial to assess the current trends in foreign 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 Program (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).

The 4th International Conference on Financing for Development reaffirmed the vital role of ODA in achieving the 2030 Agenda and urged developed countries to meet their commitments, including the 0.7 per cent ODA/GNI target for developing countries and 0.15–0.2 per cent for least developed countries, while maintaining ODA's concessional nature. Meanwhile, UNCTAD estimates a USD 4 trillion annual investment gap in developing countries through 2030 to meet the Sustainable Development Goals (SDGs).

This policy brief examines recent trends in ODA from DAC member countries, with particular focus on the United States and the European Union, which together account for nearly 80 per cent of total ODA flows. The brief also reviews the current status of the longstanding international commitment to allocate 0.7 per cent of Gross National Income (GNI) as ODA. A more detailed analysis is then provided on ODA trends from the United States and the European Union, the two largest contributors, whose recent aid reductions carry significant implications for aid-dependent economies in the Global South. Given the heavy reliance of many Global South countries on foreign aid, these developments risk undermining development finance and social spending, thereby necessitating the exploration of alternative strategies to minimise the impact of declining aid flows. The policy brief concludes with a set of recommendations for

<sup>1</sup> OECD (2025) publicly announced cuts in their ODA in 2025–27 by these countries Austria Belgium, Finland, France, Germany, Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States)

<sup>2</sup> Loft & Brien (2025)

<sup>3</sup> Gulrajani, N., & Puddusery, J. (2025)

<sup>4</sup> Kumar (2025)

<sup>5</sup> See (Kumar, 2025)

<sup>6</sup> The declining trend in ODA is projected to bring overall aid flows down to around USD 97 billion, representing a sharp reduction of nearly 45 per cent compared to 2023 levels (Chaturvedi, 2025)

<sup>7</sup> Over 50 years ago, donor countries committed to spending 0.7% of their GNI on aid. However, only five DAC members have met or exceeded this target: Denmark, Germany, Luxembourg, Norway, and Sweden. (Eurodad, 2024)

<sup>8</sup> Chaturvedi, 2024

<sup>9</sup> See OECD, 2025

<sup>10</sup> The member countries of EU

<sup>11</sup> Not all countries are reducing aid; some, including Korea and Italy, are projected to increase their ODA budgets. However,

Global South countries, emphasising on the need to diversify development cooperation partners and reduce aid dependency through strengthening South-South cooperation, scaling up funding from multilateral financial institutions, enhancing domestic resource mobilisation, expanding triangular cooperation, and advancing a global development compact.

## Official Development Assistance from DAC

The DAC comprising of 32 members of the Organization for Economic Cooperation and Development (OECD) keeps track of the flow of 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 81.10 billion in

total ODA, of which 52.66 per cent was allocated to bilateral aid (i.e. bilateral development projects). By 2023, the total aid flow from DAC members had increased nearly threefold to USD 226.29 billion. However, the share of bilateral ODA had declined to 46.79 per cent during the same period. This downward trend in bilateral aid is expected to continue into 2025, as 11 DAC member countries have publicly announced planned aid cuts for that year. While the overall aid amount has grown by about 2.5 times over the past two decades, the shift in distribution between bilateral and multilateral aid is noteworthy. The volume of ODA to multilateral organizations increased from USD 27.42 billion in 2000 to USD 61.56 billion in 2023. However, the share of DAC countries' multilateral contributions declined from around 34 per cent in 2000 to 24 per cent in 2022, with a slight increase to 27.20 per cent in 2023. Another important trend is the substantial rise

nineteen countries are expected to experience ODA cuts in 2026 amounting to more than 1% of their 2023 gross national income (GNI) (Huckstep et al., 2025).

<sup>12</sup> For example cuts to official development assistance could significantly affect African countries dependent on few donors. In 2023, most ODA to Africa from DAC countries came from the United States, United Kingdom, Germany, and France. All four have recently announced major aid reductions (Katoka&Mbaye, 2025).

<sup>13</sup> Official Development Assistance (ODA) remains a crucial pillar of international development cooperation, supporting developing countries in achieving sustainable development. Developed countries are called upon to reverse the current downward trend in ODA, honor their commitments, and meet the long-standing targets of 0.7% of GNI for developing countries and 0.15–0.2% for least developed countries (LDCs). The concessional nature of ODA flows should be preserved (see FfD4 outcome document, 2025)

<sup>14</sup> EU also launched The Global Gateway in 2021, focused on infrastructure development and private investment promotion in the Global South, with the goal of mobilizing up to €300 billion in funding by 2027.

<sup>15</sup> Author's calculation based on announce-

**Table 1: Flow of Aid from DAC Member Countries to Developing Countries (USD billion), Constant Prices 2022**

Year	Bilateral dev. projects and TC		Multilateral ODA		Humanitarian aid		In-donor refugee costs		Net debt relief grants		Total	AAGR
	USD billion	Share in total (%)	USD billion	Share in total (%)	USD billion	Share in total (%)	USD billion	Share in total (%)	USD billion	Share in total (%)	USD billion	
2000	42.70	52.66	27.42	33.81	5.89	7.27	2.42	2.98	2.67	3.29	81.10	
2001	44.23	52.61	28.50	33.90	5.76	6.85	2.36	2.81	3.22	3.83	84.08	3.68
2002	47.44	52.44	27.34	30.23	6.44	7.12	1.86	2.06	7.38	8.16	90.46	7.59
2003	47.76	49.99	26.02	27.24	9.27	9.71	2.70	2.83	9.77	10.23	95.53	5.60
2004	52.64	51.65	31.27	30.68	9.89	9.70	2.92	2.87	5.20	5.10	101.92	6.70
2005	62.95	47.00	30.10	22.47	11.23	8.38	2.72	2.03	26.94	20.12	133.95	31.42
2006	62.06	49.12	32.00	25.32	8.72	6.90	2.31	1.83	21.26	16.83	126.35	-5.67

*continued...*

continued...

2007	64.11	54.76	33.36	28.49	7.95	6.79	2.21	1.89	9.43	8.06	117.07	-7.35
2008	72.94	55.73	36.05	27.54	10.51	8.03	2.74	2.10	8.63	6.60	130.88	11.79
2009	78.86	59.20	38.39	28.82	10.54	7.92	3.59	2.69	1.82	1.36	133.20	1.78
2010	82.06	58.47	39.72	28.30	10.94	7.80	3.81	2.72	3.82	2.72	140.35	5.37
2011	80.30	57.64	39.64	28.46	10.54	7.57	4.51	3.24	4.31	3.09	139.30	-0.75
2012	77.65	57.90	39.49	29.44	9.42	7.02	4.57	3.40	2.99	2.23	134.11	-3.72
2013	78.35	55.78	42.17	30.02	11.84	8.43	4.96	3.53	3.15	2.24	140.47	4.75
2014	78.32	54.66	43.23	30.17	14.45	10.09	6.79	4.74	0.49	0.34	143.28	2.00
2015	79.00	52.08	42.36	27.93	15.72	10.37	14.09	9.29	0.50	0.33	151.67	5.86
2016	81.67	48.38	48.32	28.63	17.04	10.09	18.95	11.23	2.82	1.67	168.81	11.29
2017	85.11	50.70	47.09	28.05	18.81	11.21	16.33	9.73	0.53	0.32	167.88	-0.55
2018	85.98	52.33	48.22	29.35	18.07	11.00	11.90	7.24	0.12	0.08	164.29	-2.13
2019	85.65	52.52	47.42	29.08	18.96	11.63	10.96	6.72	0.10	0.06	163.08	-0.74
2020	94.57	53.85	51.39	29.26	19.34	11.01	9.66	5.50	0.67	0.38	175.63	7.69
2021	94.72	50.33	56.31	29.92	23.07	12.26	13.52	7.18	0.59	0.31	188.20	7.16
2022	112.25	50.17	53.31	23.82	24.89	11.12	33.24	14.86	0.07	0.03	223.77	18.90
2023	105.88	46.79	61.56	27.20	26.20	11.58	32.59	14.40	0.06	0.03	226.29	1.13
CAGR	3.65		2.42		5.72		10.12		-9.20		3.78	

Source: OECD stat. (accessed on 04-03-2025).

in humanitarian assistance, which grew from USD 5.89 billion in 2000 to USD 26.20 billion in 2023. Additionally, in-donor refugee costs accounted for 14.40 per cent of total ODA in 2023. Overall, bilateral and multilateral aid together comprise approximately 74 per cent of DAC countries' total ODA. In contrast, net debt relief grants for the Global South accounted for just 0.03 per cent, indicating a minimal focus on debt cancellation as a form of aid. As mentioned earlier, with 11 DAC member countries announcing cuts to their aid budgets for the Global South, there is growing concern over reduced funding for development activities. The analysis estimates that, due to the recent announcements of aid cuts by DAC members,<sup>5</sup> this amount may decline to USD 135 billion (assuming no further aid cuts by other DAC members in 2025) in 2025-26,

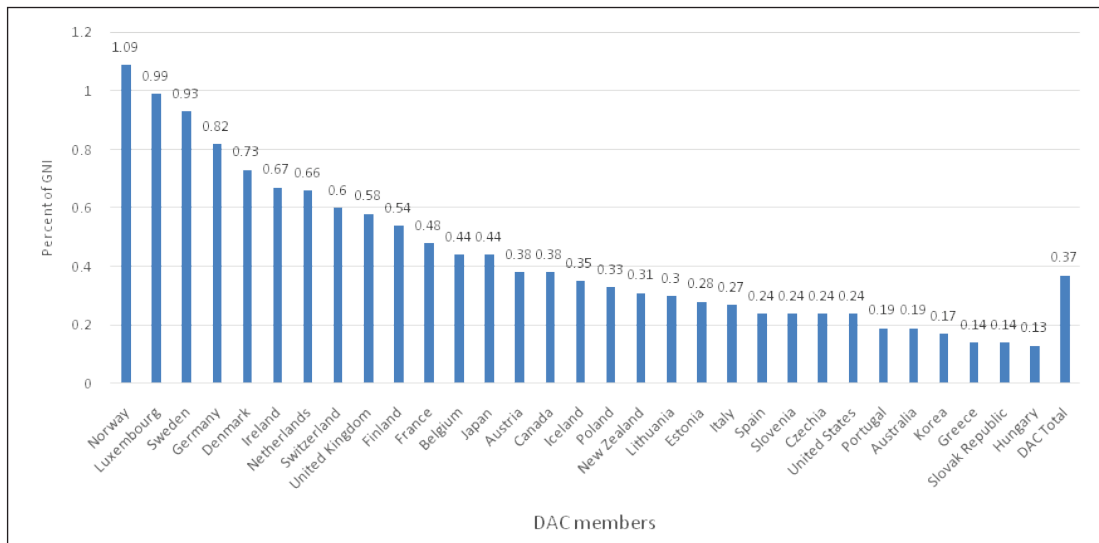
representing approximately 0.22 per cent of their Gross National Income (GNI). This reduction would result in a shortfall of around USD 91 billion (estimated)<sup>6</sup> as compared to the ODA figure of 2023. This policy brief suggests that as ODA from traditional donors declines, emerging economies, the private sector, multilateral institutions, triangular cooperation, and stronger South-South platforms should take a larger role in global development. The next section will explore the available options for the Global South in light of these funding shortfalls.

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

The concept of allocating a specific per centage of national income to foreign aid has been a longstanding



**Figure 1: ODA as per cent of GNI in 2023, DAC Members**



Sources: OECD (2024).

debate. The World Council of Churches proposed a target of one per cent of developed countries' Gross National Product (GNP) to be directed towards aid in the late 1950s. This idea was later formalized 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. "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). 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 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).<sup>7</sup>

It is also important to note that if the UN target of 0.7 per cent of GNI for ODA had been achieved in 2023, USD 410 billion would have been available for development assistance, compared to USD 226.29 billion. Thus, there is an apparent shortfall of USD 183 billion from the accepted norm. It is also important to mention that the debt crisis (currently faced by Global South) has been further exacerbated

by the persistent failure of OECD countries<sup>8</sup> to meet their longstanding commitment, established by the United Nations in 1970, to allocate 0.7 per cent of their GNP as ODA. This shortfall in aid has compounded the fiscal challenges faced by developing nations (Chaturvedi, 2024). Moreover, this pattern of unfulfilled promises extends to the climate finance pledge of USD 100 billion, a commitment made to support developing countries

in addressing climate change, which remains inadequately met (Chaturvedi, 2024).

## USA aid to Global South

The United States has been one of the largest contributors to foreign aid, particularly to developing countries. In 2000, the total US aid stood at USD 16.15 billion, with a major portion going to bilateral ODA. By 2023,

**Table 2: 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) and Author's calculation.

**Table 3: Flow of Aid from European Union (EU) to Developing Countries (USD billion), Constant Prices 2022**

Year	Bilateral ODA	Multilateral ODA	Humanitarian aid	Debt relief aid	Refugees in donor countries	Total ODA	Share of Bilateral ODA in total ODA
2000	22.66	14.78	0.16	2.16	1.14	40.90	55.40
2001	24.16	15.66	0.25	2.62	1.24	43.94	54.98
2002	26.50	15.71	0.30	5.91	1.10	49.52	53.52
2003	27.70	14.94	0.22	8.05	1.53	52.44	52.83
2004	25.57	17.81	0.19	4.79	1.31	49.67	51.48
2005	37.02	18.15	0.32	13.51	1.29	70.29	52.66
2006	37.71	17.90	0.24	11.94	1.12	68.90	54.73
2007	34.93	20.41	0.18	7.38	1.07	63.98	54.60
2008	37.32	21.91	0.31	5.86	1.31	66.70	55.95
2009	34.40	23.06	0.42	1.95	1.45	61.29	56.14
2010	37.58	22.59	0.19	3.57	1.70	65.64	57.26
2011	35.52	22.72	0.41	2.59	2.41	63.64	55.81
2012	33.34	20.07	0.18	2.73	2.14	58.45	57.03
2013	31.87	21.62	0.22	1.18	2.42	57.31	55.61
2014	34.50	21.39	0.25	0.70	4.01	60.86	56.69
2015	42.54	22.05	0.41	0.51	10.82	76.33	55.74
2016	50.62	25.12	0.94	2.82	13.91	93.41	54.19
2017	49.26	25.61	1.04	0.42	12.82	89.15	55.26
2018	46.31	27.63	0.83	0.19	8.36	83.30	55.59
2019	45.43	26.82	0.89	0.03	7.06	80.23	56.62
2020	52.11	29.44	0.98	0.54	5.86	88.93	58.60
2021	52.90	31.26	1.12	0.58	5.85	91.71	57.69
2022	70.39	32.87	1.58	0.19	17.50	122.53	57.45
2023	57.30	40.15	1.36	0.04	16.69	115.54	49.60

*Source:* OECD stat. (accessed on 30-06-2025) and author's calculations.

this amount had grown to USD 62.23 billion (see table 2), 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. 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. 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. Major cuts to U.S. ODA, including the dismantling of USAID, are significantly impacting global food security and nutrition. In 2024, USAID cancelled 86 per cent of its

programmes, with a 38 per cent cut in obligated funds. Agriculture saw an 81 per cent funding drop, while nutrition, maternal and child health, and disease-related programs faced cuts of up to 92 per cent. Vulnerable countries like Sudan, South Sudan, Palestine, Haiti, and Mali will lose 8–66 per cent of their aid, worsening food insecurity (Rega *et al* 2025).

OECD (2025) mentioned that USA aid to global health programmes face a two-thirds funding cut (bilateral aid), including a 50 per cent reduction in HIV/AIDS support, and the complete elimination of contributions to the Global Fund, Gavi, the Vaccine Alliance, and the World Health Organization. The African Development Bank's concessional financing arm will receive no U.S. funding, amounting to a USD 155 million shortfall for the ADF-17 replenishment over 2026–2028. Additionally, the Millennium Challenge Corporation, which supports development initiatives in 51 countries, will see its funding slashed by 75 per cent.<sup>9</sup>

## EU Aid to Global South

As the previous section examined U.S. aid to Global South – highlighting significant funding cuts – this section turns to an analysis of the European Union's (EU)<sup>10</sup> aid commitments. This comparison is essential because, as outlined in Section 1, many EU member states have also announced planned reductions in their foreign aid for the coming years as well EU

member countries accounts 51.25 per cent in total ODA. Understanding reduction in funding by both the U.S. and EU positions provides a more complete picture of the shifting global aid landscape and the potential consequences for countries of Global South that rely heavily on foreign aid.

Table 3 shows the aid flows from the EU comprising aid from EU member countries to the Global South. Over the period from 2000 to 2023, bilateral aid from the EU increased substantially from USD 22.66 billion in 2000 to USD 57.30 billion in 2023. This represents more than a 2.5-fold increase over the last two decades. However, despite the overall growth in volume, the share of bilateral aid has declined, dropping from 55 per cent in 2000 to 49 per cent in 2023, indicating a relative shift in the EU's aid modalities. In contrast, multilateral aid – initially lower – has shown steady and consistent growth, particularly in recent years. By 2023, multilateral contributions had surged to USD 40.15 billion, reflecting the EU's growing reliance on multilateral channels to deliver aid. One significant trend highlighted in the data is the sharp increase in ODA allocated to refugee-related costs within donor countries. These expenditures rose from USD 1.14 billion in 2000 to a striking USD 16.69 billion in 2023. This escalation is likely driven by major geopolitical events such as the 2015–2016 migration crisis and the Russia–Ukraine conflict, both of which prompted substantial refugee inflows and increased domestic aid costs. According to an analysis based



on OECD data and projections from announced ODA cuts by the 17 main DAC countries – responsible for 95 per cent of total DAC ODA – official development assistance is expected to decline from USD 213.1 billion in 2023 to USD152.7 billion by 2026, representing a 28.3 per cent decrease (Rega *et al* 2025).

## Way Forward and Policy Recommendations

This policy brief analyses the potential impact of the recent aid cuts by DAC member countries<sup>11</sup> on the Global South.<sup>12</sup> In 2023, the total ODA provided by DAC members amounted to USD 226 billion.<sup>13</sup> Notably, the United States and EU<sup>14</sup> member states accounted for approximately 80 per cent of this total aid to developing countries. It representing only 0.37 per cent of their GNI, far below the pledged 0.7 per cent commitment. This shortfall translates to approximately USD 183 billion less in aid for the Global South. However, projections for 2025-26 estimate a further decline in ODA to USD 135 billion,<sup>15</sup> equivalent to just 0.22 per cent of DAC members' GNI, resulting in a shortfall of USD 91 billion (estimated).

Recently Chaturvedi (2025) highlight growing crisis in global development finance, marked by a decline in ODA. Traditional donors face internal budgetary pressures, while Global South partners struggle with mounting debt challenges. Rising geopolitical tensions have further

disrupted aid flows. The collapse of USAID<sup>16</sup> and the weakening of the UK's FCDO<sup>17</sup> reflect deeper issues within the development cooperation framework. As noted by Chaturvedi (2025), ODA levels are expected to hover around USD 97 billion, pointing to a concerning trend in the availability and effectiveness of global development resources. Compounding this challenge, the UNCTAD estimates a USD 4 trillion annual investment gap for achieving the SDGs in developing countries from 2023 to 2030 (UNCTAD, 2023). The UN's Climate Finance Report (2023) estimates that developing countries require over USD 2.4 trillion annually to meet basic adaptation and mitigation targets, yet current climate finance commitments remain vastly inadequate and fragmented. Additionally, developing countries face a staggering USD 32.2 trillion in public debt in 2023, up from USD 8.1 trillion in 2010, exacerbated by geopolitical tensions and climate change impacts. Notably, UNCTAD (2024) reported that over 70 developing countries, including 24 least developed countries and 15 small island developing states, experienced reductions in ODA. A significant concern is the shift from grants to concessional loans, which has intensified the debt burden for many Global South countries, particularly amid growing economic distress.<sup>18</sup> To address these challenges, this policy brief proposes strategies for Global South countries to mitigate the impact of reduced aid, diversify funding sources, and foster self-reliance.

## Diversify Development Partnerships

Countries in the Global South that are heavily reliant on external aid should diversify their development partners to minimise the impact of aid cuts by DAC donors. This includes strengthening North-South cooperation, expanding South-South cooperation, and exploring triangular cooperation models that involve donor countries, multilateral institutions, pivotal and beneficiary partner countries. Notably, the flows from the 19 non-DAC countries that report to the OECD rose significantly from USD 1.3 billion in 2000 to USD 15.6 billion in 2023 (see Table A1 in annexures), highlighting the growing potential of alternative sources of development finance. By fostering diverse partnerships, Global South countries can access more flexible and targeted development assistance, thereby reducing dependency on traditional donors.<sup>19</sup>

## Enhance Regional and Sector-Specific Cooperation

Greater emphasis on regional cooperation and sector-specific initiatives is important. Expanding interregional collaboration can facilitate project- and program-specific assistance in key areas such as agriculture, digital public infrastructure, vocational education, climate resilience, healthcare, women empowerment and infrastructure. By prioritising regional alliances, the Global South countries can address

shared development challenges more effectively, leveraging collective strengths to overcome the effects of declining ODA. Regional alliances will be instrumental in addressing these challenges (aid cut from DAC member countries) and fostering long-term stability.<sup>20</sup>

## Strengthen Domestic Resource Mobilization

To achieve greater self-reliance, the Global South countries should prioritize domestic resource mobilization. Strengthening taxation systems and improving public financial management are essential steps toward reducing dependence on external aid. Robust domestic resource mobilization will empower countries to fund their development priorities independently, fostering sustainable growth and resilience. Domestic resource mobilization (DRM) is crucial for reducing reliance on ODA and strengthening ownership of development strategies.<sup>21</sup>

## Promote Public-Private Partnership (PPP) and Blended Finance

The Global South countries should promote Public-Private Partnership (PPP) models to attract additional investments for development projects. By leveraging private sector expertise and resources, PPPs can enhance the sustainability and scalability of initiatives in sectors such as infrastructure, healthcare, and renewable energy. Governments

and policy makers should create enabling environments, including clear regulatory frameworks, to encourage private sector participation. PPP will remain important for bridging the development financing gap, offering mechanisms that help ensure low-income countries can mobilise the financing they need for sustainable development.<sup>22</sup> Between 2012 and 2022, total private finance mobilized by bilateral and multilateral development finance providers grew by an average of 12.55 per cent annually, to reach USD 61.5 billion in 2022.<sup>23</sup>

## Strengthen Triangular Cooperation

To enhance the flow of development assistance, the Global South countries should prioritize triangular cooperation, which brings together donor countries, multilateral institutions, pivotal and beneficiary partners. This model can ensure that development assistance is more flexible, targeted, and effective, addressing specific regional and sectoral challenges.<sup>24</sup> Triangular Cooperation has emerged as a powerful mechanism for bridging the divide between the Global North and the Global South. Preliminary data collection suggests that the scale of Triangular cooperation ranges between USD 670 million and USD 1.1 billion.<sup>25</sup> It prioritises the optimisation of resources within the Global South to effectively achieve developmental goals. It provides a comprehensive framework that supports the sustainable and coordinated achievement of these

targets.<sup>26</sup> Triangular Cooperation has been positioning itself as a horizontal cooperation modality that enables the implementation of initiatives through multi-stakeholder, multi-level and multi-sectoral partnerships.<sup>27</sup> According to data compiled by the OECD, although triangular cooperation still constitutes a small share of development finance flows, its volume and usage has grown significantly over the past two decades.<sup>28</sup>

## Engage Civil Society for Community-Driven Development

Global South countries should foster partnerships with local and international civil society groups to implement community-driven development projects. These initiatives can enhance local ownership, improve project effectiveness, and address grassroots-level needs in areas such as education, health, and climate resilience. 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.<sup>29</sup>

## DAKSHIN (Development and Knowledge Sharing Initiative)

The Global South Centre of Excellence (DAKSHIN), launched by India on 17 November 2023, during the 2nd Voice of Global South Summit, is a dynamic platform dedicated to tackling the developmental challenges of the

Global South. Through partnerships with think tanks and universities in 89 countries (till August 2025), DAKSHIN focuses on delivering sustainable, affordable, and locally relevant solutions in key areas such as agriculture, health, and digital innovation.<sup>30</sup> The initiative is committed to eradicating poverty and hunger, fostering inclusive governance, and advocating for equitable global trade and financial systems to ensure market access, prevent debt-related distress, and promote fair development outcomes across Global South nations.<sup>31</sup> By fostering a two-way exchange of knowledge and experiences, DAKSHIN collaborates with stakeholders to identify and disseminate sustainable solutions capable of transforming economies and societies in the Global South.

As a catalyst for social and economic progress, DAKSHIN plays a pivotal role in advancing Agenda 2030 and localizing the Sustainable Development Goals (SDGs). Its key activities include facilitating cross-continental idea exchanges, developing evidence-based policy frameworks, ensuring access to global public goods, promoting transformative development cooperation, and encouraging peer learning to drive impactful development strategies. With ODA from traditional donors declining, DAKSHIN's role would become increasingly important in future for empowering Global South countries to overcome developmental challenges and achieve sustainable,

inclusive growth. Hence DAKSHIN is poised to play a vital part in ensuring sustainable inclusive development for all.

## Global Development Compact (GDC)

During the third Voice of Global South Summit (VoGS) in 2024, India proposed a comprehensive Global Development Compact,<sup>32</sup> thereby implying a harmonious balance between all the modalities of engagement with the Global South. It is worth noting that there are five broad, intersubstitutable modalities of engagement. These include capacity building for sustainable growth, trade for development, technology sharing, project-specific concessional finance, and grants. This balanced approach to modalities may be supplemented by India through wider and deeper partnerships with countries that can work across third countries. This model is now primed to be scaled up and adopted by other countries in the world for implementing their projects in the Global South.<sup>33</sup> Availability of finance is an important element, but not a sufficient condition to realise sustainable development. Other factors – such as the non-availability of relevant and adaptable technology, lack of well-trained human resources, and limited institutional capacities – are equally important for the development of most countries in the developing world. Within this context, the Global Development Compact proposes to alleviate developmental concerns of



the Global South in a holistic manner. The development cooperation under the framework of the Development Compact is the way forward for the Global South, especially in an era where development assistance from DAC countries has declined. It helps partner countries advance toward self-reliance and reduces the risk of indebtedness. In this context, the Global Development Compact aims to address development concerns holistically and inclusively and India announced a trade promotion initiative worth USD 2.5 million, along with a USD 1 million fund dedicated to capacity building and training in trade policy and negotiations for countries of the Global South.

## References

- Abdel-Malek, Talaat, 2015. "The global partnership for effective development cooperation: origins, actions and future prospects," IDOS Studies, German Institute of Development and Sustainability (IDOS), volume 88, number 88, June.
- Chaturvedi, S. 2024. India offers an alternate development path for Global South nations. *The Indian Express*. Retrieved from <https://indianexpress.com/article/opinion/columns/india-development-global-south-9552729/>
- Chaturvedi, S. 2025, July 3. Rephasing global development finance. *The Hindu*. Retrieved July 17, 2025, from <https://www.thehindu.com/opinion/lead/rephasing-global-development-finance/article69765160.ece>
- Chaturvedi, S., & de Mello e Souza, A. 2025. Challenges before the Fourth International Conference on Financing for Development: A perspective from emerging countries. In S. Klingebiel, J. Pérez-Pineda, & K. Berensmann (Eds.), *Financing for development: From Monterrey to Seville* (IDOS Discussion Paper 12/2025). German Institute of Development and Sustainability (IDOS). <https://doi.org/10.23661/idp12.2025>
- Eurodad. 2024. Inflated and distorted: Preliminary 2023 aid figures show failure to address global challenges. Eurodad. [https://www.eurodad.org/aid\\_data\\_2023\\_statement](https://www.eurodad.org/aid_data_2023_statement)
- FSDO, D. 2024. Financing for Sustainable Development Report 2024. UN Department of Economic and Social Affairs. <https://desapublications.un.org/publications/financing-sustainable-development-report-2024>.
- Gulrajani, N., & Puduserry, J. 2025, January 23. With the knives out on development spending, have we reached 'peak aid'? *The Guardian*. <https://www.theguardian.com/global-development/2025/jan/23/global-development-economics-donor-spending-refugee-oecd-world-bank-peak-aid>
- Huckstep, S., Granito, L., Casadevall Bellés, S., & Crawford, L. 2025, June 12. Charting the fallout of aid cuts: Which countries will be hit hardest, as multiple donors cut budgets? Center for Global Development. <https://www.cgdev.org/blog/charting-fallout-aid-cuts>
- Katoka, B., & Mbaye, A. A. (2025, May 22). Reduction in official development assistance: What impact and what alternatives for African countries? Institute for Sustainable Development and International Relations. <https://www.iddri.org/en/publications-and-events/blog-post/reduction-official-development-assistance-what-impact-and-what>
- Kaushik, A. 2024, August. DAKSHIN – A workhorse for aspirations of the Global South. RIS Diary Special Issue. Research and Information System for Developing Countries. [https://www.ris.org.in/sites/default/files/ris-diary/RIS%20Diary%2017%20August%202024\\_0.pdf](https://www.ris.org.in/sites/default/files/ris-diary/RIS%20Diary%2017%20August%202024_0.pdf)
- Kumar, S. (2025). Characteristics of India-Germany's triangular cooperation approach in Africa (Discussion Paper No. 308). Research and Information System for Developing Countries (RIS). [https://www.ris.org.in/sites/default/files/Publication/DP-308\\_Sushil\\_Kumar.pdf](https://www.ris.org.in/sites/default/files/Publication/DP-308_Sushil_Kumar.pdf)
- Kumar, S. 2024. India's new approach for development cooperation. RIS Diary Special



- Issue. Research and Information System for Developing Countries. [https://www.ris.org.in/sites/default/files/ris-diary/RIS%20Diary%2017%20August%202024\\_0.pdf](https://www.ris.org.in/sites/default/files/ris-diary/RIS%20Diary%2017%20August%202024_0.pdf)
- Kumar, S. 2025. Emerging contours of India-Germany-Africa triangular cooperation. In M. Chakrabarti and Kumar. S (Ed.), Emerging contours of triangular cooperation and Global South (Chap. 2). RIS. ISBN: 81-7122-188-2.
- Kumar, S. 2025. The future of foreign aid: A way forward for the Global South. *Development Cooperation Review*, 8(1), January–March. Retrieved from <https://ris.org.in/newsletter/dcr/2025/ssc.pdf>
- Loft, P., & Brien, P. 2025, February 28. UK to reduce aid to 0.3% of gross national income from 2027 [Insight]. House of Commons Library. Retrieved from <https://commonslibrary.parliament.uk/uk-to-reduce-aid-to-0-3-of-gross-national-income-from-2027/>
- Matola, J. U. 2025. Development finance in Africa: Lessons from South Africa’s energy transition efforts. In S. Klingebiel, J. Pérez-Pineda, & K. Berensmann (Eds.), *Financing for development: From Monterrey to Seville* (IDOS Discussion Paper 12/2025). German Institute of Development and Sustainability (IDOS). <https://doi.org/10.23661/idp12.2025>
- NeST& IDOS. 2025. Development cooperation after USAID: Perspectives from the Global South [Event Takeaways]. German Institute of Development and Sustainability (IDOS). [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)
- Newsroom. 2024. ODA ... missing the mark (again): Preliminary 2023 figures show EU aid keeps failing human development and equality. CONCORD Europe. <https://concordeurope.org/2024/04/12/oda-missing-the-mark-again-preliminary-2023-figures-show-eu-aid-keeps-failing-human-development-and-equality/>
- O’Sullivan, O., & Puri, J. 2025, March 3. First USAID closes, then UK cuts aid: What a Western retreat from foreign aid could mean. Chatham House. <https://www.chathamhouse.org/2025/03/first-usaid-closes-then-uk-cuts-aid-what-western-retreat-foreign-aid-could-mean>
- OECD. 2024. *Development Co-operation Report 2024: Tackling Poverty and Inequalities through the Green Transition*, OECD Publishing, Paris, <https://doi.org/10.1787/357b63f7-en>.
- OECD. 2025, “Cuts in official development assistance: OECD projections for 2025 and the near term”, OECD Policy Briefs, OECD Publishing, Paris, <https://doi.org/10.1787/8c530629-en>.
- Rega, C., Callenius, C., Wagner-Gras, A.-M., Rembold, F., Verstraeten, R., et al. 2025. The impact of Official Development Assistance (ODA) cuts on food security and nutrition – A knowledge review (JRC142455). Publications Office of the European Union. <https://data.europa.eu/doi/10.2760/1144218>
- UNCTAD. 2023. “SDG investment is growing, but too slowly: The investment gap is now \$4 trillion, up from \$2.5 in 2015”, *SDG Investment Trends Monitor*, UN Trade and Development, Geneva, <https://unctad.org/publication/sdg-investment-trends-monitor-issue-4> (accessed on 19 November 2024).
- UNCTAD. 2024. Debt concerns grow as development aid shifts from grants to loans. United Nations Conference on Trade and Development. <https://unctad.org/news/debt-concerns-grow-development-aid-shifts-grants-loans>.
- UNCTAD. 2024. Development aid hits record high but falls for developing countries. United Nations Conference on Trade and Development. <https://unctad.org/news/development-aid-hits-record-high-falls-developing-countries>.
- United Nations General Assembly Resolution. 2019. 73/291 Buenos Aires outcome document of the second High-level United Nations Conference on South-South Cooperation. Available at <https://undocs.org/en/A/RES/73/291>
- United Nations. 2025. Outcome document of the Fourth International Conference on Financing for Development. UN Department of Economic and Social Affairs. <https://financing.desa.un.org/ffd4>

**Table A1 : Flow of Development Assistance from Non-DAC countries to Developing Countries**

Year	Türkiye	Saudi Arabia	United Arab Emirates	Qatar	Chinese Taipei	Israel	Romania	Croatia	Azerbaijan	Malta
2000	35	194	599			263				
2001	33	176	775			144				
2002	41	3717	860			225				
2003	33	3212	1271			181				
2004	307	2148	615		521	129				
2005	490	1210	628		574	136				
2006	577	2369	932		591	126				
2007	419	1699	2691		551	147				
2008	508	5277	1339		434	156	28			
2009	515	3226	1046		444	148	37			8
2010	645	3134			356	165	29			9
2011	886	4918	685		342	230	29			14
2012	1746	1010	739		255	199	35	16		12
2013	2276	5608	5607		241	218	26	26		13
2014	2702	13815	5153		234	203	91	32	11	13
2015	3423	846	5014		231	261	49	21	8	9
2016	5698	1403	4854		344	308	63	4	5	12
2017	7900	1837	4371		335	438	55	18	6	17
2018	9540	5262	4420		283	354	76	19	6	22
2019	9869	2242	2645	585	282	261	83	24	7	36
2020	10079	1784	1886	585	226	252	93	23	36	51
2021	9373	6739	1221	623	180	306	99	26		50
2022	8170	6322	1609	771		425	119	85	37	42
2023	6807	4876	1916	667	474	422	210	98	90	47

*continued...*

continued...

Year	Liechtenstein	Bulgaria	Monaco	Cyprus	Kuwait	Kazakhstan	Thailand	Timor-Leste	Non-DAC countries
2000					247				1336
2001					117				1245
2002					31				4875
2003					156				4852
2004					126				3846
2005				5	269				3313
2006				17	187		77		4876
2007	19			23	122		68		5738
2008	22			23	300		177		8264
2009	23			26	243		38		5754
2010	24	0		33			-5		4648
2011	27	9		19	149		15		7521
2012	25	0		10	157		5		4373
2013	25	1		3	193	6	29		14538
2014	24	1		0	238	28	63	3	23158
2015	22	2		1	351	39	63	5	11368
2016	22	19			1220	23	63		14931
2017	19	15			606	27	69		16426
2018	21	13		4	299	37	68		21063
2019	21	12		7	446	30	82		17329
2020	20	12		3	511	33	59		16410
2021	26	16	22	6	443	38	73		19240
2022	32	154	23	5	197	35	67		18093
2023	36	27	23	4	-33				15665

Source: OECD stat. accessed on 24-07-2025.

— Policy research to shape the international development agenda —

RIS Reports, Discussion Papers, Policy Briefs, New Asia Monitor, Occasional Papers and RIS Diary are available at RIS  
Website: [www.ris.org.in](http://www.ris.org.in)



**RIS**

**Research and Information System  
for Developing Countries**

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

Core IV-B, Fourth Floor  
India Habitat Centre  
Lodhi Road, New Delhi-110 003, India.  
Tel. 91-11-24682177-80  
Fax: 91-11-24682173-74-75  
Email: [dgoffice@ris.org.in](mailto:dgoffice@ris.org.in)  
Website: [www.ris.org.in](http://www.ris.org.in)