



The Reality of Aid Report 2023

YEARS

# 30

OF AMPLIFYING  
SOUTHERN VOICES

The Reality of Aid Network

A Pre-eminent Southern-led North/South Network on Reforming Aid Policies and Practices

THE REALITY OF AID NETWORK REPORT 2023:  
30 YEARS OF AMPLIFYING SOUTHERN VOICES

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A Pre-eminent Southern-led North/South Network on Reforming Aid Policies and Practices

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# Foreword

In the thirty years of existence of The Reality of Aid Network (RoA), our member organizations in Asia Pacific, Africa, Latin America and the Caribbean, Europe, and North America have persevered in carrying out their important work for the marginalized and vulnerable, especially the poor, working people, peasants, women, the elderly, and Indigenous Peoples, who struggle for a better quality of life amidst the impacts of multiple global crises.

Our mission is to maintain the people-centred approach on development aid and cooperation, centered on needs, rights as well as the environment. This implies the need to move towards a new architecture of aid and cooperation that is fairer and more equitable, demanding that decision-makers strengthen their resolve and political will and comply, with determination, with their commitments to international agreements towards a more effective and sustainable development cooperation.

As a network of civil society organizations challenging the current context of multiple global crises that deepen inequality and poverty in the world, especially as these crises are reflected in the sphere of development cooperation, we continue our commitment to deliver our biennial, flagship report on the reality of aid and its impacts on global development. The RoA Report has been prepared from the critical viewpoint of RoA members.

The RoA Report serves as a fundamental instrument for analysis of the different actors involved in maintaining the international development cooperation system; a knowledge product whose purpose includes improving practices, proposals, visions, strategies, and policies of decision-makers; and a CSO contribution to generating analyses, debates, and demands in order for international development cooperation to become an effective system that addresses the structural problems of maldevelopment.

Through this report, we hope that the voices of, and proposals from, organized citizens, leaders, and countries of the Global South will be heard and incorporated into critical decision-making processes related to development cooperation. We are also looking forward to the establishment of effective mechanisms to improve coordination and joint dialogue among international cooperation agencies, civil society organizations, and national governments, among other development partners, in order to define and implement public policies at the local, national, regional, and global levels that allow for the endogenous development that we, the people of the world, aspire to have.

In solidarity,



**Georgina Muñoz Pavón**

Chairperson, The Reality of Aid Network (RoA)

Director, Fundación Red Nicaragüense de Comercio Comunitario (RENICC)

Board Member, Red Latinoamericana por Justicia Económica y Social (LATINDADD)

Co-chair, Global Call to Action Against Poverty (GCAP)

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## Political Overview

# Reality of Aid in 2022: Synthesis and CSO Perspectives

by The Reality of Aid Network – International Coordinating Committee

This Political Overview synthesizes the global and regional development cooperation trends in 2022 and presents the analyses of these trends by civil society from the Global North and Global South and by various researchers and scholars. It seeks to follow the thrust of the Reality of Aid (RoA) Report, the biennial flagship publication of The Reality of Aid Network, which since 1992 or for more than 30 years, has become an established and credible publication on development assistance and poverty reduction that is oriented towards aid reform. This Political Overview of RoA Report 2023 builds on the succeeding chapters' monitoring of the quantity and quality of development aid, analyses of donor performance and priorities, and advocacies for policy recommendations from the unique perspective of civil society in both donor and recipient developing countries.

This Political Overview grounds itself in the chapters that follow it. The first chapter, from RoA-Asia Pacific, reviews the main phenomena in the world's economic, political and social situation in the past 30 years that serve as background to, and context of, the present-day status of aid and development in the world. The second chapter, written by Brian Tomlinson of AidWatch Canada, presents the most important global aid and development trends in recent years until the present. The next chapters discuss regional aid trends in Africa (written by RoA Africa), Latin America and the Caribbean (Movimiento Tzuk Kim Pop), Asia Pacific (RoA Asia Pacific), non-members of the European Union (EU) who are members of the Organisation for Economic Co-operation and Development's

Development Assistance Committee (OECD DAC) (JANIC), and EU members of the OECD-DAC (Eurodad).

All in all, six important development cooperation trends emerge from the chapters in this RoA Report 2023. The first four were common to the global aid trends chapter and regional aid trends chapters; the fifth was discussed only by the global aid trends chapter; while the sixth was discussed only by one regional aid trends chapter—the one from Latin America and the Caribbean.

- Developed countries in the OECD DAC have failed to deliver on the pledge of allotting 0.7% of their Gross National Income (GNI) to Official Development Aid (ODA). Current ODA levels are insufficient to meet development needs in Global South countries. Loans as a section of ODA are increasing, compromising the integrity of ODA as concessional funds.
- Efforts to expand the role of the private sector in development cooperation are increasing. Prominent in these efforts are the World Bank and other International Financial Institutions (IFIs).
- Donor countries are exerting more efforts and making more statements in the direction of ensuring that development cooperation aligns more closely with their geopolitical interests.
- Climate finance is increasing as a section of development cooperation.
- Humanitarian assistance continues to increase as a section of development cooperation.
- South-South Cooperation (SSC) and Triangular Cooperation (TrC) continue to make their presence felt in development cooperation.

## ODA Commitments and Integrity

***Developed countries in the OECD DAC have failed to deliver on the pledge of allotting 0.7% of their GNI to ODA. Current ODA levels are insufficient to meet development needs in Global South countries. Loans as a section of ODA are increasing, compromising the integrity of ODA as concessional funds.***

Almost all chapters in the RoA Report 2023 mention the OECD DAC countries' general failure to deliver on their commitment of allotting 0.7% of their GNI to ODA. In terms of nominal ODA, only the following countries were able to exceed the commitment: Luxembourg (1%, translating to USD 0.5 billion), Sweden (0.89%, USD 5.5 billion), Norway (0.86%, USD 5.2 billion), and Germany (0.85%, USD 35.6 billion). In total, OECD DAC countries allotted 0.4% of their GNI to ODA. With the exception of Germany, the second biggest ODA provider in 2022, the Top 5 ODA providers in 2022 did not meet their 0.7% GNI commitment: US (0.23%, USD 60.5 billion), Japan (0.39%, USD 17.5 billion), France (0.56%, USD 16 billion), and United Kingdom (0.51%, USD 15.8 billion) (OECD, n.d.). Together, they provided 69% of Real ODA in 2022; the next biggest 10 donors made up 25% of Real ODA while the remaining 15 donors provided 6%.

The global aid trends chapter shows that increases in ODA since 2015 have been modest, despite a spike in 2020 due to the COVID-19 pandemic and a historical high in 2022 due to the war on Ukraine — which increased in-donor spending on refugees leaving the country, as well as aid to the country (OECD, n.d.). Subtracting disbursements for the pandemic and the Ukraine war from ODA reveals that what Tomlinson calls “Real bilateral ODA” increased very slightly compared to previous years. The Asia Pacific chapter states that the OECD DAC countries' non-fulfillment of the 0.7% GNI pledge means that donor countries owe developing countries around USD 4 trillion in ODA.

- Reports from the global regions of donor countries deepen insight into the meager increase in ODA. Among non-EU OECD DAC members, ODA from

Australia, New Zealand and the UK decreased, while ODA from Iceland, Norway, Switzerland, Canada, US, Korea and Japan increased. Largely because of the war in Ukraine, in-donor refugee costs increased by 14.4%, and the European and North American non-EU DAC countries contributed the biggest share. Meanwhile, ODA for Ukraine jumped from a consistent USD 1 billion across the years to USD 16 billion in 2022, largely composed of ODA from the US, Canada, Japan and Norway.

- Among EU OECD DAC members, which contribute half of total ODA flows, the absolute increase in ODA flows hides the inflation in ODA figures. If in-donor country refugee costs are removed, ODA from the region in fact decreased by 4.3% compared to 2021. If recycled COVID-19 vaccine donations and net debt relief are also removed, EU DAC countries have inflated their ODA by 18%. The cost of hosting refugees in donor countries amounted to 17.3% of total EU ODA while aid to Ukraine reached 11%.
- Alongside the EU DAC trend, non-EU DAC members reduced COVID-19 financing in 2022, even as the UK doubled financing, and Canada and New Zealand increased excess vaccine donations.
- This modest increase in ODA is reflected in the regions from the Global South: Sub-Saharan Africa suffered a 7.8% drop in ODA in 2022, highlighting volatility of ODA to the entire continent. Latin America and the Caribbean reported falling ODA. Both Africa and Latin America and Caribbean chapters commented on the Asia-Pacific receiving a higher ODA despite evincing better economic growth.
- Income groups figure prominently in Africa and Latin America and Caribbean's analysis of the amount of ODA received. The Africa report is critical of the reduction in ODA in Sub-Saharan Africa despite the subregion's high concentration of least developed countries. The Latin America and Caribbean report, meanwhile, states that the categorization of most countries in the region as middle-income is one of the reasons for ODA's decline in the region. The EU OECD DAC report states that ODA for least developed countries

decreased, together with ODA for all income regions.

- The Africa, Latin America and Caribbean and Asia-Pacific reports cite what the second refers to as “objective reality” in the regions to highlight the need for higher ODA. The Africa report states that 1/3 of the region’s population are living in extreme poverty and that almost half of the countries in the region are at high risk of debt distress. The Latin America and Caribbean report mentions the unjust distribution of wealth and power, unsustainable economic policies, and transnational corporations’ plunder of natural resources. The Asia-Pacific report, meanwhile, states that ODA did not meet half of the needed financing for health, climate and the 2030 Agenda.
- In Latin America and the Caribbean, the top receivers of ODA are countries facing prominent crises: Colombia (because of the peace process), Haiti (humanitarian crisis), Brazil (environment) and Bolivia (coup d’etat).
- The biggest donors in Latin America and the Caribbean are the EU taken collectively, and the US, Germany and France taken as individual countries. Non-EU DAC countries, meanwhile, have the following focus in disbursing their ODA: European and North American countries to Sub-Saharan Africa and areas facing conflict; Australia and New Zealand to Eastern Asia and the Pacific; Japan to South Asia; Korea to Sub-Saharan Africa and the Americas. Except Australia, all have increased ODA to the MENA region.
- In general, EU DAC countries provide huge ODA for social and administrative infrastructure, humanitarian aid, and economic infrastructure.
- Tomlinson shows that loans in ODA have been increasing: loan finance in ODA increased by 11% since 2010 and now amounts to a third of Real Gross Bilateral ODA which is dominated by Japan, Germany and France. The amount of loans in ODA in 2010 doubled in 2021. The majority, or around 60%, of total ODA loans involves multilateral development banks. In relation to Real Gross ODA, loans make up a significant section in least developed and low-income countries (27%) and a huge section in lower middle-income countries

(55%). This does not hold, however, in upper middle-income countries, which receive loans at commercial rates from multilateral development banks and are not included in the ODA reporting.

- The Africa chapter comments on the increase in blended finance and non-concessional resources, often from multilateral agencies, which it states are used on development projects that are beyond the reach of states in the continent.
- The Asia-Pacific chapter states that ODA that was channeled as loans increased during the pandemic and is currently higher than pre-pandemic levels. This has caused public indebtedness and debt-to-GDP ratios in the region to increase, forcing some countries to hike their foreign debt servicing even during the pandemic when financing is much-needed domestically.
- While grants remained the biggest chunk of ODA from EU DAC members, amounting to 86.8% of total bilateral EU ODA in 2022, this signifies a decrease from 91% in 2018. In contrast, the share of loans in EU ODA increased, from 7% in 2018 to 11.35% in 2022. EU sovereign lending also more than doubled from 2021 to 2022, reaching an equivalent of 24% of bilateral ODA.
- Non-EU DAC members, meanwhile, provided a total of USD 14.2 billion in loans in 2022, USD 9 billion of which came from Japan alone. The next biggest providers of loans were Korea and Canada. Japan and Korea stood out for prioritizing economic infrastructure and for not providing big humanitarian aid and in-donor refugee costs.

In response to this trend, civil society, as shown above, has emphasized the immense need for ODA and development cooperation in developing countries, or what can be called the “demand side.” At the same time, they discuss the “supply side” of ODA, or the possible sources of development financing— even as it is cautious, if not averse, towards financing from the private sector, as discussed below. Among the proposals that civil society forwards are “taxing wealth and multinational corporations” and creating a “sustainable industrial policy that addresses peoples’ needs” (Malonzo 2023). The second coheres with the UN Inter-agency Task Force on Financing for

Development's recognition that industrialization and structural transformation "have been historic engines of economic and productivity growth, job creation and technological advancement— and have laid the foundation for poverty reduction and a sustained mobilization of domestic resources" (UN 2023, 15).

A major target of civil society criticism is how military spending by OECD DAC countries dwarfs their ODA. In 2022, for example, the USD 204 billion ODA by said countries is significantly less than the USD 1.363 trillion in military spending — the first amounting to only 15% or less than 1/6 of the second. The distance between military spending and ODA compel researchers to make the call of seeing "military security, development cooperation and domestic spending" not as "mutually exclusive, competing priorities" but as linked and necessitating "the right balance" to ensure "human, environmental and national security, now and in the longer term" (Liang and Tian 2024). Such studies build on other studies that show significant negative effects of military spending to economic growth in the 97 countries covered by the study (Dunne and Tian 2016).

Civil society also returns to the original nature and thrust of ODA as, in the words of the global aid trends chapter, "the only dedicated large-scale resource under government/political direction, which has some

potential to be invested as a catalyst for truly transformative and collective action addressing poverty, inequalities and marginalization". Civil society asserts, on the basis of ODA's nature, that it should be concessional and that loans in ODA should be reduced. At the same time, civil society calls for "a concerted political paradigm shift" that will remove ODA from the framework of charity, foreign policy tool, or commercial interests and that will uphold "the values of mutual respect, trust, long-term accompaniment, solidarity and global citizenship."

Still others in civil society point to wealth being drained from the Global South to the Global North in order to assert the importance of ODA as a corrective to historical injustice and inequality (Malonzo and Lahoy 2023). These cite reports that show that with capital flows to developing countries turning negative since 2021, "developing countries are now financing developed ones" (UNCTAD 2022). They also cite academic studies that for example show that unequal exchange between the Global North and Global South has in 1960-2018, with the advent of the Structural Adjustment Program-era in 1980 to 1990s, amounted to USD 152 trillion. This amount emerged from computations of comparisons between Global South wages and export prices with those in the Global North (Hickel, Sullivan, Zoomkawala 2021).





## Private Sector, International Financial Institutions

***Efforts to expand the role of the private sector in development cooperation are increasing. Prominent in these efforts are the World Bank and other International Financial Institutions.***

The global aid trends chapter discusses the drive among OECD DAC donors to increase efforts to attract private sector financing amidst current limitations in ODA. It calls this trend “an obsessive focus on incentivizing private sector financing” with the particular pretext of financing Global Public Goods (GPGs). At the same time, the increasing role of the private sector, and of multilateral institutions that push for a greater private sector role, are also seen in SSC (Mulakala 2021).

- The EU chapter discusses the matter extensively, tracing the focus on enticing private sector financing for development to the 2008 crisis, which tightened ODA budgets. The OECD DAC has pushed for the initiative and has found ways of integrating this into ODA reporting, and the EU itself is active in promoting private sector investment for the SDGs. The EU has changed its financial infrastructure, giving a greater role to the European Investment Bank (EIB), EU member state development financial institutions (DFIs) and other European DFIs in the previous decade. In 2022, 15 DFIs focusing on private sector investment in developing countries had a combined investment activity amounting to EUR 8.7 billion. In 2021, the EU merged several of its external financing instruments into the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-Global Europe), which seeks to promote public and private investment in sustainable development. It also inaugurated its EU Global Gateway Strategy which focuses on the digital sphere, climate and clean energy, transportation, health, and education and research.
- Research shows that the strategy did not come with new allocations, therefore diverting scarce development financing and will ultimately serve private sector interests.
- The non-EU DAC members chapter mentions Korea’s Comprehensive Strategy for International Development Cooperation (2021-2025) which aims to advance the country’s national interest, expand to Southeast Asia and India as well as Mongolia and Central Asia mostly in the area of business and investments. Canada’s Feminist International Assistance Policy or FIAP, seen as a positive initiative for gender equality, also endeavors to increase partnerships with the private sector.
- The Africa chapter states that financing for climate change adaptation in the continent has increased from 2016 to 2020 because of large infrastructure projects that are funded by private climate finance. While this appears contrary to the global aid trends chapter’s warning that private climate finance is leaning more towards mitigation rather than adaptation and loss and damage, it still presents a cautionary tale of private financing.
- The Latin America and Caribbean chapter, meanwhile, expresses doubts about development cooperation that includes an increasing role for the private sector through Corporate Social Responsibility and Public-Private Partnerships.
- The Asia Pacific chapter is more direct in stating that increasing the role of the private sector in ODA does not increase, and instead decreases, financing for development. It states that private sector instruments (PSI) and blended finance, two channels of private sector involvement which have fluctuated in recent years, are concentrated in lower middle-income countries or LMICs and upper middle-income countries UMICs, not least developed countries or LDCs. Instead of targeting development assistance and poverty reduction, ODA gets channeled to relatively more developed countries where the private sector is more profitable.

Despite these efforts, private sector financing for development has not seen a substantial increase (Perez-Pineda and Wehrmann 2021). The OECD reports that in 2022, out of the total USD 201.4 billion in ODA, USD 0.8 billion went to “development-oriented [PSI] vehicles” while USD 1.7 billion came “in the form of net loans and equities to private companies operating in ODA-eligible countries” (OECD 2023). The EU chapter states that PSIs in EU ODA almost doubled, increasing by 46%, from 2018 to 2021, led by France, Germany and EU institutions.

The global aid trends and EU DAC chapters echo civil society criticisms of efforts to incentivize private sector financing for development, as undermining ODA’s concessional nature and thrust of poverty eradication and development promotion. The OECD itself asserts the importance of ODA compared to private financing: “Unlike private flows, official support for development, whether it is ODA, South-South co-operation, triangular co-operation or sovereign debt relief, could actually take a positive trajectory in this crisis. These flows are more easily shaped by political leadership, decisions and co-ordinated action that prioritise an inclusive global recovery” (OECD 2020, 5).

Apart from asserting the integrity of ODA, CSOs criticize efforts to encourage private sector financing for development cooperation in relation to the reasons and effects of such efforts. The EU DAC chapter warns against PSIs for non-alignment with development effectiveness principles, ultimately leading to tied aid. The global aid trends chapter states that in the pretext of financing GPGs, donor interests are prioritized over those of receiving countries, such as when climate mitigation is prioritized over adaptation or when the goal is to prevent irregular migration to donor countries.

The role of the private sector has been an issue as early as the Sustainable Development Goals (SDGs) zero draft in 2015, and criticisms directed at it remain valid to the final SDG document. Researchers criticized the draft’s call for partnership between the UN and the private sector to meet the projected USD 2.5 trillion outlay needed annually to attain the SDGs. The private sector

was not asked to make specific commitments while accountability mechanisms were not set up (Pogge and Sengupta 2015). These weaknesses become all the more alarming as the zero draft posited gross domestic product or GDP as the measurement of development, drew from dominant economic thinking, and envisioned to keep untouched the wealth and consumption of the wealthiest in the world (Hickel 2015).

Civil society organizations (CSOs) point out the character of the private sector – as entities interested in maximizing profits, who can then use the veneer of forwarding sustainable development for this purpose, to the detriment of human rights and the environment (Malonzo 2023). They cite reports such as that released by the UN Inter-agency Task Force on Financing for Development which recognizes that “[i]n general, businesses aim to maximize financial returns” (2023, 60) and as such need government monitoring and policies to ensure that their investments are aligned with the SDGs. Measures should be in place to prevent the private sector from engaging in mere greenwashing, in which they claim that their initiatives serve the SDGs even when these do little or do nothing for the SDGs, or overclaim. The Global Sustainable Development Report already recognizes this practice of the private sector (Independent Group of Scientists 2023, 32).

CSOs also cite the secondary role ascribed to state funding compared to private finance in efforts to incentivize private sector financing for development. The EU DAC chapter criticizes such efforts for weakening public sector investment for development. Civil society cites numerous problems with the private sector: taking advantage of the absence of regulations in the financial market to cause the 2008 crisis; increasing the debts of Global South countries; creating conditions that forced governments to impose austerity measures which reduced social services and increased taxes; carrying out large-scale extraction of fossil fuels and other natural resources; siphoning off large amounts from the Global South through low wages and unequal trade, among others (Ibon International 2023); or “potentially reproducing patterns of domination,

exclusion, and geographical asymmetry” (Perez-Pineda and Wehrmann 2021, 650).

Scholars point to the complexity of tracking ODA that was used to leverage or catalyze private sector investment, and therefore problems in ensuring that ODA use will be transparent and accountable. This criticism cites the “commercial privacy barriers” that result from ODA flows through national institutions for development finance that in turn provide investments to the private sector. Scholars also point to the risks posed to populations and governments by engagement with private sector finance for development. They state that such risks are even higher in the contexts of “insufficiently regulated financial tools and markets” (Mawdsley 2021, 55). One research shows that while it is easier to catalyze private sector engagement with development initiatives at the country rather than at the global level, monitoring frameworks must be in place. Such frameworks can build on previous experiences, continued dialogue, and the private sector’s commitment to development goals and respect for country ownership, which governments have the primary task to uphold (Perez-Pineda and Wehrmann 2021).

World Bank. Closely related to CSOs’ criticisms of catalyzing private sector financing are their criticisms of the champions of the idea— International Financial Institutions, especially the World Bank. The global aid trends chapter mentions that the private sector financing mobilized by the World Bank’s Roadmap and other efforts has been less than anticipated. Despite this, the World Bank and its promotion of private sector financing continue to draw criticisms such as said financing’s concentration in middle-income countries.

The Bank has been criticized by CSOs for decades for being dominated by US interests, increasing the debt burden of Global South countries, imposing various conditions in exchange for loans, dictating economic policies that favor big corporations, and supporting military dictatorships. An important component of these criticisms is the Bank’s significant influence over policy-makers and governments in many developed and Global

South countries. In response to World Bank efforts to make itself relevant to present-day development and climate discourse, CSOs criticize its lack of a clear evaluation of its historic role in the current state of development and climate in the world. In particular, they cite the Bank’s financing of fossil fuels and of projects that plunder natural resources (Ibon International 2023).

Despite claims of reforming itself to become fit for purpose in promoting development and fighting climate change, the World Bank has created a Private Sector Investment Lab whose core group is composed of leaders of multinational corporations known for violating labor and human rights and destroying the environment. It is increasing the role of the International Finance Corporation, its private sector arm, which has been known to support projects that violate its own social and environmental standards. It is also scaling up the role of its members, International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD), which will provide loans with conditionalities to countries in the Global South (Reality of Aid 2023a).

Encouraging private sector financing for development is also embedded in the World Bank’s Cascade approach, first discussed publicly in 2016, which in turn is embodied in its Evolution Roadmap. In particular, CSOs criticize the Cascade approach’s prioritization of private sector over public sector financing and its thrust of de-risking private sector investments. They say that this transforms developing states into facilitators of private capital investment, ignores tradeoffs between commercial and public interests, and prioritizes private risk over social equality and state sovereignty. They take pains to emphasize that the Cascade approach should not be used for health, education and other essential public services. They call for an integration of a human rights, social justice, gender, climate justice lens into World Bank operations (Bretton Woods Project 2023).

Civil society actors also counter the World Bank’s claim about helping pandemic preparedness by citing the

effects of its loans on health and other social services that weakened social protection for ordinary people against the pandemic and rising costs of living (Ibon International 2023). With rising geopolitical tensions between the US on the one hand and China and Russia on the other, various developments in the World Bank show that the US is struggling to maintain its dominance in the organization (Al Jazeera 2023) while limits have been imposed on China's voting shares (Humphrey 2021).

IBON International (2023) asks: "If policies, projects, and operations — of an institution claiming to change — is not addressing the roots of current harms on

economic and social rights, what role should it continue to play in the global South, if at all?". Goldin, who says that the Bank has failed to draw lessons from its 75-year history and from its access to global perspectives, states that it "has the potential to contribute more significantly by becoming an effective global knowledge bank on development," even as he also suggests that it becomes "a financier of global public goods." (Goldin 2016, 107). Civil society organizations from many parts of the world, for their part, assert that the World Bank, if it should exist at all, should uphold reforms that are "people-centered and rights-based," mobilize concessional financing, and institute democratic processes (Reality of Aid 2023a).





## Geopolitical Interests

***Donor countries are exerting more efforts and making more policy statements in the direction of ensuring that development cooperation aligns more closely with their geopolitical interests.***

The Introduction and the global aid trends chapter discuss geopolitical polarization as one of the contexts of present-day development cooperation. The second presents it as a component of the multiple crises that the world is currently facing and breaks down some of its salient features: inequality within countries and the North-South divide; alignments highlighted by the 2022 Ukraine war and the increased aid to that country; the emergence of China as a world power and of other countries as important global actors; and the currency of decolonization and anti-racism that puts into question the practices of OECD DAC donors. It mentions how US and the West's tensions with China and Russia have gone hand-in-hand with donors' increased emphasis on security, citing Japan and the EU as examples.

The global aid trends chapter observes that the Ukraine war has reversed the trend since 2015 of increasing support for Agenda 2030 given reductions at the time in geopolitical and foreign policy priorities and allocations. Donor support for Ukraine – largely from the US, Canada and the EU– was significant, accounting for more than 55% of the OECD DAC's assistance for Sub-Saharan Africa in 2022 and a whopping 46% of EU aid. As already mentioned, refugees fleeing the Ukraine war also took the lion's share of the 200% increase in in-donor refugee cost counted as ODA in 2022. The global aid trends chapter considers “stepping up financing for donor geopolitical interests in a polarized world and Ukrainian war reconstruction” as one of the competing narratives that pull ODA away from its thrust of eradicating poverty and inequalities.

Donors are making sure that aid flows to countries that are their allies or they seek to ally with. They figure prominently in military alliances and provide military aid with allied countries. At the same time, they provide development cooperation as a whole, including aspects that relate to private sector investment, following the same consideration.

- The non-EU DAC members chapter notes that aid has become an overt or covert tool in the tensions between China and Western countries.
  - In January 2023, Japan revised its Development Cooperation Charter to state that development cooperation is a “tool” of foreign policy and should advance Japan’s national interest. Australia has done the same with its aid policy in the Indo-Pacific region.
  - While affirming international concerns such as development and climate change, Japan invokes “free and open international order,” widely seen as a means to set itself apart from China and Russia. In April 2023, it also created its Official Security Assistance (OSA), also mentioned by the Asia-Pacific chapter, to support “like-minded countries” and advance its security objectives in the Indo-Pacific region.
  - Australia merged its Australian Agency for International Development (AusAid) and its Department of Foreign Affairs and Trade (DFAT) in 2013, and has reiterated its prioritization of its interests in updating its aid policy framework. The UK, which has closely aligned its aid policy with its commercial and political interests since the Conservative Government rose to power in 2010, has also merged its Department for International Development (DfID) and its Foreign and Commonwealth Office (FCO) into the Foreign, Commonwealth and Development Office (FCDO) in 2020; and announced its International Development Strategy in 2022.
- The EU DAC chapter discusses the geopolitical and foreign policy dimensions of the EU Global Gateway, which aims to mobilize EUR 300 billion in investments as a counterpoint to China’s Belt and Road Initiative. The Gateway claims that it wants to build links and not “dependencies,” even as it does not offer concrete evidence of the partnership it wants to build.
- The Latin America and Caribbean chapter mentions the region’s long historical experience with aid, especially coming from the US, being used to advance geopolitical interests. It mentions some of those interests at present: “limiting the rise of progressive governments, fighting drug trafficking, ensuring economic interests.” With regard to the last, it observes that development cooperation flows to countries that possess rich mineral, energy and natural resources.
- The Asia-Pacific chapter discusses actions of the US and Japan on the one hand and China on the other that show, and emanate from, heightened geopolitical tensions. Alongside the US and Japan’s revival of the Quadrilateral Security Dialogue or the Quad (with Australia and India), and the US’ maintenance of the AUKUS (together with Australia and the UK) and relations with the Association of Southeast Asian Nations (ASEAN), the two countries have been providing military aid to friendly countries. According to the report, since 2016, military-related disbursements can be reported as ODA, either as part of Conflict, Peace and Security or CPS, or other items that involve military and security forces — such as relief coordination and disaster preparedness and prevention. While not transparent, China’s military aid is most likely smaller than what the US provides.

A recent policy brief of the German Institute of Development and Sustainability (GIDS) states that with the rise of China and Russia as challengers to the US and the West, and the active participation of the Global South as it is wooed by the two camps: “The environment for global cooperation efforts has become much more difficult” (Klingebiel 2023, 2). In this context, there are efforts to find common grounds or “coalition magnets” among ideas championed by, for example, China on the one hand and OECD DAC member countries on the other, even if this is still a minority trend (Janus and Lixia 2021).

The US has historically played an important role in international development cooperation, as the top donor in the world and as a consistent leader of key multilateral formations. This role has been compromised, if not reduced, by the Donald Trump presidency (2017-2021), while China increases its role

in international development cooperation and leadership in certain institutions. From the US perspective, most ODA provided by the US are grants, while those by China are loans; and the US balances development goals with democracy and human rights, while China does not (Pipa 2021).

The GIDS paper cited above shows a narrative that lends itself as an ally to the trend of diverting development financing to security and climate efforts, and of using development cooperation to serve geopolitical interests. This narrative states that on the average, conditions in developing countries have improved in the past decades and so global public goods (GPGs) such as promoting security and protecting the environment should take precedence over Global South countries' development goals (Klingebiel 2023, Goldin 2016).

CSOs raise three main criticisms of the increasing impact of geopolitical interests on development financing. First, military aid and other security related-expenses divert much-needed financing from the development agenda. The EU DAC chapter for example states that Ukraine's reconstruction, which will likely take many years, should not come at the expense of much-needed development financing for the Global South. Second, military and security allocations dictated by geopolitical considerations worsen violations of human rights and destroy the environment, contrary to the principles of people-centered and sustainable development. Third, the allocation of ODA is dictated by geopolitical considerations in the selection of countries and programs that will receive financing (Reality of Aid 2023c).



# Climate Finance

*Climate finance continues to increase as a section of, instead of being new and additional to, development aid.*

The global aid trends chapter states that while the 2009 target of USD 100 billion for climate financing by the year 2020, now extended to 2025, has not been met, climate finance as a section of ODA has been increasing. According to AidWatch Canada estimates, the bilateral gross disbursements for climate finance in 2021 reached USD 21.9 billion, a 38% increase from USD 15.9 billion in 2015, but still below the target of USD 37.5 billion annual bilateral climate finance for 2020-2025.

The three biggest climate finance donors are Germany, Japan and France, constituting 66% of 2021 bilateral climate finance, even as a significant section, or 49%, of these donors' bilateral ODA and their climate finance are composed of loans. The biggest donors of ODA are also the biggest donors of climate finance, even as the US and the UK rank lower in the second. France, Japan and Austria allot more than a quarter of their Real Gross Bilateral ODA to climate finance, while Norway, Italy, Denmark and Korea allot more than a fifth.

- The Africa and Asia-Pacific chapters highlight these regions' need for climate finance. Africa is rich in minerals that are being extracted for a low-carbon future, even as it has seen climate change-related disasters that have caused billions in dollars in economic damage. The region, which has "high exposure, fragility and low adaptive capacity" to climate change, requires USD 50 billion by 2050 in climate change adaptation, according to the United Nations Environment Program (UNEP)— or more than USD 3 trillion by 2030 to attain its Nationally Determined Contribution, according to the AfDB. The Asia-Pacific region also needs huge amounts of climate financing: more than USD 40 billion annually for climate adaptation in Asia, according to the the Asian Development Bank in 2015; USD 180 billion by 2030 for clean energy according to the International Energy Agency in 2023; USD 100 billion in the next 10 years for climate adaptation in the Pacific region, according to the IMF. Oxfam says, however, only an average of USD 14 billion was committed to Asia, or USD 113 billion for 2013-2020.
- Climate change mitigation constitutes the bigger chunk of climate financing in both Africa and Asia-Pacific, and most of climate financing in both regions are composed of loans. Despite this, financing for climate change adaptation in Africa increased from 25% in 2016 to 45% in 2020— largely infrastructure projects supported by mobilized private climate finance. Loans, meanwhile, comprise more than 75% of total public climate finance, which in turn comprises 61% of total public finance. In Asia Pacific, 75% of climate financing is intended for mitigation, and the majority is made up of loans, with grants composing only 45%.



The trends discussed above are also in evidence in Southeast Asia, where climate financing is concentrated in the transport, energy and agriculture sectors of the countries that received the greatest share. In 2000-2019, mitigation measures received almost triple the amount given to adaptation measures, a problematic trend given the challenges faced by the region. The financing gap in the region has led to the financialization of climate finance in the form of loans from the private sector and international financial institutions (IFIs) led by the World Bank, the International Monetary Fund-World Bank, Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB). Green bonds, which ensure fixed and regular income payments as well as tax breaks to investors, have, in the Philippines, boosted the profits of the biggest corporations while leaving the government in debt; in Indonesia, these have led to deforestation in favor of rubber plantations (Batangan 2023).

Civil society organizations criticize the failure of donor countries to deliver on their climate financing commitments. They emphasize that even donor countries' climate finance commitments are insufficient to meet on-the-ground needs for measures against climate change. They therefore call on donor countries to increase climate financing and deliver on their commitments (Reality of Aid 2021).

The global aid trends chapter criticizes the huge proportion of loans in climate financing, as most partner countries have low greenhouse gas emissions and no historical responsibility for the climate crisis. Huge loans in climate financing is also violative of the 2015 Paris Agreement's provision on common but differentiated responsibilities. Civil society grounds its analysis, positions and calls on "the historical responsibility of rich industrialised countries to finance real climate solutions especially in the global South" (Reality of Aid 2021). This is affirmed by scholars' argument that the climate crisis was aggravated by the extractive model that drove colonialism, particularly the racist plunder of natural resources in the Global South that went hand-in-hand with exploitation of forced labor. Present-day "climate coloniality," meanwhile, is embodied in

"neoliberal extractivism, imperial structures of global trade, and racial capitalism" (Mooner 2022).

While civil society calls on donors to increase climate financing, it cautions against doing these at the expense of the development needs of Global South countries. It reiterates and asserts the provision of the UN Framework Convention on Climate Change or UNFCCC states that developed countries will provide climate finance that is "new and additional" to existing financing, or to ODA (Gabatiss 2022). In December 2023, for example, the World Bank announced that it will devote 45% or almost half of its financing to climate-related projects in July 2024-June 2025 (World Bank 2023). This "raiding" of development finance in favor of climate finance was criticized by some commentators who cite Global South countries' urgent need for development financing, which will improve the lives of the poor in the immediate future and enable them to be resilient to disasters caused by climate change (Lomborg 2024).

At the same time, civil society forwards concrete recommendations with regard to climate financing and climate action in general: ending fossil fuel subsidies; directing funds to climate change adaptation, mitigation and losses and damages; ensuring that climate relevant projects are true to their claims; and rejecting false and market-based solutions that actually enable corporations and technologies that are over-reliant on fossil fuel (Reality of Aid 2021).



## South–South Cooperation, Triangular Cooperation

***South-South Cooperation and Triangular Cooperation continue to make their presence felt in development cooperation.***

The RoA Report 2023 discusses many of the weaknesses of the dominant development cooperation regime from the perspective of civil society: failure to meet financing commitments, large and increasing share of loans, the push to increase the role of the private sector and IFIs, instrumentalization of development cooperation to serve donors' geopolitical interests, the overall downplaying of donor countries' responsibility to the development financing needs of Global South countries, among others.

The global aid trends chapter adds the following: Discussions and partnerships on the basis of shared values— that include “respect for the common but differentiated responsibilities of all countries, the promotion of human rights for those who have been left behind and vulnerable minorities, and a commitment to a just and inclusive energy transition with additional climate finance for adaptation and loss and damage”— have become more difficult. Geopolitical rivalries have made national interests more pronounced. While governments can't be expected to push forward development alone, civic space is shrinking across the

world, stifling the voice of civil society or, ultimately, grassroots communities. Five donors— the US, Germany, France, Japan and the UK— dominate aid policies. The multilateral system is fragmented, underfunded and challenged by geopolitical polarization.

Of all the chapters in RoA Report 2023, the Latin America and Caribbean chapter provides the most extensive discussion of initiatives outside, even if alongside, the dominant aid regime in the world. It also makes its own criticisms of the current aid regime: the tendency for donors to uphold their economic interests in countries that have rich mineral, energy and natural resources; the tendency for donors to uphold their geopolitical interests in supporting allied governments that can prevent progressive governments; the persistence of tied aid; increasing role of the private sector in aid; and increasing reimbursable financing.

The Latin America and Caribbean chapter foresees what it calls “post-neoliberal regionalism” gaining strength in the region, enabled by the election of progressive governments. This regionalism means creating a new financial and economic infrastructure founded on solidarity and cooperation and utilizing regional organizations such as Community of Latin American and Caribbean States (CELAC), Union of South American Nations (UNASUR), Southern Common Market (MERCOSUR) and in cooperation with the Brazil, Russia, India, China and South Africa group (BRICS). It will



champion SSC, which puts a high importance on the role of States in development. The RoA Report 2023's Introduction discussed the factors that caused the emergence and current strength of SSC and TrC.

Civil society recognizes the importance of SSC, as well as TrC, in advancing the sustainable development agenda, given the weaknesses and the failures of the dominant aid regime. It also recognizes the progressive principles that guide SSC especially as these seek to veer away from tied aid, corporate capture, and other weaknesses of the dominant aid regime. It acknowledges the contributions of Latin America—especially through the Bolivarian Alliance for the Peoples of Our America-People's Trade Treaty (ALBA-TCP) and the initiatives of Cuba— in forwarding SSC (Reality of Aid 2023b).

In Asia, in particular, SSC and TrC led by China and India have contributed to addressing various economic challenges amidst the decline in ODA's share in development finance: while Asia received USD 2 billion ODA, it received USD 44.5 billion in non-ODA in 2015. While the category non-ODA encompasses “trade, foreign direct investment, export credits, and other resource flows, including remittances,” much of this is SSC (Mulakala 2021, 520-521). China itself could rank as 6th in the world's donors if it were part of the OECD DAC. SSC and TrC have brought new features to development cooperation: high investment in infrastructure and connectivity, expanding multilateralism, and increased partnership with civil society and the private sector (Mulakala 2021).

At the same time, civil society pushes SSC to be true to its principles even as it calls on SSC initiatives to “craft approaches and frameworks that will strengthen its own philosophy that is distinct from the hegemonic take of North-South Cooperation.” In particular, SSC must move away from neoliberal frameworks, uphold transparency and accountability, institute clear means of analyses and measurements especially in examining impact, and expand space for civil society. SSCs are called upon to uphold Effective Development

Cooperation principles, ensure the primacy of concessional financing, raise calls for “decolonization, locally-led development, and seeking accountability and reparations from Northern states,” and embrace human rights-based approaches to development (Reality of Aid 2023b).

SSC and TrC have received their share of criticisms from researchers: They do not explicitly advance human rights because of the principles of non-interference and respect for sovereignty; they give priority to economic growth over democracy, good governance and social programs; and their modalities and lack of domestic evaluations are problematic. While they uplift the economic standing of millions, they do not consciously pursue the agenda of economic justice within countries (Mawdsley 2014).

Countries' experiences with SSC have also resulted in criticisms. China's Belt and Road Initiative, for example, the prominent face of SSC, has been criticized for negative impacts on everything from the environment to the economy; serving China's geopolitical and economic interests; serving as an outlet for Chinese capital, industrial goods, products and labor; boosting China's currency; ensnaring countries in a debt trap; fuelling corruption and serving as impetus for governments to increase taxes paid by their citizens; sluggish implementation due to various factors; among others (Mulakala 2021).

Continued monitoring and evaluation of SSC and TrC are needed, especially as observers argue that their successes have also brought about challenges that may force them to change in ways that bring them closer to the dominant aid regime: the difficulty of living up to “Third World-ist, socialist and non-aligned positionalities,” the increasing necessity of doing away with the principle of “non-interference,” and the need to recognize differences and contradictions of various kinds among countries and all development actors involved (Mawdsley 2019, 11-12).



## Humanitarian Assistance

***Humanitarian assistance continues to increase as a section of development cooperation.***

The global aid trends chapter tackled the increase in levels of humanitarian assistance within ODA: from 10.3% share of Real ODA in 2010 to 16.8% in 2021, with the volume increasing by 110%. In 2022, OECD DAC's humanitarian ODA increased by 8.5% compared to 2021 and reached a historical peak of USD 23.9 billion (OECD, n.d.). Humanitarian ODA in 2022 amounted to 11.3%, given the overall increase in ODA in the year. The significant increase was driven by the war in Ukraine, which highlighted the upward trajectory of humanitarian ODA in decades.

Despite the increase, current levels of humanitarian assistance fail to meet demand. The record level of humanitarian assistance in 2022 met only less than 60% of appeals that year. This financing gap highlights donors' priorities and inequality in the treatment of humanitarian emergencies. For example, while 86% of

humanitarian requirements of Ukraine were met by July 2022, only 22% of those in Chad and 11% of those in Haiti were met. This comparison dovetails with criticisms of unequal media coverage and support given to the Ukraine war compared to Africa, Latin America and Asia (Couch and St. Julian-Varnon 2023)

At the same time, humanitarian assistance has been concentrated on countries suffering from chronic crises: in 2010-2019, 59% of humanitarian assistance were allotted to protracted crises. This runs counter to the idea of said assistance being devoted to short-term emergencies (Milante and Lilja 2022). This situation, according to the global aid trends chapter, is a "sign of development failure," citing long-term conflicts' interplay with economic shocks and the impacts of climate change. It shows a "crisis" and "urgent need of reform" of the humanitarian system – and, in relation to the Triple Nexus approach discussed below – to the development and peace systems.

The recognition of the concentration of humanitarian assistance in chronic crisis situations, and the difficulty of moving closer to the SDGs in such situations in

general, have prompted various development actors to advance and engage with the Triple Nexus approach. While the general thrust of bringing humanitarian, development and peace actions together and closer is recognized by many development actors as sound and necessary, what it means in theory and practice continues to be clarified, especially in relation to various challenges (Howe 2019).

The global aid trends chapter presents some of the challenges faced by the Triple Nexus more than half a decade after it was conceived. While the approach calls for greater development and peace actions in addition to humanitarian actions in order to address the root causes of chronic crises, countries suffering from said crises faced a reduction in development assistance (from 50% to 48% in 2019-2021) and peace assistance (from 13% to 11%). At the level of the DAC, limited progress was reported in 2019 in the implementation of the “Recommendation on the Humanitarian, Development and Peace Nexus,” while a majority of humanitarian practitioners surveyed in 2022 said that their organizations’ performance in the Triple Nexus can be called “poor” or “fair.” The 2022 OECD DAC report on the Triple Nexus, however, says that after adherents have shown demonstrable efforts to implement the

Triple Nexus, progress has been made in the areas of coordination, programming and financing (OECD DAC 2022). The response of civil society, particularly the DAC-CSO Reference Group, highlighted recommendations in the direction of a people-centered Triple Nexus framework: a focus on the localization agenda, ensuring partnership with CSOs, priority on conflict prevention and building peace, and securing financing to realize recommendations.

While recognizing the Triple Nexus’ potential to advance human dignity, solidarity, social justice and sovereignty in a “people-centered” framework, civil society proposes that the Triple Nexus be undertaken in ways that decolonize the aid system— shifting the power to local actors while upholding donors’ historical responsibility to efforts to address the crises. It calls on implementors of the Triple Nexus to ensure that it coheres with national development plans, the local Triple Nexus plan, and development effectiveness principles; economic policies that uphold human rights and protect the environment, including industrial development; and capacity-strengthening initiatives, education for all, and partnership with civil society (Reality of Aid 2023d).



## Conclusion and Recommendations

All in all, the RoA Report 2023 highlights five development cooperation trends in 2022: (1) the failure of developed countries in the the OECD DAC to deliver on the promise of allotting 0.7% of their GNI to ODA, even as current ODA levels are insufficient to meet development needs and loans as section of ODA is increasing; (2) the increase in efforts to expand the role of the private sector in development cooperation, led by the World Bank and other IFIs; (3) the increase in donor countries' efforts in ensuring that development cooperation aligns more closely with their geopolitical interests; (4) the increase in climate finance as a section of development aid; (5) the continued increase in humanitarian assistance in development cooperation; and (6) the continued strength of SSC and TrC.

Many of these development cooperation trends embody a continuation of trends in previous years since the SDGs were crafted and approved in 2015. They were also highlighted by the most important global event that shaped development cooperation, and arguably the world economy and geopolitics, in 2022 – war in Ukraine. It bears repeating that these trends are the major ones, but not the only ones, contained in the chapters of the RoA Report 2023.

Based on the analysis of civil society broadly grouped around people-centered and sustainable development, the trends discussed in this Political Overview can be traced to major economic, political and social phenomena in the past 30 years that were discussed in the Introduction. Donors' failure to deliver on the 0.7% GNI ODA pledge, increasing loans in ODA, and the increasing role of the private sector and IFIs in the aid regime can be traced to unequal exchange, the dominance of neoliberal economic policies, and economic crises. The increasing reflection of geopolitical interests in development cooperation can be traced to the intensification of main geopolitical rivalries involving the US and China. The increasing share of climate finance in ODA and development

cooperation can be traced to the gravity of the climate emergency as well as the advances made and challenges faced by climate justice movements. The creation of regional and global formations, especially in Latin America and the Caribbean in this report, that operate alongside the dominant aid regime can be traced to the broader emergence and subsequent prominence of SSC and TrC. The increasing share of humanitarian assistance in ODA and development cooperation, meanwhile can be traced to the increase in protracted conflicts and chronic crises in the world.

This Political Overview also presents civil society perspectives and demands in relation to these global aid trends. Civil society's ways forward on these development cooperation trends pertain to increasing ODA levels, reducing loans in ODA and upholding ODA's nature and integrity as concessional funds, exercising caution and vigilance in involving the private sector in development cooperation especially through the World Bank and IFIs, ensuring that ODA is allotted for its purpose of promoting economic development and welfare of Global South countries – contrary to donors' geopolitical interests, despite needed increases in climate financing and humanitarian assistance, and even in the context of SSC and TrC. These recommendations issue caution against, if not run counter to, the major development cooperation trends, and spell nothing less than a reform of the global aid system.

The following recommendations are forwarded on the basis of the six aid trends discussed in this Political Overview, especially as they relate to the five phenomena in the past 30 years that shaped development cooperation and were discussed in the Introduction. These seek to complement the recommendations forwarded by the first chapter, which focus on the global aid trends in 2022 and the few years before that.

This Political Overview follows the global aid trends chapter in asserting the importance of safeguarding ODA as a catalyst for efforts to reduce poverty, inequality and marginalization in Global South countries

and as a cornerstone of global peoples' solidarity directed at leaving no one behind and reaching the furthest behind first. Safeguarding ODA is ever more important now, amidst the intensification of the phenomena in the past 30 years that were discussed in the Introduction.

1. Developed countries must increase ODA levels to reach, even exceed, their pledge of 0.7% GNI for ODA and safeguard ODA allocations for reducing poverty and inequalities. The necessity of safeguarding ODA and increasing climate finance, as additional to aid, becomes more necessary given the continuation of phenomena in the past 30 years that shape present-day development cooperation: unequal exchange, neoliberal economic policies, vulnerability to economic crises, effects of climate change, among others. These phenomena disproportionately affect the poor and marginalized in the Global South, who need ODA the most.
2. Push back against the trend of increasing loans in ODA. Loans in ODA impact the integrity of ODA as financing aimed at promoting the development and welfare of Global South countries that range from grants to highly-concessional loans. The debt burden borne by Global South countries divert funds away from much-needed economic and social infrastructure and services — and therefore from poverty reduction and development promotion that are ODA's objectives.
3. Reinstate the priority given to public sector financing for development goals. Recognize private sector financing as a secondary financing source for development, whose adherence to sustainable development goals must be examined closely and repeatedly. Strengthen government responsibility and accountability in the education and health sectors, social transfer programs, and other programs that reduce marginalization and enhance opportunities for the marginalized. Democratically-owned development plans are primary, in order to define specific private sector roles and financing.

This suggests a stronger role for sector-wide and budget support mechanisms in donor ODA.

4. The World Bank must rethink its historical record and future direction, and aspire to reduce global inequalities while enshrining democratic governance in its operations. It must pay heed to the overwhelming criticisms of its historical record coming from various entities in the Global South. It must move with the changing times that are rife with calls for decolonization, democracy and equality. It must put people over profits and engage civil society more than corporations.
5. Ensure that development cooperation is aligned with the development needs of Global South countries, not of geopolitical interests. Ensure that military aid does not come at the expense of development aid, and that aid is not instrumentalized for security interests. Security concerns must not overshadow long-term development goals.
6. Developed countries must fulfill their pledge of USD 100 billion climate finance by 2025 and uphold the UNFCCC provision that climate financing should be “new and additional” to ODA. At the same time, decrease loans and increase concessional funding as a section of climate finance, confining it to climate change mitigation. Climate financing must respond to actual needs on the ground and must be free from conditionalities based on donors' economic interests. As such, alongside the separate demand to increase ODA, integrate climate change adaptation into the implementation of ODA development resources, as these are needed by development projects given the worsening impacts of climate change. These must also address the needs of the most vulnerable sections of the population and must be gender-responsive.
7. Through the Triple Nexus approach, address the root causes of chronic crisis situations that have been receiving the biggest section of humanitarian

assistance, which has been increasing, with a view to decreasing the humanitarian needs of affected populations. Ensure that humanitarian assistance is not provided at the expense of assistance for development and peace actions. Persevere in efforts to operationalize the Triple Nexus, especially in accordance with the DAC Recommendation on the Humanitarian, Development and Peace Nexus as well as calls from CSOs working on HDP, and overcome challenges in design and implementation.

8. Encourage dialogues between the best principles and practices of SSC and TrC on the one hand and the dominant aid regime on the other. Cherished SSC and TrC principles of mutual respect, solidarity, reciprocity, and non-violation of sovereignty and self-determination must be engaged in a dialogue with Busan Partnership principles, for example. Donors in SSC and TrC must embrace and

operationalize the results of such dialogues, even as they try to overcome the challenges faced by these forms of cooperation.

9. Civil society should strengthen, whenever possible, partnership and cooperation with social movements that struggle against unequal exchange, neoliberal economic policies, climate change, and other phenomena that are deleterious to people-centered and sustainable development that gained strength in the past 30 years. The struggles of such movements, working hand-in-hand with marginalized and oppressed populations, are capable of pushing back against the forces that shape the bigger context of development cooperation — corporate, militarist, and political powers as well as the sexism, racism, and various forms of discrimination that they enable.



## Plan of this Report

The next chapter takes off from the themes presented in this Political Overview, considers these as the main aid trends in 2022 from the perspectives of CSOs from the Global South and the Global North that work on development cooperation, provides contexts to these trends in major economic, political and social phenomena in the world in the past 30 years, and reiterates civil society analyses, stands and calls on these themes and trends.

The following chapter, “A Pivotal Moment for Aid: Eradicating poverty in a changing landscape for development cooperation,” written by RoA’s Brian Tomlinson, maps out the major global development cooperation trends in 2022, even as he examines these trends in the period 2015-2022. It is followed by chapters presenting development cooperation trends in the world’s global regions: Africa, Latin America, Asia-Pacific, European Union, and OECD DAC members that are not part of the EU.

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# Across Changes, Conflicts and Crises

## A 30-Year Background to Development Cooperation

by Reality of Aid – Asia-Pacific

The Reality of Aid (RoA) Report is the biennial flagship publication of The Reality of Aid Network. It monitors the quantity and quality of development aid, analyzes donor performance and priorities, and advocates for policy recommendations toward aid reform from the unique perspective of civil society in both donor and recipient developing countries. Also known as the RoA Report, it has been established as a credible publication on development assistance and poverty reduction since 1992.

The chapters in RoA Report 2023 discuss global and regional trends in development aid, with particular attention to Official Development Assistance (ODA). These yield the following themes, which can be seen as the main trends in development cooperation in 2022 and in the few years before that:

- donor countries' failure to deliver on their pledge to commit 0.7% gross national income (GNI) to ODA and the increasing amount of loans in ODA;
- expanding role of the private sector and International Finance Institutions (IFIs);
- heightening manifestation of geopolitical interests;
- increasing share of climate finance in ODA;
- the emergence of South-South and Triangular Cooperation (SSC and TrC) alongside the dominant aid regime; and
- a significant and rising share of humanitarian assistance.

The conclusion at the end of the report synthesizes the chapters as well as establishes and comments on these trends.

In light of RoA's 30th anniversary, this chapter traces the context of the trends mentioned above in the major economic, political, social and development cooperation phenomena in the world in the past 30 years. This effort is especially important as many observers consider the late 1980s and early 1990s as a turning point in world history, upon which many of the important present-day trends can be traced.

The series of events that started with the fall of the Berlin Wall in 1989 and the dissolution of the former Soviet Union in 1991 constitutes a milestone in world history. Geopolitically, it meant the end of the decades-long Cold War and the emergence of the US as the world's sole superpower. Economically, it gave further confidence to neoliberal globalization and free-market capitalism which have started to alter the global economy even as, some would argue, they have kept it fundamentally the same. Many turning points in the years that followed helped shape present-day trends in development cooperation and the world in general: the 1997-1998 Asian Financial Crisis, the 2001 "war on terrorism" led by the US, the 2008 Global Financial and Economic Crisis, the prominence of China as a global economic power starting in the late 2000s, the Arab Spring of early 2010s, the US pivot to Asia or shift to

confrontation from cooperation with China starting in the early 2010s, the pink tides in Latin America in the early 2000s and in the late 2010s, the COVID-19 pandemic in 2020, the Ukraine war in 2022, among others.

This chapter presents phenomena that aim to provide a context to the particular global and regional aid trends in 2022 enumerated above.

- Unequal exchange, the dominance of neoliberal economic policies, and economic crises provide a context to donors' failure to deliver on the 0.7% GNI ODA pledge, the increasing loans in ODA, and the expanding role of the private sector and IFIs in the aid regime.
- The main geopolitical rivalries involving the US, especially with China in the last few decades present a context to the increasing reflection of geopolitical interests in development cooperation.
- The advances made and challenges faced by the climate change movement, meanwhile, provide a context to the increasing share of climate finance in ODA and development cooperation.
- The emergence and subsequent prominence of SSC and TrC present a context to the creation of regional and global formations, especially in Latin America and the Caribbean in this report, that operate alongside the dominant aid regime.
- The increase in protracted conflicts in the world provides a context to the increasing share of humanitarian assistance in ODA and development cooperation.

This chapter uses publicly available sources to build its argument for each of the phenomena mentioned above, including materials from 2023 and early 2024. Despite this, it does not directly engage with major political developments after 2022, including the October 7, 2023 attacks of Hamas on Israel, and Israel's subsequent overkill response and continuation of its genocidal campaign against the Palestinian people.

Needless to say, many important global phenomena – mentioned by chapters in this report and deeply related to the phenomena discussed here – are not discussed in this chapter. These phenomena include: the rise to power of right-wing parties and leaders in many parts of the world; the ebb and flow of protests and social unrest; the spread of digital communications technology and disinformation; the increase in migration flows and its effects on the world economy; and changes in production and agriculture. While these phenomena are undeniably important, the need for focus on the primary phenomena and space constraints allow this chapter to concentrate only on the phenomena that it discusses.

Despite the changes, conflicts and crises discussed below, a narrative of progress, despite uneven and inconsistent, can be presented with regard to advancing some development goals. In 1990-2012, more than one billion people were removed from the ranks of those who are living below USD 1.90 (at 2011 PPP). While this is an achievement, this is concentrated in China, East

Asia and India and developing countries' population increased by 2 billion during the same period. The Sub-Saharan African region remained as the biggest development challenge among global regions (Goldin 2016). While the reduction rate in the number of people living below USD 2.15 in 2000-2014 was 1.28 percentage points, this was reduced to 0.54 percentage points in 2015-2019. With the COVID-19 pandemic in 2020, the Ukraine war in 2022, and climate change, progress has slowed down, with an estimated 7% of the global population or 575 million people living in extreme poverty in 2030 (UN 2023).

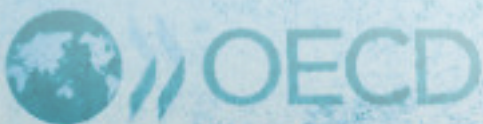
This chapter nevertheless provides the immediate context of the global and regional aid trends in 2022. It is better seen as an opening and an invitation to study the past 30 years and development cooperation than a stand-alone document in its own right.



## ODA across decades according to OECD

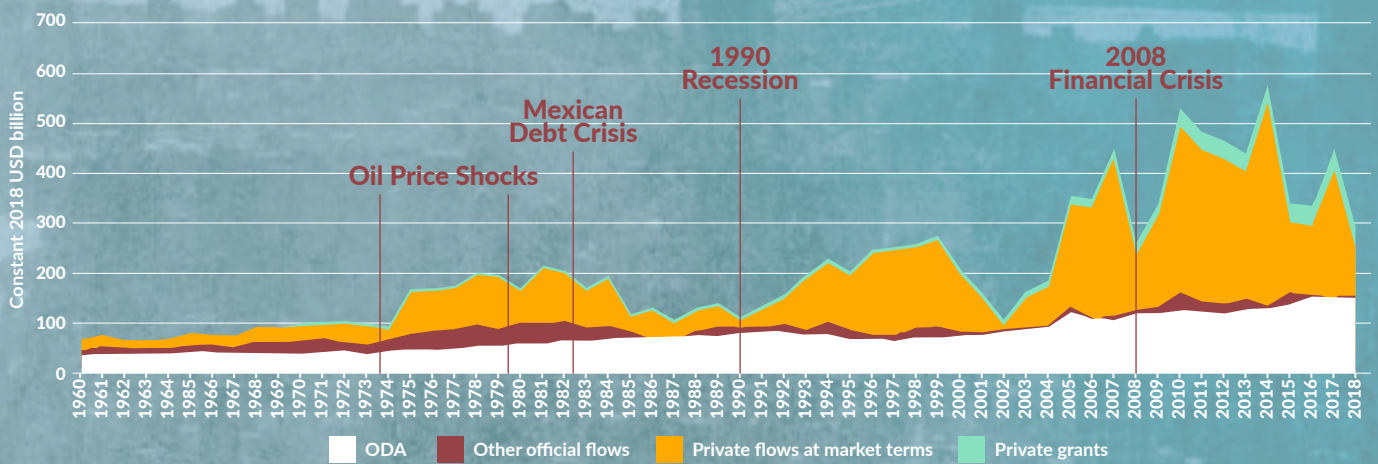
*The Organization for Economic Cooperation and Development (OECD) has provided a synoptic view of the rise and fall of ODA in the past 30 years. It is important to understand the mapping by the OECD, a major player in ODA and development cooperation, of the development cooperation landscape as an entry point to understanding the phenomena that shape development cooperation.*

- In the 1990s, ODA plummeted — by 19% in real terms and from 0.33% GNI to 0.22% in 1990-1997. Annual ODA growth rate was -0.20% even as annual Gross Domestic Product (GDP) growth rate was at 2.7%. The authors of the OECD report attribute this decrease in ODA to the end of the Cold War and of its geopolitical tensions, underscoring the extent of ODA politicization and instrumentalization during the Cold War. By the end of the decade, however, the aid effectiveness agenda started to gain strength.
- In the 2000s, ODA increased — by 60% in real terms, largely buoyed by the global agreement on the Millennium Development Goals (2000), Monterrey Conference on Financing for Development (2002), and the Gleneagles G7 Summit (2005). ODA grew by 5.7% annually, even as GDP grew by 1.8%. The period is seen as “the most generous decade” in ODA, and ODA growth rates have not been surpassed since. The 2008 crisis, however, took its toll on ODA growth in the following decade.
- In the 2010s, ODA decreased before increasing again. The authors attribute the decrease — in ODA and GNI share by 1% in 2011 and 4% in 2012 — to the effects of the 2008 crisis. ODA increased again in 2013-2016 due to in-donor refugee costs, only to decrease in 2017-2018 (OECD 2020). The period 2019-2022, however, saw ODA breaking its record highs yearly, increasing by 13.6% in real terms in 2022 compared to 2021 — even as it still constituted 0.36% GNI. The increase was mainly due to in-donor refugee costs, in response to increased refugee flows, and ODA to war-torn Ukraine (OECD 2023). Subtracting in-donor refugee costs, however, analysis shows that ODA levels in 2022 are similar to 2020 and previous years (Reality of Aid 2023).



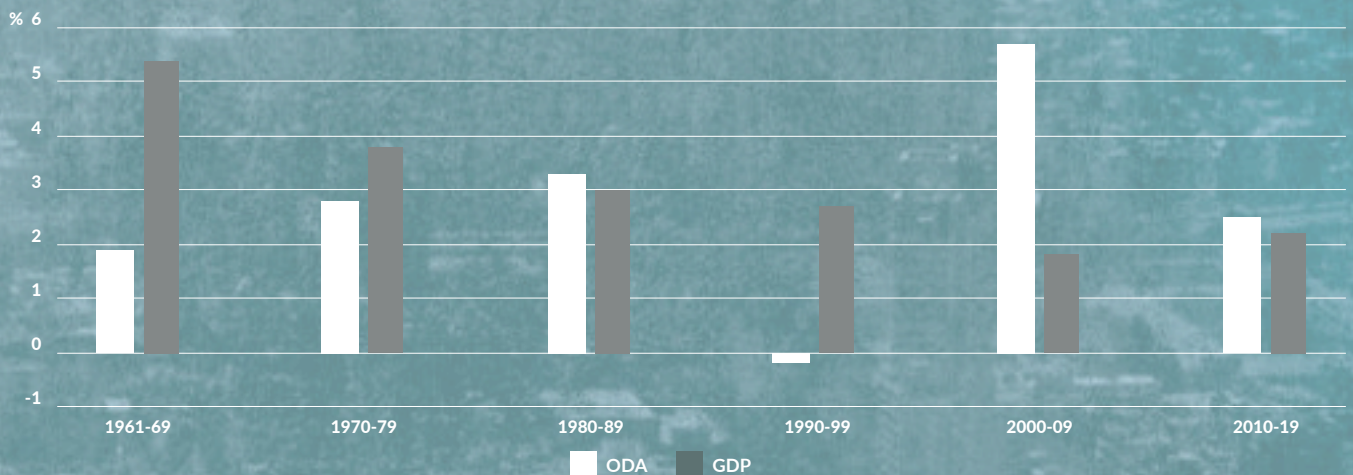
**Historically, ODA is the most stable external resource for developing countries...**

Figure 1. Total net resource flows from DAC countries to developing countries



**...with limited correlation between increases in ODA and GDP**

Figure 2. Annual average growth rates of ODA and GDP



(Source: OECD 2023)

The OECD emphasizes the resilience of ODA despite the many challenges it faced across many decades. It shows that while ODA levels were affected by the ups and downs of the global economy as reflected in GDP and GNI rates, it has been relatively stable, and even increasing, despite needed improvements in the pace of increases. This relative stability of ODA compared to other financing sources has led the OECD to assert that “[t]he most influential drivers of ODA include political will, public support and mobilisation, the scale and nature of humanitarian and development needs, solidarity, and mutual interest in global development progress” (OECD 2020, 5).

Without directly contesting the OECD’s explanation for the relative stability of ODA across decades, the decade-by-decade discussion of ODA trends above highlights the following five factors that have shaped and continue to shape ODA today: global geopolitical rivalries; the ups and downs of the global economy; changes in the development cooperation landscape; conflicts, including wars, and their humanitarian needs; and increase in refugee flows. Four out of these five factors emerged from the chapters in this collection and are discussed below.



## Neoliberalism, Unequal Exchange and Economic Crises

***In the economic sphere, the past 30 years were marked by the dominance of neoliberal economic policies, an escalation of unequal exchange, and economic crises triggered by increasing financialization.***

These phenomena have at the very least presented challenges to Global South countries' development. While ODA is intended to advance and attain development goals in Global South countries, it does little to reverse these phenomena. Despite its clear mandate, ODA is also shaped by these phenomena: it does not act as a countervailing force to wealth transfer, so much so that even the 0.7% GNI pledge is not met; loans in ODA are increasing; IFIs are enjoying an expanding role in the aid regime; and various forms of aid remain tied.

It is now commonplace to argue that neoliberalism became dominant in the world economy starting in the 1980s. Neoliberalism is, according to an influential definition, "a theory of political-economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade" (Harvey 2005, 2). Neoliberalism's ascendancy is associated primarily with the rise to power of the Reagan government in the US and the Thatcher government in the UK, even as neoliberal economic policies have been implemented in other countries, notably after the Pinochet coup in Chile in 1973.

In the 1990s, neoliberalism continued to spread, characterized by the following: privatization of state assets starting from Western Europe, Latin America and China; trade liberalization especially in Northern America and Asia occasioned by the newly-created World Trade Organization (WTO); and internationalization of production that created global

value chains. While neoliberalism in the 1980s was dominated by calls to roll back the state, neoliberalism in the 1990s nuanced the interrelationship between the state and the market. The 2008 crisis generated discussions about the end of neoliberalism, but these proved to be short-lived – even as the world's political economy has already been changed by neoliberalism, making changes to neoliberalism itself necessary (Eagleton-Pierce 2019).

In the Global South, where the majority of the population resides in rural areas, neoliberalism changed land use and reorganized agricultural production, resulting in enlarging the informal sector and changing class relations. Taking advantage of the Global South's rich natural resources, it intensified resource extraction, thereby tightening these countries' connections with the world market and worsening social inequality. Neoliberalism also meant the offering up of cheap labor to transnational corporations. In the Global South, neoliberalism built on local elites' development strategies that focused on their countries' comparative advantage in the world market, to the detriment of national industrial development (Dados and Connell 2018).

In asserting the necessity of development cooperation, progressive voices in civil society go beyond citing North-South inequality and point to wealth transfers from the Global South to the Global North that underlie such inequality. These wealth transfers are seen as lost opportunities for Global South countries to meet development goals; as some of the structural and systemic reasons for underdevelopment; as forming part of the political-economic context of development cooperation; as components of the legacies of colonialism and neocolonialism; among others (Malonzo and Lahoy 2023).

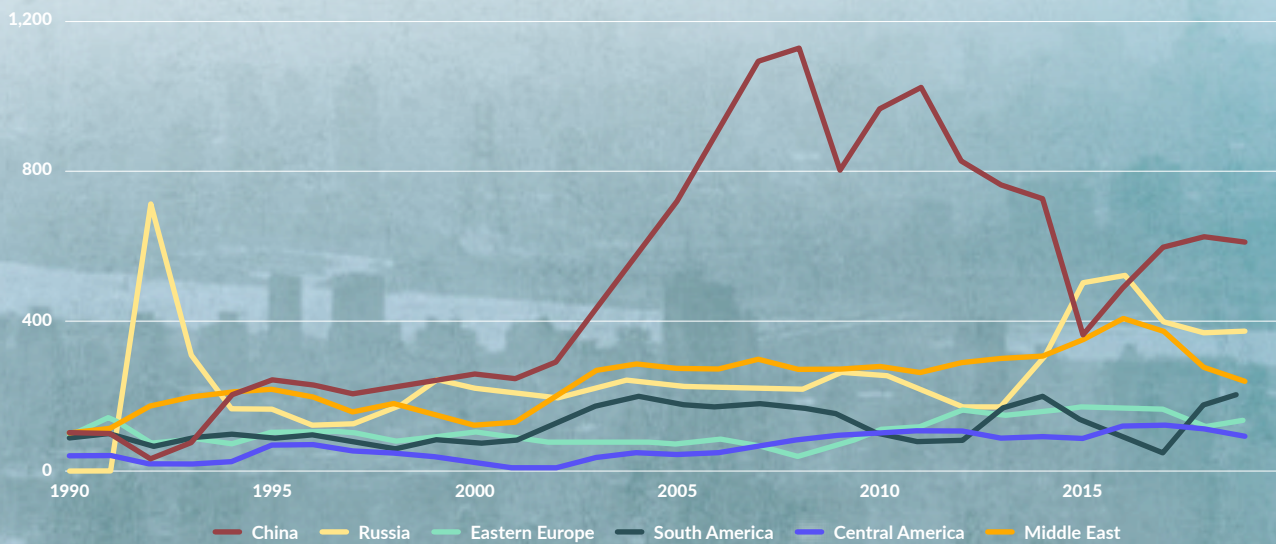
One attempt to conceptualize and compute these wealth transfers, from the Marxist and Left traditions, uses the concept of uneven exchange. Ricci (2021) uses the concept to argue against neoliberal and reformist beliefs about free trade's positive contributions to economic development. Hickel, Sullivan and

Zoomkawala (2021), meanwhile, take issue with the dominant wisdom that a country's development depends on domestic policies alone ("good governance, strong institutions and free markets" are the assets of developed countries, while "corruption, red tape and inefficiency" plague developing countries) and argue the importance of the global political economy.

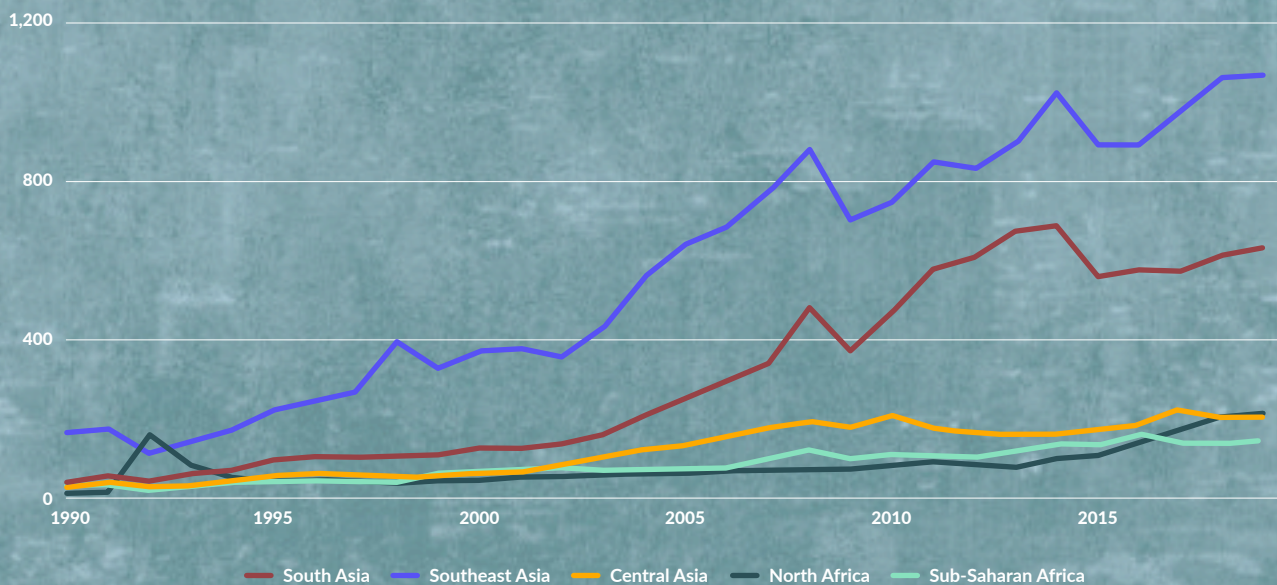
Ricci (2021), develops Marx's theory of value to analyze international trade, and shows that value transfer from the Global South – which he divides between the

emerging periphery (China, Russia, Eastern Europe, South America, Central America, Middle East) and poor periphery (South Asia, Southeast Asia, Central Asia, North Africa, Sub-Saharan Africa) – drastically increased from the 1990s to the present. He shows that the period of "free market" and neoliberal globalization has resulted in an eight-fold increase in value transfers from the poor periphery to the center, or to the Global North. The emerging periphery contributed more than the poor periphery in 1990-2010, but reduced its share thereafter.

**Figure 4. Emerging Periphery regions: Outflow total value transfers. Billions of dollars, 1990-2019**



**Figure 5. Poor Periphery regions: Outflow total value transfers. Billions of dollars, 1990-2019**



(Source: Ricci 2021)

Contrary to dominant wisdom, both emerging and poor peripheries served as donors in unequal exchange, even as the first contributed more in 1990-2010 while the second contributed more in 2011-2019, highlighting how the emergent periphery has strengthened relative to the center after the 2008 crisis. A significant contribution in 2000-2008 came from China, which increased its value outflow five times after joining the WTO in 2001. After 2008, however, China reduced its contribution by around half of the level of its peak. Latin America also reduced its contribution during the decade, largely as a result of policies that uphold national independence and were implemented by progressive governments in the region. In 1990-2010, value outflow from the emerging periphery amounted to 15%, while this halved in the decade that followed (Ricci 2021).

Transfers from the poor periphery to the center reached USD 2,265 billion in 2019, only slightly less than the GDP of the UK or France. Outward value transfer from Southeast Asia, especially after the 1998 crisis, and Indian South Asia, especially after the 2008 crisis, is noticeable, and has offset China's reduction in value

outflows. On average, unequal exchange in the poor periphery has fluctuated from one-third to one-fifth of their total GDP. Value outflow from North Africa increased after the Arab Spring of the early 2010s, together with Turkey and Central Asia, while the low value outflow from Sub-Saharan Africa indicates its persisting marginality in the global economy (Ricci 2021).

Hickel, Sullivan and Zoomkawala (2021) also undertook a study of unequal exchange on the basis of the imports and exports of the Global South and Global North. They start their study from 1960, and show that unequal exchange dramatically grew starting from the 1980s and 1990s, the period of structural adjustment and neoliberal globalization. In this, and in the decline starting from 2008, their study yielded results similar to Ricci's study. Through their methodology, they were able to establish that the peak value drained from the Global South reached USD 3 trillion per year, and USD 2.2 trillion in 2017 – an amount that can end extreme poverty by 15 times. Their study also confirms China's initially immense share and eventual decreased share in value outflow.

Figure 6. Drain from the global South, constant 2011 dollars, billions (1960-2017)

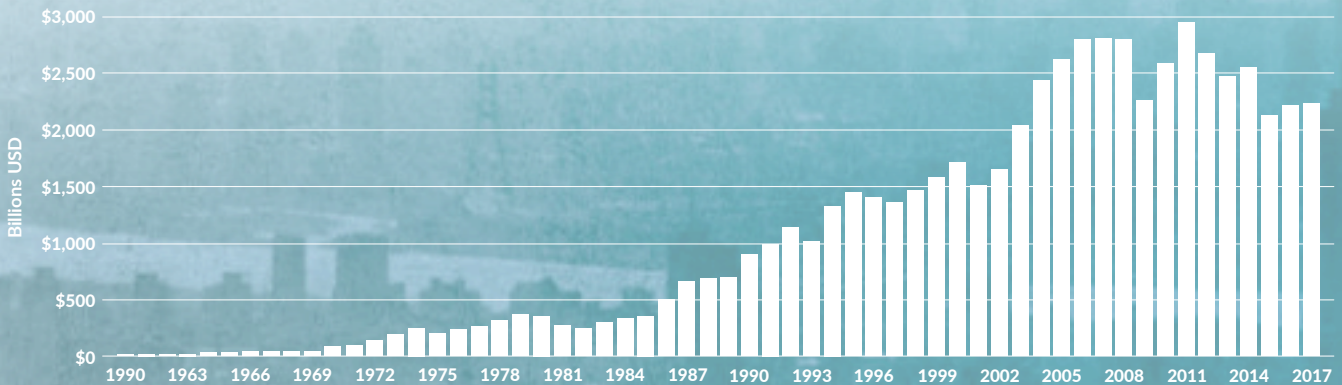
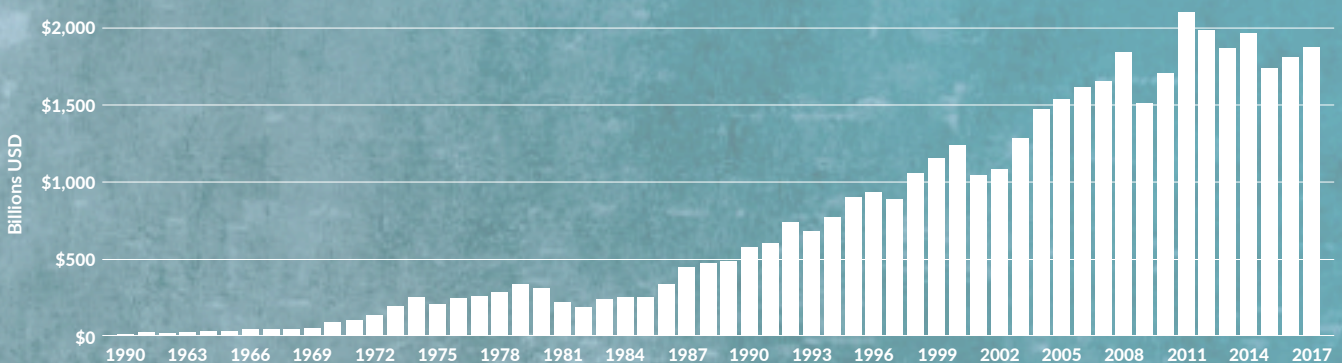


Figure 7. Drain from the global South, excluding China, constant 2011 dollars, billions (1960-2017)



(Source: Hickel, Sullivan and Zoomkawala 2021)

As shown above, economic crises served as an accelerator of trends that were existing before the crisis (value outflows from Southeast Asia after the 1997 crisis) or as opportunities for policy changes (value outflows from China after the 2008 crisis). In causing mass layoffs and increase in unemployment, tightening of credit for private investment, and government austerity measures, they hamper advances in attaining development goals. Three major economic crises occurred from the 1990s to the present: the 1997 Asian Financial Crisis, the 2008 Global Economic and Financial Crisis, and the economic crisis caused by the COVID-19 pandemic in 2020.

The Asian Financial Crisis shares a common narrative with the 1994-1995 Mexican crisis and other financial crises in developing countries: financial liberalization increased capital inflows and enlivened domestic credit markets; private speculation and risk-taking then increased financial fragility; and crisis erupted, affecting the real economy and drastically increasing public debt. While neoliberal economists blame the state's leading role in Asian development, critics assert the systemic risks of financial liberalization and large capital inflows. One major effect of the crises is an increase in public debt, because of government guarantees to private liabilities, public payment for bad private loans, among others (Braunstein 2018).

The Great Recession of 2008, which was the worst economic crisis in the US since the Great Depression of the 1930s, was similar in its narrative to the financial

crises in developing countries. A large capital inflow from oil-producing countries and China strengthened the US dollar and made US manufactures and other exports less attractive. It also increased consumption and created a bubble in the housing market. The US' de-industrialization was hastened and its national savings dropped. The bubble eventually burst, triggered by defaults on housing mortgages. As a result, credit became tighter, hindering investments in production and business spending, with detrimental effects to the economy. The US government bailed out the big financial corporations and implemented austerity measures (Foley 2009).



## Sole Superpower, “War on Terror,” Confronting China and Russia

***In geopolitics, the past 30 years saw three major shifts: from the US being the sole global superpower, to the US leading a “war on terrorism,” and finally to the US confrontation with China and Russia and its effects.***

The increasing geopolitical tensions between the US and its allies on the one hand and China and Russia on the other are resulting in these countries' increasing use of their aid in ways that align with their geopolitical and economic interests. These tensions are also causing the alignment of other developed countries, who have also intensified efforts to ensure that their aid is aligned with their economic and geopolitical interests.

The 1990s opened with the disintegration of the former Union of Soviet Socialist Republics or the USSR and, with the demise of one of two main antagonists, the end of the Cold War. This moment was heralded as “the end of history,” in which liberal democracy and free market capitalism emerged as victors against various forms of authoritarian rule and socialist economies in humanity's evolution towards better societies. While the decade also opened with the first US war on Iraq, the US was seen as without a rival, the world's lone superpower, whose opponents, but not rivals, are so-called “rogue states.”

In response to the September 11, 2001 terrorist attacks, the US launched its “war on terror,” designating terrorism as its main enemy. It launched a war against

Afghanistan in 2001 and Iraq in 2003 and took measures against governments, organizations and individuals whom it categorized as terrorists. The George W. Bush government, which launched the “war on terror,” had wanted to redefine US relations with emerging global power China as a strategic competition, rather than cooperation, but was waylaid by the terror attacks and its “war on terror” (Goldstein 2020).

After a decade of the “war on terror,” the US became more and more alarmed by the immense wealth and power that China has accumulated through the years. It was left to the Barack Obama administration, however, to officially consider China as a competitor rather than a partner — after more than two decades of partnership. Obama's State Secretary Hillary Clinton floated the idea of a “pivot to Asia” in 2011 (Goldstein 2020). This was immediately seen as an attempt to counter China's increasing power in the continent. It was followed by Obama's call for a Trans Pacific Partnership and deployment of 2,500 marines forces to Australia. The Donald Trump administration ramped up confrontation with China, starting a trade war and criticizing China's handling of the Uyghurs ethnic group. Despite some overtures for cooperation and dialogue, Trump's measures on China were largely retained by the Joe Biden administration (Council on Foreign Relations, n.d.).

Russia, for its part, supported the US “war on terror,” but increasingly became critical of the US. Important landmarks in the second direction include criticisms of the US-led interventions in the Kosovo crisis of 1999, election of Vladimir Putin as Russian president in 2000, Putin's speech at the 2007 Munich Security Conference that decried US power and NATO expansion, the 2008

war between Russia and Georgia which sprung from the latter's intention to join NATO, and the 2022 Russian invasion of Ukraine. While the Obama administration seemed to acquiesce with Russia's invasion of Georgia, Biden himself called Russia "the biggest threat" to US security. Russia's invasion of Ukraine in 2022 signalled a marked deterioration of relations between the US and Russia, ending the mix of cooperation and confrontation and giving way to a predominantly confrontative approach (German 2023).

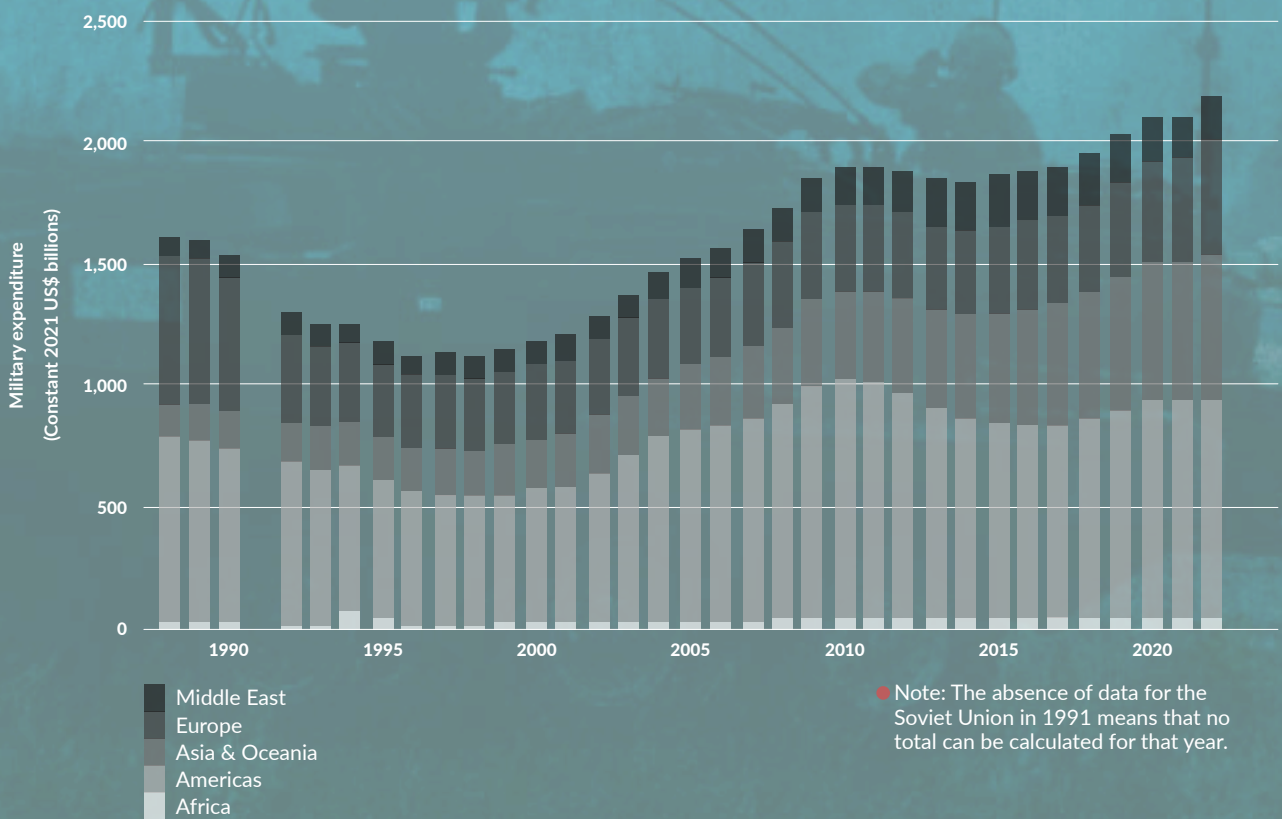
In recent years, China and Russia have moved closer to each other, taking cooperative positions with each other on major international issues, and often diverging from the US. While economic and political differences and tensions exist between the two, and while China is said to be pursuing a "no alliance, no confrontation, and no targeting of any third party" line in relation to Russia, US actions have pushed the two countries together. Some explanations include: the US' threat to the two countries' security in containing their increasing power and encroaching on what they consider as covered by their sovereignty; the US' undermining of their defense and deterrence capacities in deploying missile defense systems in the European and Northeast Asian regions; the US' rhetoric on the promotion of democracy and undermining of non-democratic governments; and the US' insistence on a unipolar international order and efforts to block the two countries' ambitions to regain their status as global powers. Similar economic and political systems and opposition to ethnic separatism also contributed to this alignment, if not alliance (Wenzhao and Shengwei 2020).

The last few years have witnessed how the superpower rivalry between the US on the one hand and China and Russia on the other hand has caused alignments among countries and affected other geopolitical rivalries. The EU, for its part, has maintained its strong security cooperation with the US. Since World War II and through the Cold War, it has shared with the US leadership positions of global institutions and served as a junior power to the US global hegemony. An examination of the EU's position on China's territorial claims in the South China Sea, and Russia's territorial

claims in Ukraine in 2014 before the Russian invasion of 2022 shows that EU-US relations have become stronger – anchored on the principle of national sovereignty and on the Law of the Seas. At the same time, the relations are becoming weaker, as the EU "develops a more coherent, autonomous and independent policy vis-à-vis the US." In line with its opposition to the US' 2003 invasion of Iraq, the EU has taken actions that run counter to US positions – such as EU members joining the Asian Infrastructure Investment Bank and the EU releasing a statement that is weak on criticizing China in relation to the United Nations Convention on the Law of the Sea or UNCLOS ruling of 2016 that rejects China's territorial claims in the South China Sea. The Trump administration is seen as speeding up the EU's distancing from the US (Riddervold and Rosen 2019).

As for the majority of developing countries in the world, their identity as "Third World" – in relation to the First (capitalist) and Second (socialist) Worlds – lost ground after the Soviet Union's collapse in 1991. The label "less developed countries" became popular but was soon discarded in favor of "developing countries." Since then, the label "Global South" has become popular, despite questions about its political uses (Nye 2023). Russia's invasion of Ukraine and the US lobby to make the UN condemn the act have shown that Global South countries "are no longer merely participants on the sidelines, but active co-players which many actors are trying to win over." The "actors... of the Global South have emancipated themselves politically in a new way" (Klingebiel 2023, 3-4). They have played one camp against the other in an effort to gain concessions (Schuman 2023). In Africa, for example, Russia has expanded its military foothold while China has deepened its economic relations with countries. Geopolitical rivalries and Global South countries' multi-partisanship – particularly their behavior towards China and Russia – have prompted observers to recommend that advanced countries' development policy be aligned more closely with geopolitical interests (Klingebiel 2023).

Figure 8. World military expenditure, by region, 1988-2022



(Source: SIPRI Military Expenditure Database, April 2023)

Military spending has been affected by, and reflective of, the ups and downs of geopolitical tensions: decrease after 1990, an uptick after the “war on terror,” a slowing down after the 2008 crisis, and an increase afterwards. In 2013-2022, global military spending grew by 19%, reaching a record high of USD 2,240 billion in 2022, largely as a result of the Ukraine war. Military aid in the data is recorded on the side of the donor. The top military spenders in 2022 reflected the geopolitical divisions discussed above, which have been highlighted by the Ukraine war: US (39% of world spending), China

(13%), and Russia (3.9%). The bulk of US military spending is divided into military capability modernization (30%), operation and maintenance (34%) and personnel (19%). The growth of China’s military spending has been unique: non-stop for 28 years, more than 4.2% from 2021, and 63% from 2013. China’s five-year plan for 2021-2025 emphasizes strengthening the country’s military production and use of modern military technologies (Tian et.al., 2023).

## Climate Change Movement and Persisting Emergency

**The previous three decades saw many great strides in the general movement to address climate change. Despite these advances, time is running out to address the enormous challenges that remain.**

This phenomenon has pushed developed countries to make aid pledges to address climate change, and has caused the salutary increase in climate financing in general. The increase in climate financing, however, is still shaped by the dominant aid regime in various ways: the USD 100 billion yearly pledge for climate financing for 2015-2025 is not met; climate finance as a section of ODA is increasing; loans as a section of climate finance are increasing; among others.

The past 30 years witnessed major advances in the world's awareness of global warming and climate change, as well as the need to address and stop these.

1988

The UN launched the Intergovernmental Panel on Climate Change (IPCC), an expert panel tasked with studying climate change and providing the latest information to governments about the matter. The information provided by the IPCC has been used as a basis for positions in the international climate negotiations (Lock, Kestin and Gralki 2020).

1990

The Second World Climate Conference was held in Geneva, Switzerland, which emphasized developments in climate change research and monitoring, and the creation of the global Climate Change Monitoring System (Klarin 2018).

1992

The UN held the Rio Earth Summit, which centered on sustainable development. A historic 176 countries agreed to the principles for protecting the environment that were laid down in the summit. The summit is the first time that the environment and international development were tackled together at a high-level UN forum (Lock, Kestin and Gralki 2020). While the holding of the summit itself can be seen as a success, the summit itself did not identify how environmental problems can be solved, and did not inspire concrete action (Erδος 2023).

United Nations  
Climate Change

PLANET  
OVER  
PROFIT



**1997**

The Kyoto Protocol, the first international agreement in which signatories committed to reducing greenhouse gasses, was created in a meeting of developed countries to create a climate plan. The protocol mandated the yearly reduction of 5% of greenhouse emissions in 2008-2012 (Lock, Kestin and Gralki 2020). The protocol was largely a failure, as its targets were modest and it did not clarify who carries the main burden for cutting down emissions (Erdos 2023).

**2000**

The UN publishes its eight Millennium Development Goals for 2015.

**2002**

The World Summit on Sustainable Development was held in Johannesburg, South Africa, discussing results of the Rio Earth Summit held one decade earlier, affirming its objectives, and setting directions for the future (Klarin 2018).

**2006**

The Stern Review was released, which argued that the benefits of decisive and early action on climate change far outweigh the costs of late and lackadaisical action, and that inaction will be detrimental to the world's economic growth. Together with the yearly updates of the IPCC, the report called the attention of the public and decision-makers to the need for urgent action on climate change (Erdos 2023).

**2009**

The World Congress G20 Summit was held in Pittsburgh, USA, in which attendees agreed to a moderate and sustainable economy (Klarin 2018).

**2012**

The UN Rio+20 Conference was held in the same venue and released the report "The Future We Want," which renewed countries' commitment to sustainable development and a green economy (Klarin 2018).

**2014**

Activists from Pacific Island countries joined a flotilla that blocked boats that use Australia's Newcastle coal port to protest Australia's coal exports and their role in global warming and therefore further endangering Pacific Island countries. Activists from the Marshall Islands, Fiji, Vanuatu, Tokelau, and the Solomon Islands sounded the alarm on the dangers posed by global warming to entire countries and peoples (Lock, Kestin and Gralki 2020).

**2014**

The US and China pledged to reduce carbon emissions on the sidelines of the Asia Pacific Economic Cooperation (APEC) summit. US President Obama set more ambitious targets for the US' carbon emission reduction and China President Xi Jinping made the country's first promise to cut the growth of carbon emissions by 2030 (Council on Foreign Relations, n.d.).

**2015**

The UN releases its 2030 Agenda for Sustainable Development which contains 17 goals for 2030.

**2015**

The UN Conference on Climate Change, COP21, was held in Paris, France, producing the Paris Agreement, which aims to cut back on greenhouse gases in order to reduce and limit global warming (Klarin 2018).

**2018**

Greta Thunberg, the global face of climate activism, started her protests that called attention to the need for urgent action to address the climate crisis. She sat alone in front of the Swedish parliament as part of her school strike, and her subsequent speeches became viral on social media, giving a boost to the global climate movement (Lock, Kestin and Gralki 2020).

The past 30 years also witnessed large-scale protests pertaining to climate change across the world. Starting in the 2000s, demonstrations were held calling for action. In 2005, the global climate campaign held the Global Day of Action in relation to the UN climate talks in Montreal; the action will continue in the following years. In 2011, US and UK students began pressuring their universities to divest from fossil fuels, in a movement that has since spread. In the 2010s, public performance art has highlighted the immediacy of the climate crisis (Lock, Kestin and Gralki 2020).

The climate change movement, as a prominent part of the environmentalist movement, has achieved successes: more widespread environmental consciousness among the public, the perseverance of millions of activists and an international network of green activists, celebrities speaking out, corporations and governments being forced to act on environmental issues, among others. At the same time, much needs to be done, as “global climate change” is among the environmental issues that are foremost in the public’s mind and attention (Erdos 2023, 2190).

The following scientific discoveries highlight the urgency of climate action and the fact that time is running out to slow down climate change. While they have alerted public opinion and contributed to policy change in the national, regional and global levels, these scientific discoveries showcase the immense challenges being created by climate change to the climate change movement, humanity and life on Earth (UK Research and Innovation, n.d.):

**1992**

Scientists warn that the increase in the amount of carbon dioxide dissolved in the oceans increases the seas’ acidity, which in turn makes coral reef formation difficult. Coral reefs are crucial to ocean biodiversity.

**2003**

Scientists link heatwaves and other extreme weather conditions to climate change. Scientific research has established the increased likelihood that many of these conditions will be repeated in the coming years because of climate change.

**2007**

The International Polar Year 2007-2008, the biggest campaign to explore the Earth’s polar regions, was launched and revealed that “The Greenland ice sheet, parts of the Antarctic ice sheet, and Arctic sea ice are melting at rates that are unprecedented in the last 10,000 years.” It also exposed that climate change is affecting various forms of life, and that the Earth’s polar regions are warming faster than the rest of the planet.

**2019**

The IPCC warns that parts of a West Antarctic ice sheet have collapsed beyond repair. This collapse will cause a domino effect on the rest of the region’s ice sheets and increase sea levels by three meters in centuries or millennia. Other ice sheets are also melting and will raise sea levels by 10 meters in thousands of years, depending on the intensity of global warming: 1,000 years if warming is limited to 2 degrees Celsius, 10,000 years if limited to 1.5 degrees Celsius.

**2019**

Scientists belonging to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), known as “the IPCC for biodiversity,” discovered that the extinction of species native to the Earth has increased since 1900 and is increasing due to “changes in land and sea use, direct exploitation of organisms, climate change, pollution and the introduction of invasive alien species.”

**2021**

The IPCC predicts that the world will reach 1.5 degrees Celsius of global warming by 2040, earlier than previous warnings. This means that many features of climate change have become inescapable and droughts, heatwaves, floods and other extreme weather conditions will increase. The report underscores the fact that changes in the climate are caused by human action, particularly the burning of fossil fuels.

The outcome of COP28 of the UNFCCC in Dubai, United Arab Emirates held in the last quarter of 2023 is indicative of how much needs to be done in order to address climate change. The major civil society proposals were not taken up: instead of phasing out fossil fuels, the climate talks stopped short at calling out fossil fuels for the first time in 30 years. Instead of tripling renewable energy capacity and raising trillions in needed climate finance, the climate talks made a general call towards this direction, but did not include donor commitment to increase public funding for just energy transition, despite a marked increase in their military and security spending (Enrile and Bongon 2024).



## Chronic Conflicts and Increased Humanitarian Aid

***The past 30 years saw an uptick in chronic conflicts that emerged from various causes and needed large humanitarian assistance.***

Before 1995, humanitarian assistance at the country level made up 5% of total ODA, but this increased to 23% in 2019 (Milante and Lilja 2022). In 2019-2022, humanitarian assistance in relation to ODA increased by 22% in real terms, even as it has remained at the 10-11% level of total ODA (OECD 2023). The increase in humanitarian assistance has outpaced that in development assistance. Humanitarian assistance surpassed USD 25 billion and humanitarian assistance per capita reached USD 5.58 in 2019 – after doubling in each decade, faster than population growth (Milante and Lilja 2022).

While humanitarian assistance is ideally a short-term response to emergencies, it has increasingly been concentrated in countries experiencing long-term and complex crises. While short-term spikes in demand for humanitarian assistance in many countries have increased since 1995, these remain exceptions among countries receiving said assistance (Milante and Lilja 2022).

Almost 60% of humanitarian assistance in 2010-2019 went to situations of chronic crises, often involving protracted conflicts, fragility and refugees. These conflicts have increased since 1995: while only five countries faced chronic crises that demanded high humanitarian assistance for 10 years in the 1980s until the 1990s, 27 countries experienced chronic crises since 2000 while 28 countries were in such crises in 2019. These countries include Afghanistan, the Democratic Republic of the Congo, Haiti, Iraq, Libya, Mali, Niger, Somalia, Syria and Yemen (Milante and Lilja 2022).

Countries that are not facing conflicts or fragility but receive high humanitarian assistance are countries that host refugees from neighboring countries, such as

Algeria, Colombia, Lebanon, Sudan and Turkey. Indeed, nine countries host 75% of the 20 million refugees worldwide: Bangladesh, Colombia, Iran, Jordan, Lebanon, Pakistan, Sudan and Turkey (Milante and Lilja 2022).

In 2022, the biggest share of humanitarian assistance went to the war in Ukraine, worsening crisis in Afghanistan, and deteriorating conditions in the Horn of Africa. The war in Ukraine and climate change were identified as systemic causes, while the earthquakes in Türkiye and Syria, and the intensifying conflict in Sudan, were identified as new and escalating crises (Development Initiatives 2023).

Conflict and fragility are being fuelled by various causes: “Rising inequality and exclusion are fueling grievances and perceptions of injustice, while factors like climate change, migration, illicit financial flows, violent extremism, and poor governance also increase fragility and conflict vulnerability in many countries (World Bank 2023)”.

The countries that received high humanitarian assistance for more than 10 years due to chronic crises noticeably increased starting in 1990, and especially in 1995. Countries that have the longest lasting crises that continue in 2019 are: Somalia (starting in 1981), Iran (1985), South Sudan (1985), and Colombia (1990) (Milante and Lilja 2022).

The effects and causes of protracted crises are diverse, as particular situations that humanitarian assistance is called upon to respond to. The following countries, chosen from different global regions, are classified as “in protracted crisis” by the Global Humanitarian Report 2023. Colombia, classified as an “entering protracted” crisis in the report, is an example from Latin America.

- **Afghanistan** – Almost the entire Afghan population is living in poverty, and humanitarian assistance was needed to prevent a famine in 2022. The country continues to suffer from economic collapse, and efforts to engage the Taliban government, which took power in August 2021 and replaced the US-installed government, has failed (International Rescue Committee 2022). Economic shocks are causing the humanitarian crisis in the country,

which is worsened by droughts, the lasting effects of decades of war, and economic sanctions. A solution to the economic crisis is not forthcoming, as the US government and Afghanistan's Taliban government fail to reach an agreement to address it (Human Rights Watch 2022).

- **Palestine** — The protracted conflict in Palestine dates back to the mass Jewish immigration to the area which started in the early 20th century; found imperialist support in the Balfour Declaration of 1917, in which Britain pledged to create a Jewish national home in Palestine; and intensified after the Holocaust and World War II. Since the lead-up to the mass displacement during the Nakba in 1948, the military occupation has been accused of colonization, apartheid, persecution, other human rights violations and even genocide against the Palestinian people, who launched armed and other forms of struggle for their right to self-determination. The US and its allies have consistently sided with Israel for historical and geopolitical reasons, and the territories occupied by the Palestinian people have continuously decreased across decades (Human Rights Watch 2021; Amnesty International 2022).
- **Myanmar** — Of the country's more than 53 million population, 2.6 million fled their homes, 18.6 million or one-third of the population need humanitarian assistance, and around one-fourth face hunger. At the same time, around 600,000 ethnic Rohingya remain stateless in Myanmar, denied of their basic rights, while 1 million have fled to Bangladesh to avoid persecution. Some of the Rohingya are expected to flee to Malaysia or Indonesia (European Commission, n.d.). The military coup of February 2021 installed a military junta which unleashed waves of repression against, and is opposed by, a civil disobedience movement and armed ethnic groups. The country has faced a civil war since 1948 and as well as a few coups and military rule (Sun 2023).
- **Colombia** — The country is in a five-year protracted crisis, with 7.7 million persons in need and a high degree of conflict risk (Development Initiatives 2023). Around 15.5 million people, or 30% of the population, are considered food insecure (World Food Programme 2023). Decades of war in the country has resulted in the death of more than 200,000 and the internal displacement of 5.7 million (The New Humanitarian, n.d.). Despite a permanent peace agreement between the government and the rebel group Revolutionary Armed Forces of Colombia (FARC) that was signed in 2016, the government, most notably under the Ivan Duque presidency (2018-2022), refused to honor its commitments. Armed and criminal groups filled up the void left by the FARC and are competing for control over illegal mining and coca plantations, while human rights and environmental activists continue to be murdered with impunity (Grattan 2019). Among the armed groups are splinter groups that emerged from the FARC and declare adherence to revolutionary principles.
- **Somalia** — The country is facing the worst drought and hunger crisis in its history, which has already caused the death of thousands and borders on famine. The drought is an effect of climate change, while the country's capacity to respond to it and other crises has been severely weakened by decades of conflict. The country's systems and infrastructure have been devastated, and the country is dependent on Russia and Ukraine for 90% of its wheat (International Rescue Committee 2022). The conflict, meanwhile, is rooted in clan-based competition for power and resources, in territorial divisions and other legacies wrought by colonialism, as well as state repression of opposition forces and ordinary citizens (Elmi 2011).
- **Ukraine** — The Russian invasion of the country in February 2022 was followed by heavy fighting that caused the death and injury of thousands, endangered the lives of the rest of Ukrainians, and damaged the country's infrastructure for basic services such as housing and heating, water and electricity supply (European Commission, n.d.). The war caused "the world's fastest, largest displacement crisis in decades" according to the UN Refugee Agency (UNHCR) (International Rescue Committee 2022).

Figure 9. Countries with a chronic high humanitarian share of assistance lasting longer than 10 years, 1975–2019



(Source: Milante and Lilja 2022)

Projections show that more than 70% of humanitarian assistance in the next decade will continue to go to countries that are already receiving high levels of such assistance at present. This, even as humanitarian assistance is projected to increase as only 60% of current needs are being met (Milante and Lilja 2022).

The increase in humanitarian assistance, and the continuing climb in the demand for it, have prompted calls to address the root causes of the chronic crises that have received the biggest share of said assistance. These calls have gravitated and crystallized into the Triple Nexus approach, or the Humanitarian, Development

and Peace or HDP approach, which postulate that humanitarian actions should be complemented by development and peace actions based on a particular understanding of the root causes of the conflicts and localized design of addressing these. While the Triple Nexus has faced many challenges, both at the conceptual and operational levels, its main thrust is undeniably necessary to efforts to address and resolve the root causes of chronic crises through both development and peace actions (CSO Partnership for Development Effectiveness, Indigenous Peoples Movement for Self-Determination and Liberation and Reality of Aid-Asia Pacific 2021).

## South–South Cooperation, & Triangular Cooperation

*The past 30 years saw the increasing conceptualization and practice of South-South and Triangular Cooperation, largely due to the rise of China as a donor, the emergence of left-of-center governments in Latin America, and other developments in the Global South.*

While definitions of South-South Cooperation (SSC) and Triangular Cooperation (TrC) are numerous and still developing, the United Nations Office for South-South Cooperation (UNOSSC) forwards the following:

SSC is seen as initiatives of peoples and governments of the Global South that are guided by “the principles of respect for national sovereignty and ownership, free from any conditionalities.” Here, two or more countries from the Global South undertake capacity development “through exchanges of knowledge, skills, resources and technical know-how and through regional and interregional collective action.” Involved are country governments, regional organizations, CSO, the academe, and the private sector (UNOSSC, n.d.)

Meanwhile, TrC pertains to development cooperation partnerships between two or more countries of the Global South that are supported by one or more developed countries or one or more multilateral organizations, or both. Through TrC, Southern partners are able to avail of “the financial and technical support and expertise” of their partner or partners among developed countries and multilateral organizations. Meanwhile, Northern partners are able to avail of “increased institutional capacity in the South” and “to increase the impact of their aid disbursements by leveraging the resources of multiple Southern partners” (UNOSSC, n.d.).

The emergence of SSC and TrC provided an opportunity for hope that these will be different from the dominant aid regime. Participants in SSC and TrC likewise invoke principles and employ rhetoric that are different from, if

not critical towards, said regime. All these draw strength from various criticisms of the dominant aid regime, especially from civil society: a fragmented aid architecture that allows donors to make decisions based on their interests, objectives, and historical relationships with recipient countries — not on the latter’s priorities or sustainable development goals; prevalence of tied aid and conditionalities; reinforcement of unequal relations between donor and recipient countries and the unequal global economy, trade and finance; lack of recognition of the necessity of democratic ownership at the national level even as country ownership is recognized, and at the regional and international levels; policy incoherence among global institutions such as the UN; lack of accountability mechanisms for donors, recipient country governments, and multilateral institutions; among others (The Reality of Aid Network and CSO Partnership for Development Effectiveness 2020).

The origins of SSC and TrC are often traced to the following:

**1950**

Progressive economist Raul Prebisch became leader of the UN Economic Commission for Latin America or ECLA. The commission’s work under his leadership transmitted its conceptualization of SSC to the 1964 UN Conference on Trade and Development or UNCTAD, which then emphasized regional cooperation (Gosovic 2016). The Group of 77, the biggest grouping of developing countries in the UN devoted to development cooperation, was formed within the UNCTAD (Ibero-American Programme for the Strengthening of South-South Cooperation 2014).

**1955**

The Asian-African Conference in Bandung, Indonesia was held, in which 29 countries of the Third World gathered to promote cooperation among themselves and oppose colonialism and neo-colonialism (Zoccal 2021). Attendees will form the Non-Aligned Movement six years later in Belgrade, in relation to the then-raging Cold War between the US and the Soviet Union (IPSSSC 2014).

1974

The UN Extraordinary General Assembly adopts the “Declaration for the Establishment of a New International Economic Order,” or NIEO, ushering a decade that forwarded SSC (Gosovic 2016). The NIEO included cooperation among developing countries and the demand for support from developed countries. In the following years, the NIEO became a platform for criticizing uneven international trade and transnational corporations’ plunder of developing countries’ resources (IPSSSC 2014).

1978

The UN Conference on Technical Cooperation among Developing Countries was held, and yielded the outcome document Buenos Aires Plan of Action or BAPA which recognized Technical Cooperation among Developing Countries (TCDC) as a modality of international development cooperation (Zoccal 2021). This went hand-in-hand with the 1981 Caracas G77 High Level Conference on Economic Cooperation among Developing Countries (ECDC) (Gosovic 2016). The term “South-South Cooperation” became popular, mainly because of its use in the academe and by governments (IPSSSC2014).

1990

The South Commission, created in 1986, published the report titled “The Challenge to the South,” which made “a series of suggestions – on the reform of national policies, the revitalization of co-operation among developing countries, and the restructuring of the global economic system” from the perspective of the Global South countries (South Commission 1990, 271-272). The report is seen as giving a boost to TCDC, as Brazil, China and India increased engagement in international development cooperation afterwards (Zoccal 2021). It is also seen as “the last political and substantive ‘hurrah’ of SSC and TrC”, as neoliberal globalization subsequently undermined many of their goals. The World Bank and regional development banks were highly critical of SSC (Gosovic 2016).

1995

The UN recognizes the term “triangular cooperation” in its document “New Directions Strategy on Technical Cooperation among Developing Countries.” While the concept was implicitly discussed in the BAPA of 1978, it was first mentioned in the Brandt Commission report “North-South: A Programme for Survival” in 1980 (Zoccal 2021).

A major game-player that bolstered the currency of SSC and TrC was the rise of China as a global economic power and its increasing presence in the Global South, especially in Africa (Gosovic 2016). Largely because of China, SSC has attained advances: “materially (increasing resources, finances, institutions), ideationally (the consolidation and influence of Southern development models and ideas) and ontologically (the increasingly secure status and legitimacy of Southern states as development partners)” (Mawdsley 2019, 11). With regard to institutions and summits, new ones have been created: the India Brazil South Africa Dialogue or IBSA (2003), the Brazil, Russia, India, China and South Africa or BRICS group (2010), and the Forum on China-Africa Cooperation or FOCAC (2000) (Mawdsley 2019). As a donor, China has been

accused of being a “rogue donor,” one that uses aid in order to extract resources from partners in the Global South, and using political rhetoric in order to cover up its interests (Gray and Gills 2016).

Another game-changer is the rise of left-of-center governments in Latin America, brought to power by popular discontent over underdevelopment that was worsened by neoliberal economic policies and persisting colonial and neocolonial relations with the US and the Global North. In the early 2000s, Venezuela’s Hugo Chavez and Cuba’s Fidel Castro led these initiatives, which went beyond bilateral and business-oriented efforts and embraced political and progressive principles. The Bolivarian Alliance for the Peoples of Our America (ALBA) was founded in 2004 and the



Community of Latin American and Caribbean States (CELAC) was founded in 2011. Globalization facilitated exchanges and among countries and the development of China, India and Brazil (Gosovic 2016). Member-states of ALBA have been criticized for “reproducing the dominant exploitative, resource-extractivist model” even as they provide economic models that diverge from neoliberalism (Muhr 2016, 639).

2008

The Third High-Level Forum on Aid Effectiveness recognized SSC as a welcome complement to traditional forms of development cooperation. This recognition was reflected in the forum's outcome document, the Accra Agenda for Action (Zoccal 2021). The forum was the first to incorporate SSC, and resulted in the creation of a Task-Team on South-South Cooperation (TT-SSC) in 2009 (IPSSSC 2014).

2008

Economic crisis erupts, centering on the US and the Global North and reducing development cooperation in 2009. International events discussing and forwarding SSC and TrC increased starting from this period (IPSSSC 2014).

2009

The UN holds its first high-level conference on SSC in Nairobi, buoyed by the economic growth of some countries in the Global South and the spread of the Global South identity and its narratives. There, Southern donors posited SSC as an alternative to traditional forms of development cooperation and identified principles that differentiate the first from the second. These principles are: “(1) respect for national sovereignty, (2) national ownership and independence, (3) equality (horizontality), (4) non-conditionality, (5) non-interference in domestic affairs, and (6) mutual benefit” (Zoccal 2021, 587).v

2010

G20 countries discuss SSC for the first time in its Seoul Summit, even as many of its member countries have been involved in SSC and TrC for a long time (IPSSSC 2014).

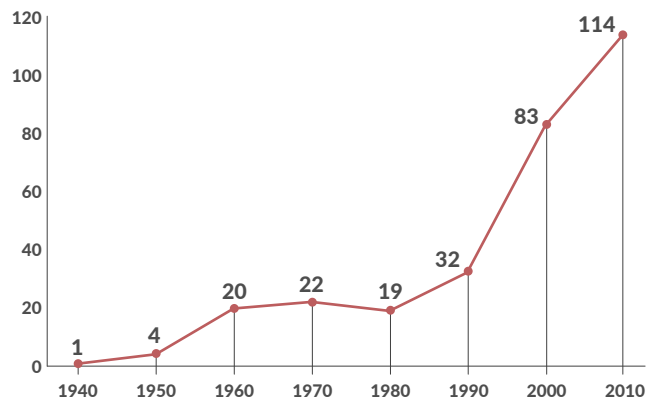
2011

China, Brazil and India, important donors from the Global South, refuse to support the Global Partnership for Effective Development Cooperation (GPEDC), which was created by the High-Level Forum on Aid Effectiveness in Busan. While the platform sought to include agents outside the DAC, said countries asserted that the GPEDC still adheres to the DAC principles and framework. As such, the GPEDC is seen as not integrating SSC (Zoccal 2021).

2021

The subgroup on SSC of the Inter-agency Expert Group on SDG Indicators Working Group on Measurement of Development Support makes a breakthrough in creating measurements of SSC. This paved the way for the United Nations Statistical Commission to support an initial framework for measuring SSC with the UNCTAD and Global South countries in 2022 (United Nations Inter-agency Task Force on Financing for Development 2023).

Figure 10. Number of events that conceptualize and boost South-South cooperation by decade (in units)



While SSC and TrC are seen as different from the dominant aid regime, and their champions invoke principles and deployed rhetoric that are critical of said regime, they are also objects of criticisms, not least from civil society in the Global North and South. These criticisms range from SSC and TrC's compatibility with the dominant neoliberal economic thinking to advancement of donors' economic and geopolitical interests, and are discussed in the Political Overview.

## Conclusion

This chapter presents five phenomena in the past 30 years as some of the factors that shaped the context of the most important aid and development cooperation trends in 2022. The early 1990s, from which this chapter starts its retrospective view, is an important period in world history. It saw many important phenomena emerge and serves as an important starting point for tracking phenomena that continue to shape present-day events.

In the past 30 years:

- ▶ Neoliberal economic policies, after becoming dominant starting in the 1980s, shaped the world economy. Unequal exchange between the Global North and Global South intensified, and major economic crises triggered by financialization of the economy erupted.
- ▶ Geopolitics was shaped by major shifts in US foreign policy: from the US being the sole global superpower, to the US leading a “war on terrorism,” and finally to the US shifting from cooperation to confrontation towards China and Russia.
- ▶ The movement calling to address climate change has achieved great strides, even as time continues to run out and enormous challenges remain in the struggle to stop climate change and mitigate its effects.
- ▶ Chronic conflicts, attributed to various causes, increased drastically, demanding and getting a huge section of humanitarian assistance.
- ▶ SSC and TrC experienced increased conceptualization and practice, largely due to the rise of China as a donor, the emergence of left-of-center governments in Latin America, and other developments in the Global South.

While these are not the only phenomena that constitute the context of development cooperation in the past 30 years, they are arguably some of the most important ones.

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# A Pivotal Moment for Aid: Eradicating poverty in a changing landscape for development cooperation

by Brian Tomlinson, AidWatch Canada

In May 2023, the Development Assistance Committee (DAC) published a landmark Development Cooperation Report. This Report highlighted the unique convergence of global crises that reveal substantial and long-standing weaknesses in the international financial architecture, largely unchanged over the past 60 years. Its authors set forth current debates in reforming the aid system with many proposals for change (OECD DAC, 2023a, 7-8). The DAC, and the contributors to its Report, are not alone among global leaders in drawing attention to urgently needed reforms (G20 Independent Experts Group, 2023; Government of Barbados, 2023; UN Secretary General, 2023b; World Bank, 2022).

For these leaders this is an inflection moment for the international community. But are we truly ready to rethink and reconceptualize international public finance, including the role of ODA? What are the geopolitical interests and current aid trends shaping these debates? Who is driving different proposals and models? And importantly, what are the implications for securing the rights and improving the lives for those living in poverty, for reducing inequalities and socio-economic vulnerabilities?

Not coincidentally, recent crises have contributed to actual changes in the scope and dynamics of ODA with

potential challenges to the “very foundations of global ODA policy” (Melonio et al, 2022). The political economy for aid and development cooperation has become increasingly complex, with expanding or alternative roles and approaches for ODA contested and politicized. The resulting narrative and rationale for aid has become fragmented and confused.

This chapter analyzes recent global trends in the allocation of ODA within these emerging and competing narratives for future directions for development cooperation. Both trends and narratives have been shaped by global turbulence, with overlapping crises accentuated by war, climate change impacts, rising authoritarianism and autarky across the globe, threats to human rights activists, accompanied by rising poverty, food insecurity and persistent inequalities. At the same time, proponents in civil society, in governments of the global south and social movements are voicing and promoting alternative development paths rooted in human rights, inclusion and ecological sustainability. The chapter will also highlight some of these proposals as a contribution towards building a renewed narrative for ODA as a public resource with an essential role to play in addressing the profound challenges of our time.



## Polycrisis: Compounding crises undermining development progress

*Development cooperation is buffeted by global turbulence in a convergence of global crises, jeopardizing progress in key areas for advancing essential Sustainable Development Goals (SDGs), such as poverty reduction, access to health and basic education, reducing hunger with food security, gender equality and reducing all forms of inequalities. Development finance architecture, including ODA, has proven woefully inadequate in the face of these crises and particularly for those who have been left behind.*

a) The impacts of the COVID-19 pandemic are deep and have shaped the prospects for human development in the medium term. The latest UNDP Human Development Report (HDR) confirmed that in 2020/2021, its Human Development Index had declined for 90% of countries, including all income groups, largely driven by the COVID-19 pandemic. For many countries, 2021 was the second year of decline in human well being (UNDP, 2022, 12). An estimated 100 million additional people have fallen into extreme poverty as a result of the pandemic (OECD DAC 2023a, 23).

In the words of the HDR, the pandemic is “a window into a new reality,” accentuating existing trends: “Unequal, unjust access to Covid-19 vaccines is one of many inequalities that have weighed heavily throughout the pandemic. ... The groups most likely to be left behind have borne the brunt of its health and economic risks. Women and girls have shouldered even more household and caregiving responsibilities, while violence against them has worsened” (UNDP, 2022, 6, 7). This abrogation of global responsibilities by rich countries, exemplified in their hoarding of vaccines and medical technologies that cost millions of lives, belies donor rhetoric of global equity and partnerships. It seems increasingly likely that these inward-looking and

often authoritarian political tendencies will shape responses in the coming decades to future global crises, including the climate emergency.

The pandemic unfortunately has not been the only driver for increased poverty and inequalities. An expanding population in the global south are being “left behind” in faltering commitments by the international community to UN’s Agenda 2030 and its 17 Sustainable Development Goals (SDGs).

b) States of fragility across the global south are persistent and deepening, with food insecurity aggravated by the Russian war of aggression against Ukraine. The OECD defines fragility as “the combination of exposure to risks and insufficient coping capacities of the state, system and/or communities to manage, absorb and mitigate those risks [economic, environmental, political, security, societal and human].” The OECD DAC’s recent report on fragility documented a worsening from 2019 to 2021 of these dimensions of fragility in all 60 fragile contexts, in varying degrees of intensity. The report highlights the severity and scale of today’s states of fragility (OECD DAC, 2022a, 11).

The Russian war of aggression against Ukraine, launched in February 2022, continues to compound fragility with its impacts for millions of vulnerable people across the global south. Rising energy and food prices, resulting from economic sanctions and major disruptions in agriculture trade, have pushed an estimated 40 million more people into extreme poverty (Michell, et. al., 2022).

Accelerated by war and conflict and the climate crisis, food insecurity has been increasing over the past decade, especially in extremely fragile contexts. According to UN data, in 2022 approximately 735 million people faced hunger, an increase of 122 million since 2019. The report found that approximately 30% of the global population, 2.4 billion people, did not have constant access to food, as measured by the prevalence of moderate or severe food insecurity. Among them, around 900 million people faced severe food insecurity (FAO, 2023).

**c) A growing urgency (“time is running out”) to address a climate crisis out of control, already with major and sustained reversals in development progress.** This sense of urgency is driving debates on reforming international finance. The impacts of the climate crisis on people and the planet are unique: Severe human and ecological impacts experienced today will inevitably compound in the coming decades. Climate change and weather catastrophes are driven by the unrelenting laws of planetary physics in the face of expanding human-produced greenhouse gases in the atmosphere. Greenhouse gases are continuing to increase, following a short COVID-related pause, with emissions reaching an all-time high in 2023 (Harvey, 2023a). As civil society presses for solutions informed by climate justice, the politics and interests of the rich countries in the global north are far short of transformation change at the global level. The result may be a “climate apartheid,” wherein rich countries protect themselves at the exclusion of others (United Nations, 2019).

The 2020s is the critical and final decade to stabilize the climate and avoid catastrophic loss and damage as average global temperatures increase beyond 1.50C. The frontline for the direct impacts will be across a belt of countries in the global south lying between the Tropic of Capricorn and the Tropic of Cancer, with much of Sub-Saharan Africa extremely vulnerable. Already 600 million people are estimated to live within zones where extreme heat and food insecurity increasingly make human life unbearable. Without transformative action, this estimate is expected to grow to 3 billion to 6 billion people later this century, affecting one third to one half of humanity (Lustgarten, 2023).

Facing the seminal crisis of our times, those most historically responsible for the crisis in the global north have largely failed to mitigate their greenhouse gas emissions. GHG emissions must now be reduced by 45% by 2030 to stay within the 1.5o target for global warming to avoid the worst climate catastrophes.

For those least responsible for the climate crisis in the global south, adaptation has become an essential part of development, but has received limited resources, and is

sometimes in tension with other development priorities. With the failure to mitigate, adaptation also becomes less and less effective. Robust measures to finance inevitable loss and damage is now critical for vulnerable countries irrespective of their income levels. Dominica, a small island middle-income state, lost 226% of its GDP in five hours in a category five hurricane in 2019, and has yet to fully recover.

Donors have failed to realize their commitment to support those on the front lines of climate change with \$100 billion in annual climate finance, due in 2020. Yet the real financing needs for mitigation, adaptation and loss and damage can be measured in the trillions of dollars. With international financial institutions deeply dysfunctional and biased towards the interests of rich countries, leaders across the global south are calling for urgent action. In the words of Mia Mottley, Prime Minister of Barbados and the sponsor of the Bridgetown Initiative outlining proposals for a renewed international financial architecture, “What is required from us now is absolute transformation, and not reform, of our institutions.”<sup>1</sup>

**d) Geopolitical polarization is increasing the diversion of aid towards donor foreign policy interests as high levels of north/south economic disparities persist.** The world is more polarized, both between and within countries. The poorest 50% of the global population share just 8% of total global income, while the richest 10% earn over 50% of total income. Income disparities within many countries are also growing. Large numbers of people face exclusion, discrimination and criminalization based on their identity (Development Initiatives, 2023a). The north/south divide is not narrowing. While 84 low-income and lower middle-income countries had less than USD 4,000 in Gross National Income (GNI) per capita in 2022, OECD DAC members had 13 times this level at USD 54,200, which grew by 16% since 2019 (World Bank Data, GNI per capita).

Geopolitical postures are increasingly defining the allocation of ODA. The DAC reported that the war in Ukraine generated USD 16.1 billion in essential donor

<sup>1</sup> Speaking at the June 2023 Marcon Summit. See <https://www.youtube.com/watch?v=74AnmWmtpEs>



aid in 2022, amounting to 11% of total bilateral aid, largely not additional. The EU contributed USD 10.6 billion or 46% of their 2022 aid to Ukraine (OECD DAC, 2023b). The war in Ukraine also created a massive flow of refugees. Donors increased by more than 200% their allocation of scarce ODA to cover in-donor refugee costs in 2022, from USD 9.3 billion in 2021 to USD 29.3 billion in 2022 (OECD DAC, 2023b). At the same time, bilateral aid to Sub-Saharan Africa and to Least Developed Countries (LDCs) declined by 8% and 0.7% respectively in 2022 (OECD DAC, 2023b).

The structure of inter-connectedness between countries has been changing in the 21st century. In 2000, 80% of countries had more trade with the United States than China; by 2018, 66% of countries had more trade with China than the United States. In this period China, along with Mexico, South Africa, India, Indonesia, have become major global actors providing international finance and expertise for development purposes, but on their own terms and norms. Meanwhile recent debates on colonial legacies, racism, decolonization and locally-led development are calling into question DAC donors' practices, with proposals for transformation in long-standing modalities, purposes and structures for aid (Peace Direct et al, 2021; Mitchell, 2021; New Humanitarian, 2022).

Geopolitical tensions with China have also resulted in increased focus on security in donor initiatives. While outside the scope of ODA, Japan announced in 2023 that it would establish an Official Security Assistance (OSA) window to “enhance the security and deterrence capabilities of like-minded countries” in the region (Kelly et al, 2023). The European Union launched its Global Gateway in 2021, which intends to mobilize up to EUR 300 billion in public and private funds by 2027 to finance infrastructure projects abroad as an alternative to the long-standing Chinese Belt and Road Initiative (Moens, 2023).

**e) Declining trust and reduced capacity for consensus is undermining the urgent need for innovation and collective action for new resources to fill large gaps in development finance, particularly for poor and**

**vulnerable countries.** Trust building in north/south relations is rooted in key principles: respect for the common but differentiated responsibilities of all countries, the promotion of human rights for those who have been left behind and vulnerable minorities, and a commitment to a just and inclusive energy transition with additional climate finance for adaptation and loss and damage. International discourse and multilateral negotiations, however, are framed by powerful national economic and political interests, with diminishing focus on conditions for common ground and trust for building consensus.

Reaching consensus on fair and just solutions, including agreements on increasing and reforming aid within a transformed international finance architecture, is not achieved by governments alone. It requires open and full dialogue with the inclusion of civil society and all those most affected by compounding crises. Yet there is a well documented global crisis of shrinking civic space, particularly in the last decade. According to the latest Democracy Report by the Varieties of Democracy (V-Dem) almost three-quarters, or “72% of the world’s population – 5.7 billion people – live in autocracies by 2022” where citizens have diminished influence and critics are silenced (Papada et. al., 2023). Prospects for consensus are also affected by rising political polarization and authoritarianism in major ‘democratic’ countries in Europe and the United States. Without meaningful initiatives to promote civic space and protect human rights defenders, finance alone will not achieve its goals for sustainable, resilient, and inclusive development.<sup>2</sup>

The scale of resources required is no doubt formidable. The estimates for all forms of development finance to address the polycrisis are in the trillions of dollars, including domestic resources and private sector investments. While the notion of “billions to trillions” has been largely rhetorical on the part of donors, there is also a very large gap in official international finance. To meet the SDGs by 2030, including action on climate, Development Initiatives quotes an estimate that doubles current official finance. Donors need to contribute an additional USD 257 billion annually in the

<sup>2</sup> In the aid realm, these efforts should be guided by the 2021 OECD DAC Recommendation on Enabling Civil Society, which is a strong legal instrument and roadmap setting out 28 specific commitments to protect and promote civic space, to support and engage with civil society, and to incentivize CSO effectiveness.

next seven years, rising to an additional USD 688 billion by 2030, over the USD 300 billion currently allocated from all official sources, including non-concessional flows (Development Initiatives, 2023b).

The confluence of crises alongside ramping up finance in a dysfunctional aid system is a daunting mix. Can the current development finance architecture manage such increases in ways that effectively invests these resources for intended outcomes for poor and vulnerable people? Current practice suggests otherwise, particularly if much of it would be non-concessional. Most donors have failed to allocate 0.7%

of their GNI to ODA, the long-standing agreed UN target, while these same donors have also failed to realize the target of USD 100 billion in annual climate finance by 2020. Achieving the 0.7% target for ODA in 2015 would have added USD 1.8 trillion in concessional resources by 2022. Failure to achieve these goals, with declining grant finance by some donors, has accentuated north/south polarization. As climate impacts and fragility become increasingly embedded in country realities for vulnerable people, what are the implications for ODA as a resource for addressing poverty and inequalities?



## The relevance of ODA in a changing dynamic for development cooperation

***Since the adoption of the 2015 Addis Ababa Action Agenda for financing the SDGs, there have been significant shifts in the provision, modalities, delivery channels and focus for aid in development cooperation. It is also clear that the implementation of measures to realize Agenda 2030 and the SDGs is in serious crisis due to the substantial lack of adequate, relevant and effective finance (UN Secretary General, 2023b; Martens, 2023). Where does aid fit in this mix of financial needs? Where should it fit?***

Some suggest that the north/south paradigm of “aid” has become obsolete in the context of a universal Agenda 2030 requiring new forms of partnerships (Melonio, 2022; Gulrajani, 2022b; Martens, 2023). They point to major changes with the appearance of new actors (emerging providers for South South Cooperation, the private sector, civil society organizations). The SDGs highlight the importance of financing for “global public goods,” which convey transnational benefits (such as climate change mitigation, international security and peace operations, etc.), and have become essential and urgent.

The widening “finance gap” for achieving the SDGs and leaving no one behind, in this shifting paradigm for aid requires the leveraging of public resources through new financial instruments (such as blended finance and the mobilization of private sector finance). The illegitimacy of a north/south division founded upon “northern neo-colonial interests,” points to the importance of transformation, shifting from “a logic of ‘aid’ to one of partnerships”, breaking the mould of the traditional aid narrative.” In this narrative, the challenge is to move away from “a vision with “donors from the North” and “southern recipients” to a partnership of all countries supporting the sustainable development of recipient countries” (International TOSSD Task Force Co-Chairs, 2021, 4).

On the other hand, this chapter argues that aid remains a powerful catalytic resource to address the conditions facing millions of people living in poverty or otherwise highly vulnerable to multi-dimensional poverty. As noted above, the north/south economic and political divide has not disappeared, but is an ever-present structural and political reality that shapes the capacities of countries and peoples’ organizations to advance their development and adapt to a changing climate. Development cooperation has become more complex and dynamic, involving governments, civil society and private sector actors, through multiple channels for development finance. But expanding aid as a public grant-based resource, focusing on leaving no one behind is all the more important for countries and people of the global south, playing a key role in a more equitable and transformed international financial architecture. The development effectiveness principles – country ownership, inclusive partnerships, country driven results and transparency/accountability – are relevant not only for effective aid impacts, but must inform all international financing for country-led and people-centred development.

No doubt aid narratives are multiplying and shifting. For Nilima Gulrajani three overlapping, but also competing, official aid narratives have emerged over the past decade, whose objectives are contesting to shape the future of aid within development cooperation (Gulrajani, 2022a; Gulrajani, 2022b):

- A “global public goods (GPGs) narrative” oriented towards maximizing resources for GPGs oriented to the benefit of all (reforming institutions to ramp up climate finance at the global level);
- A “nationalist narrative” seeking to cultivate strategic influence, power and democracy for western donors; and
- A “solidarity narrative” which aims to reconstitute aid as a permanent investment flow based on our common humanity in the face of poverty, inequalities and climatic impact. (Glennie, 2021)

All are driven by an Agenda 2030 narrative that the ambition of SDGs requires the mobilization of trillions of dollars. The urgency to fill this “financing gap” is all the more acute at the half-way mark to 2030 and the demands of the polycrisis described in the previous section.

This paper looks at what current aid trends can reveal about these competing narratives, particularly in relation to their implications for development in poor countries, for vulnerable and marginalized populations.

- What have been the overarching trends in ODA and development finance since 2015?
- What has been the impact of the pandemic and the war in Ukraine on aid resources since 2020?
- What is the place of country programming versus multilateral global public goods in aid finance?
- Is the aid system structured to deliver locally-led development?
- What is and should be the role of the World Bank and mobilizing the private sector in responding to the climate crisis?

The following sections explore these questions through the lens of current aid priorities, channels and modalities. A final section explores what might be some options for a renewed narrative that safeguards and focuses aid as a resource for “leaving no one behind” – ending poverty, building community resilience and equitable development.

It makes a case for a more exclusive focus for ODA as a metric devoted to these purposes, while strengthening the coverage and reporting rules for Total Official Support for Sustainable Development (TOSSD) as a new measure of all international support for the SDGs and Agenda 2030, including various forms of concessional and non-concessional loans and support through PSI for global challenges.

ODA is the only dedicated large-scale resource under government/political direction, which has some potential to be invested as a catalyst for truly transformative and collective action addressing poverty, inequalities and marginalization. But this potential will require a concerted political paradigm shift for donors, including civil society, to move beyond short-term charitable responses and commercial and foreign policy interests, which currently shape many aid allocation priorities and partnerships.

Building on current public attitudes in developed countries consistently in support of aid, CSOs will play crucial roles in their donor countries in transforming a charitable approach to one which is informed by the values of mutual respect, trust, long-term accompaniment, solidarity and global citizenship. A refocusing of ICSSOs and donor country-based CSOs on policies and practices of donors is part of changing roles and shifting power in CSO development cooperation. This section concludes with a number of avenues for civil society in shifting the current narrative.



## Implications of DAC ODA Trends in Aid Volume, 2015 to 2022

**1. Aid increases have been modest despite spikes since 2020. Donor efforts towards the SDGs is reflected in modest increases in their Real ODA since 2015, but these increases have been stymied since 2020 by donors' response to the COVID-19 pandemic and the war in Ukraine.**

The DAC reported that total ODA in 2022 was USD 204.0 billion (or USD 213.3 billion in 2021 dollars), the highest level of ODA achieved by DAC donors. This represents a 43% increase in value since 2015 and a 33% increase since 2019. However, as many CSOs

point out these amounts have been inflated by in-donor expenditures and by war in Europe (AidWatch Europe, 2023, forthcoming). To counter this inflation, this analysis uses the notion of “Real ODA,” which is calculated as a measure of actual aid trends relevant to partner countries and the SDGs. It removes a range of large ODA expenditures such as those made in donor countries for refugees for their first year. The latter is allowed under the DAC statistical rules for determining donor aid efforts.<sup>3</sup>

Chart 1 compares the value (in 2021 dollars) of Actual and Real ODA trends since 2010. Real ODA in 2022 at USD 177.7 billion suggests that ODA in that year has been inflated by at least 16%. Real ODA also increased from 2015 by 37%, but by only 24% since 2019, compared to 33% for Actual ODA.

Chart 1. Trends in Actual and Real ODA (2021 constant US dollars)

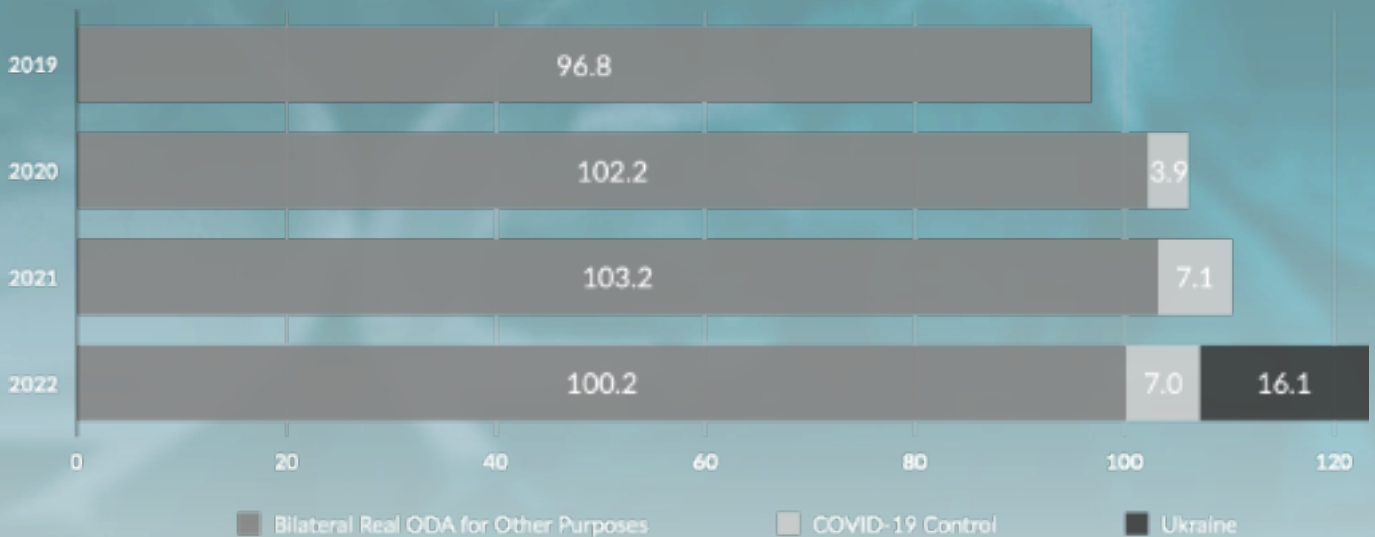


<sup>3</sup> For the author, Real ODA is Actual ODA less in-donor refugee and student costs, debt cancellation and interest received on previous loans that is not included in net ODA by the DAC. Concord's AidWatch (Europe) also discounts the interest rate and risk premium in calculating grant equivalency for loans in their determination of “non-inflated” bilateral aid for European Union donors (See 2023 AidWatch Report, forthcoming). These discount rates however are complex and alternatives are also somewhat arbitrary. This analysis uses the cash flow method for loans for net ODA, not grant equivalency, as reported by DAC members to calculate Real ODA (DAC1), which was the methodology in place prior to 2018.

While still falling far short of official finance needed to achieve the SDGs, the increasing Real ODA trajectory since 2015 is seemingly positive. However, the story is much less encouraging when donors' bilateral ODA

responses to the COVID-19 pandemic and the Russian war of aggression in Ukraine are factored into these trends (Chart 2).

Chart 2. Components of DAC Real Bilateral ODA, 2019 to 2022 (Constant 2021 US\$ billions)



When disbursements for the COVID-19 pandemic (Table 1) and for Ukraine are discounted from Real Bilateral ODA in 2022, Real Bilateral ODA for other purposes (USD 100.2 billion) dropped slightly (3%) in that year from the previous year. Compared to 2019, with no pandemic and no war in the Ukraine, Real

Bilateral ODA for other purposes increased by a very modest 3% over these three years. The average increase in total Real ODA flows since 2015 (including multilateral) is also 3%, hardly an indication of a ramping up of donor efforts to achieve Agenda 2030 and the SDGs.

Table 1: Disbursements for COVID-19 Control

Billions 2021 US Dollars	2019	2020	2021	2022
COVID-19 Control		\$3.9	\$7.1	\$7.0
Basic Health (less COVID-19 Control)	\$4.5	\$4.5	\$4.4	N/A

*Note: COVID-19 Control is a new DAC sector code created to track donor support for addressing the pandemic. The DAC also reports in its preliminary aid data other support for addressing the impacts of COVID-19 in other sectors. These are not included here as they cannot be separated from other aid directed to these sectors (Other Support for COVID-19 recovery - 2020: USD 12.9 billion; 2021: USD 10.8 billion; 2022: USD 4.2 billion, as reported by the DAC in its preliminary aid data for 2020 to 2022).*

(Source: DAC CRS; Preliminary Data on 2022 ODA (DAC, 2023b))

Discounting the impacts of COVID-19 Control and 2022 support for Ukraine in these three years, compared to 2019, Real ODA only increased by 6% in

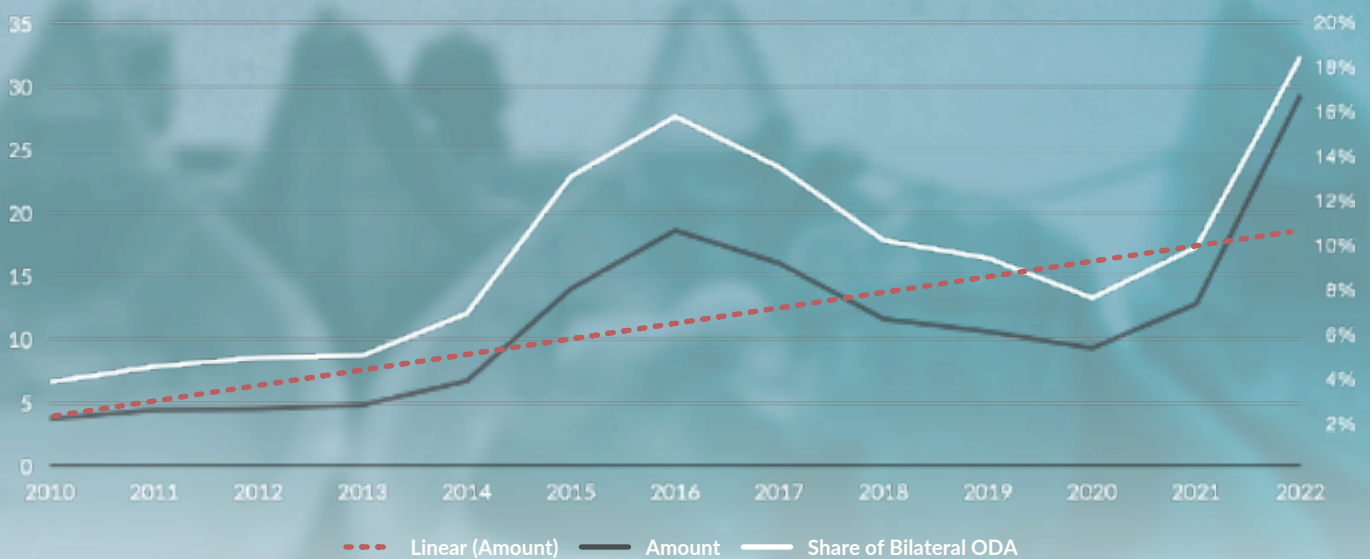
2020, with no increase between 2020 and 2022. Aid in 2022, discounting these impacts, was only 4% higher than its level of USD 149.2 billion in 2015.

**2. In-donor refugee costs have had large impacts on aid volumes since 2015. In-donor refugee costs have diminished bilateral ODA flows since 2010, with a massive increase in 2022 linked to Ukrainian and Afghan refugees, and likely sustained again in 2023.**

CSOs have long disputed the inclusion of in-donor expenditures for refugees for their first year in the

donor country (DAC CSO Reference Group, 2023). While fluctuating for any given year, these costs have been on an upward trend since 2010, driven by urgent humanitarian crises in the Horn of Africa, the Middle East, Afghanistan and the war in Ukraine, with the last three bringing central foreign policy preoccupations of DAC donors (See Chart 3).

Chart 3: Trends in In-Donor Refugee Costs, 2010 to 2022 (Constant 2021 US\$ billions)



Support for refugees in donor countries, at 19% of donors' Bilateral ODA, in 2022 exceeds the previous peak of 16% in 2016, linked in that year to the influx of Syrian and Afghan refugees into Europe. For some donor countries, the inclusion of these costs inflates ODA, but does not reduce planned ODA for partner countries. But for several donors (Sweden, Denmark, the UK among others), these costs are taken directly from their budgeted ODA for that year, with concomitant cuts for other aid programs. At USD 4.8 billion in 2022, the UK spent the second largest amount among DAC donors for in-donor refugee costs (next to the United States), amounting to 29% of their total ODA and an astonishing 39% of their Bilateral ODA (Ritchie, 2023). The UK allocated more than twice as much ODA to internal UK expenditures for refugees in 2022 than it spent in Sub-Saharan Africa and Asia (\$2.5 billion)<sup>4</sup> (Worley, 2023). Reporting in-donor costs is voluntary; several donors such as Luxembourg or Australia do not include these costs in their reported ODA to the DAC.

Support for refugees is a human rights obligation for donor countries, governed by international human rights law. But the inclusion of donor domestic costs as ODA is difficult to rationalize. The DAC Chair has recently argued that,

"The rationale behind this agreement is to reflect the financial effort of hosting refugees and the sharing of responsibility with developing countries who host the vast majority of the world's refugees: If Somalian refugees seek protection in Kenya, donor assistance to share the costs of supporting these refugees is ODA. If Somalian – or Ukrainian – refugees seek protection in France or Germany, the same rationale may rightly apply, however with some safeguards, specific accounting rules for international flows, and transparency requirements" (Staur, 2023).

Such arguments ignore the fact that the relative wealth (and capacity to bear these costs) of France (at USD

<sup>4</sup> These large in-donor ODA expenditures by the UK may diminish significantly. A new law banning asylum claims by anyone arriving without permission will mean their accommodation bills cannot be counted as ODA. At the time of writing (September 2023) the new Act has not been implemented and will not affect in-donor refugee costs until it is implemented. See Rob Merrick, "UK's crackdown on refugee rights could release over £2.6B in ODA," Devex, September 6, 2023, accessible at <https://www.devex.com/news/uk-s-crackdown-on-refugee-rights-could-release-over-2-6b-in-oda-106142>.

51,660 per capita GNI) is 10 times the wealth of Kenya (at USD 5,130 per capita GNI). Northern donor countries can well afford to live up to their human rights obligations to refugees without diverting or artificially inflating ODA intended for the economic welfare of partner countries, reducing poverty and inequalities in those countries. Support for refugees in donor countries as a component of ODA in recent years has gone side-by-side in the shift of aid resources towards donor geopolitical and foreign policy interests.

**3. ODA support for Agenda 2030 increased after 2015 as geopolitical and foreign policy priorities in donor allocations were declining somewhat over the past decade, but these priorities are now growing markedly in 2022 with the war in Ukraine.**

Measuring the impact of foreign policy priorities and geopolitical tensions on the allocation of donor Real ODA is inherently difficult. Taking DAC bilateral allocations to Afghanistan, Pakistan, Iraq and the sector codes for Security System Management and Reform and Facilitation of Responsible Migration & Mobility as a proxy for these concerns over the past decade, their share in total Real Bilateral ODA had been declining somewhat since 2010 (from more than 17% in 2010 and 2011 to less than 10% by 2021). However, the war in Ukraine has dramatically changed this trend.

Assuming donor support for Afghanistan, Pakistan and Iraq continued in 2022 (estimated conservatively at 60% of its value in 2021), and then adding massive donor support for Ukraine suggests that at least 19% of Real Bilateral ODA in 2022 has been allocated to these four countries and sectors of significant foreign policy interest to DAC donors. At USD 16.1 billion for Ukraine in 2022, while essential for Ukraine in the midst of a destructive war of aggression, this support was more than 55% of the DAC's total disbursements to Sub-Saharan Africa (USD 29 billion) in that year. Aid directed to Ukraine does not take account the massive increase in in-donor refugee costs in ODA at USD 29.3 billion, with a major portion devoted to Ukrainian refugees fleeing the war.

Support for Ukraine following the invasion in February 2022 has been highly visible in the rhetoric among DAC donors. However, the USD 16.1 billion in aid to Ukraine was also concentrated among a few donors (the United States and Canada in particular). While individual European donors have been less forthcoming, the EU has made Ukraine a major priority in its finance, accounting for 40% of all assistance for that country in 2022 (Table 2). Whether this pattern among donors continues into 2023 remains to be seen.

**Table 2: DAC Donor Bilateral ODA for Ukraine, 2022, (excluding in-donor refugee support)**

Donor	2022 Amount (Billions Current US Dollars)	Share
United States	\$9.0	56%
Canada	\$2.4	15%
Japan	\$0.7	4%
Norway	\$0.6	4%
Germany	\$0.5	3%
France	\$0.5	3%
United Kingdom	\$0.4	3%
23 Other DAC Donors	\$2.0	12%
Total DAC Donors	\$16.1	
EU Institutions	\$10.6	

UN Secretary General Guterres has called for an SDG Stimulus to advance Agenda 2030 as a “path to bridge both economic and geopolitical divides; to restore trust and rebuild solidarity” (UN Secretary General, 2023a). Rising global tensions however are pulling aid into these polarized dynamics as aid is increasingly seen as the

next “battleground” between China/Russia and the major DAC donors (Demarais, 2023). This is a very challenging environment in which to create new momentum for the SDGs as well as a renewed narrative for aid.



**4. Aid policies and practices are highly influenced by five donors, with the volume of ODA highly concentrated in these donors. Progress on ramping up aid resources for Agenda 2030 since 2015 is highly dependent on the policies and performance of the top five donors: the United States, Germany, France, Japan and the United Kingdom. These donors have a mixed record when support for Ukraine and COVID-19 Control are discounted to enable comparisons with earlier years.**

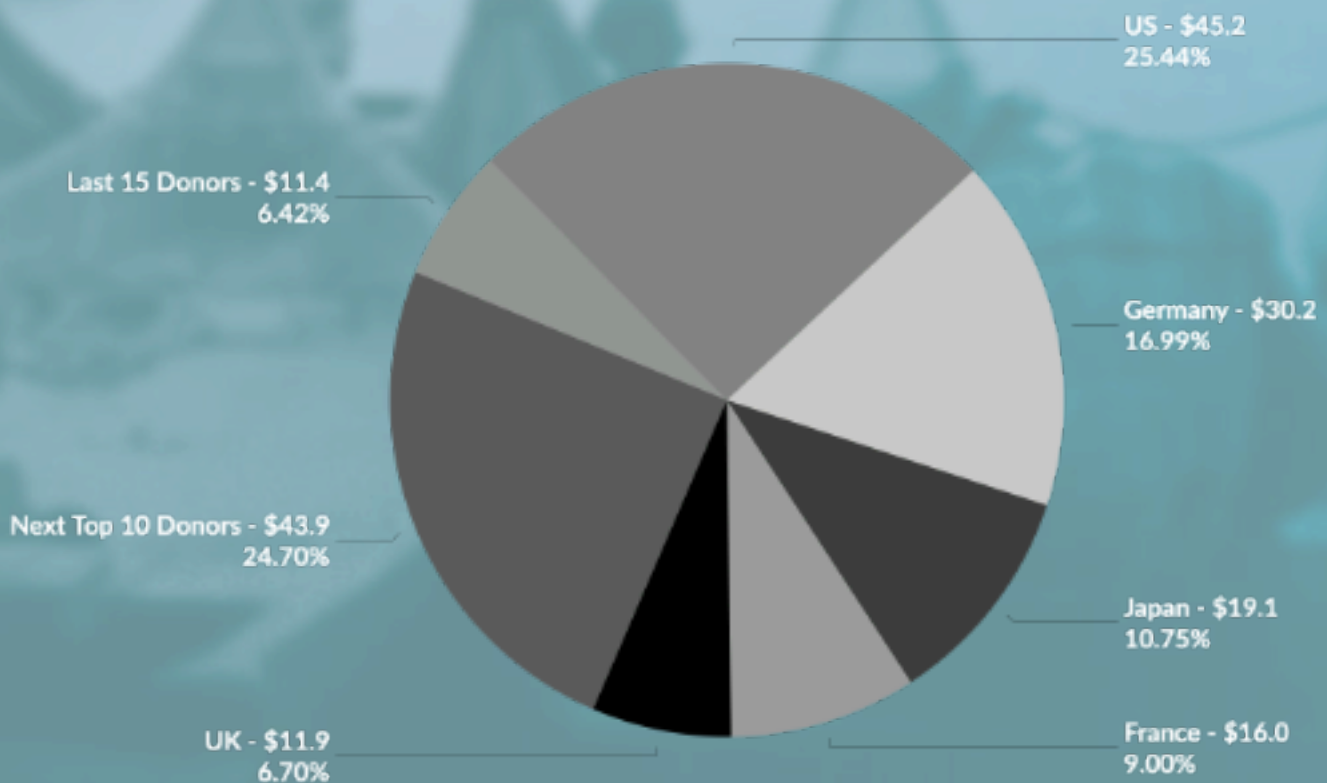
The five largest donors (the United States, Germany, France, Japan and the United Kingdom) were responsible for 69% of Real ODA in 2022. The next 10 largest donors provided 25% of Real ODA in that year, with the share for the remaining 15 donors at only 6% (Chart 4 and Annex One). The share of the five largest donors has been growing over the decade, from 64% in 2010 and 66% in 2015. Correspondingly, the share of

the next 10 donors has diminished from 31% in 2010 and 28% in 2015. During this period the number of donors has increased to 30 by 2022 from 23 in 2010.

Concentration of Real Bilateral ODA among the top five donors is even more intense over the decade, rising to 72% in 2022 from 70% in 2015 and 65% in 2010. The share of the next 10 top donors (as measured by average volume since 2010) has diminished from 30% in 2010 to 25% in 2015 to 22% in 2022 (See Annex One). The remaining 15 donors provided only 5% of Real Bilateral ODA in that year. Smaller donors have tended to rely on multilateral channels for a high proportion of their Real ODA.

By 2022, the policies and aid trends of the top 5 donors have increased in importance, while modest sized donors (the next 10) have diminished impact (based on aid volumes).

Chart 4: Relative Share of DAC Donors in Real ODA in 2022 (Constant 2021 US\$ billions)



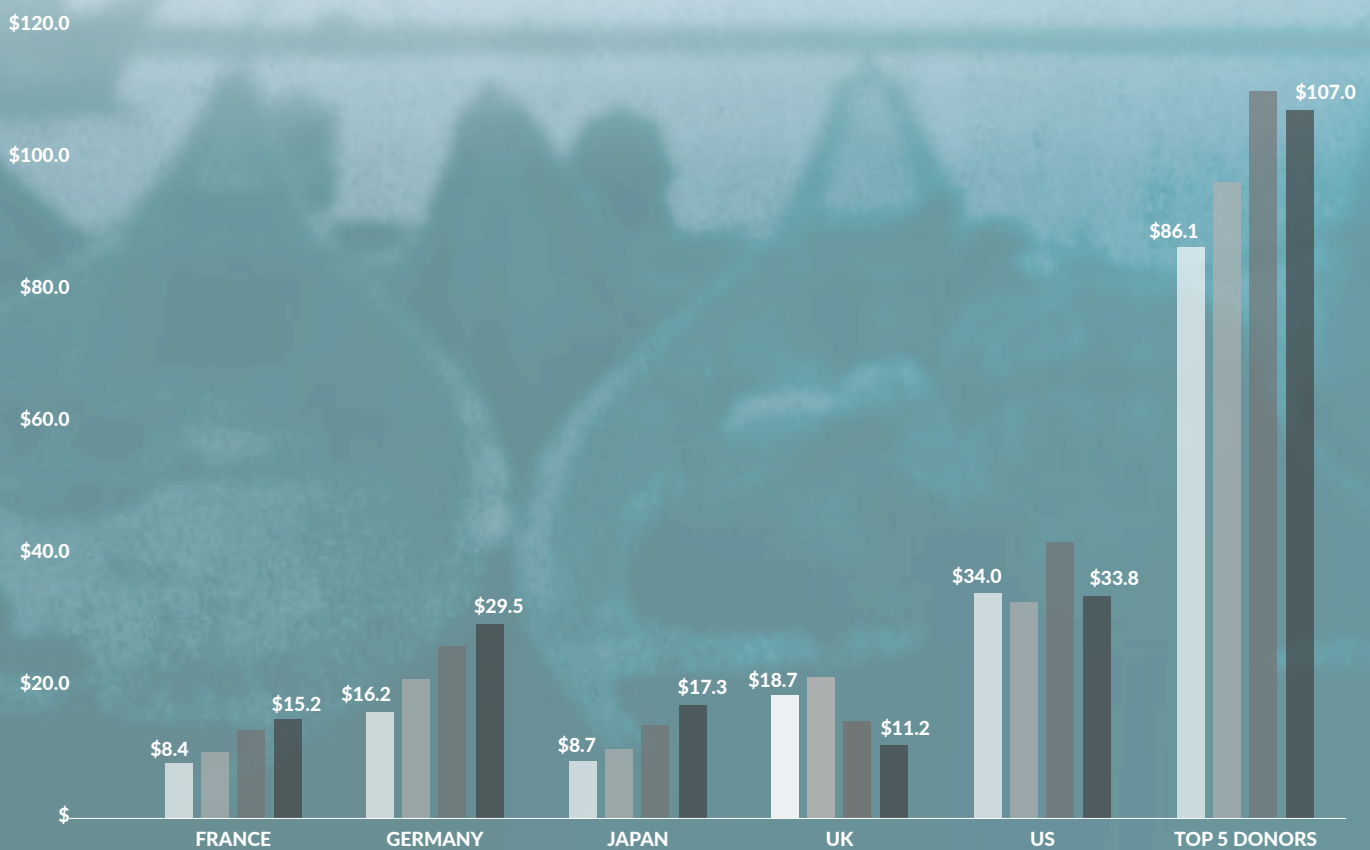
Trends for these top five donors have had mixed impact on overall volumes of Real ODA over the decade.

- Overall, 2022 Real ODA for these five donors increased by 42% since 2015 and 27% since 2019.
- But discounting COVID-19 Control and support for Ukraine in 2022, these increases were more modest at 24% and 11% respectively.
- There is no common pattern for the five donors; trends were distinctly different for different donors. In a direct comparison with 2019 (discounting COVID-19 Control and Support for Ukraine), the UK's Real ODA has decreased very substantially by 48% since 2019. US Real ODA remained relatively

constant between 2015 and 2019, and when COVID-19 Control and Support for Ukraine are discounted, it only increased by 3% between 2019 and 2022. In 2022 the US provided USD 9 billion in aid to Ukraine.

- On the other hand, Real ODA for Japan, Germany and France all increased very substantially from 2015 and 2019, even when COVID-19 Control and Support for Ukraine are discounted (See Chart 5). These three donors have had a very strong influence on higher ODA levels since 2015. However, as will be seen below, they are also donors that rely very heavily on loans in the delivery of their ODA.

**Chart 5: Top 5 Donors: Changes in Real ODA (Discounting COVID-19 Control and Ukraine, 2022) (Constant 2021 US\$ billions)**



While also mixed, a different picture emerges from trends in Real ODA volume on the part of the next ten largest donors (by average volume since 2010)<sup>5</sup> (See Annex One).

- The overall performance in changes in volume of these next ten donors since 2015 is much weaker than the top five donors. These donors increased their Real ODA by 22% since 2015 and by 14% since 2019. However, a large part of these increases related to COVID-19 Control and the war in Ukraine in recent years. Discounting these responses, these ten donors' Real ODA increased by only 6% since 2015 and declined by 1% since 2019.
- Five of the ten donors registered a decline in their Real ODA since 2019, discounting COVID-19 Control and support for Ukraine in 2022 – Australia (-9%); Denmark (-17%); Norway (-24%); Sweden (-7%); and Switzerland (-2%). Three of these donors continue to exceed the UN 0.7% of GNI target even though their aid has declined.
- Five donors increased their Real ODA since 2019, discounting COVID-19 Control and support for Ukraine: Spain (+19%); Italy (+17%); Belgium (+9%); Netherlands (+7%); and Canada (+4%).

**Current levels of Real ODA, comparable to years prior to COVID-19 pandemic, have been sustained by just a few donors** – Germany, France, Japan, Spain, the Netherlands, among a few others with smaller increases. The increases by these donors need to continue, while others such as the UK and the United States, must commit to substantial increases if the Secretary General's SDG Stimulus Package is to be realized. The UN Secretary General has called on donors to finally realize their long-standing aid commitment to 0.7% of their GNI, which would produce an additional USD 200 billion in largely grant-based finance. The signs however are not good. The German Government, the second largest donor, recently reported that it plans to spend USD 4 billion less on aid in 2024, representing a 15% reduction in its planned aid for that year (Ursu, 2023). Further cuts are planned by Sweden.

Spending on Ukraine is expected to impact in 2023 and beyond on the share of donors' aid budgets available for other ODA priorities. In March 2023, the World Bank estimated reconstruction costs for Ukraine at that point in the war at more than USD 400 billion, spread over a decade (World Bank, 2023). To put this amount into perspective, total humanitarian and development support for Afghanistan from DAC and multilateral donors, also a major foreign policy driver for ODA at the time, was USD 53 billion between the ten-year period, 2007 and 2016.

**5. The most generous donors, on the other hand, tend to be those with medium sized economies. Donors that provide the largest share of their Gross National Income (GNI) in aid, taken together, tend to be those with medium-sized economies. Most improvement in aid performance since 2020 has been due to increases relating to in-donor refugee costs, COVID-19 Control and support for Ukraine in 2022.**

In 2022, the DAC reported that five donors, Denmark (0.7%), Germany (0.83%), Luxembourg (1.0%), Norway (0.86%) and Sweden (0.9%), achieved or exceeded the UN target. However, when in-donor refugee costs are discounted in Real ODA, Denmark for the first time dropped below the target to 0.58% in 2022 and 0.68% in 2021. Germany's performance also drops to 0.68% in 2022.

While the overall DAC ODA performance improved in 2020 and 2021, reaching 0.37% in 2022, the Real ODA ratio increased from 0.26% in 2019, but hovered around 0.30% since then (See Chart 6). When COVID-19 Control and support for Ukraine in 2022 is discounted, the Real ODA performance dropped from 0.29% in 2020, to 0.28% in 2021 and 0.27% in 2022 (compared to 0.26% in 2019).

With the United States Real ODA performance at 0.19%, Japan at 0.36% and France at 0.35%, the top five donors' average performance for 2022 was mixed at 0.30%, but up from 0.24% in 2015 (mainly due to increasing Japanese aid). The next 10 largest donors by aid volume, in contrast, had an average performance of

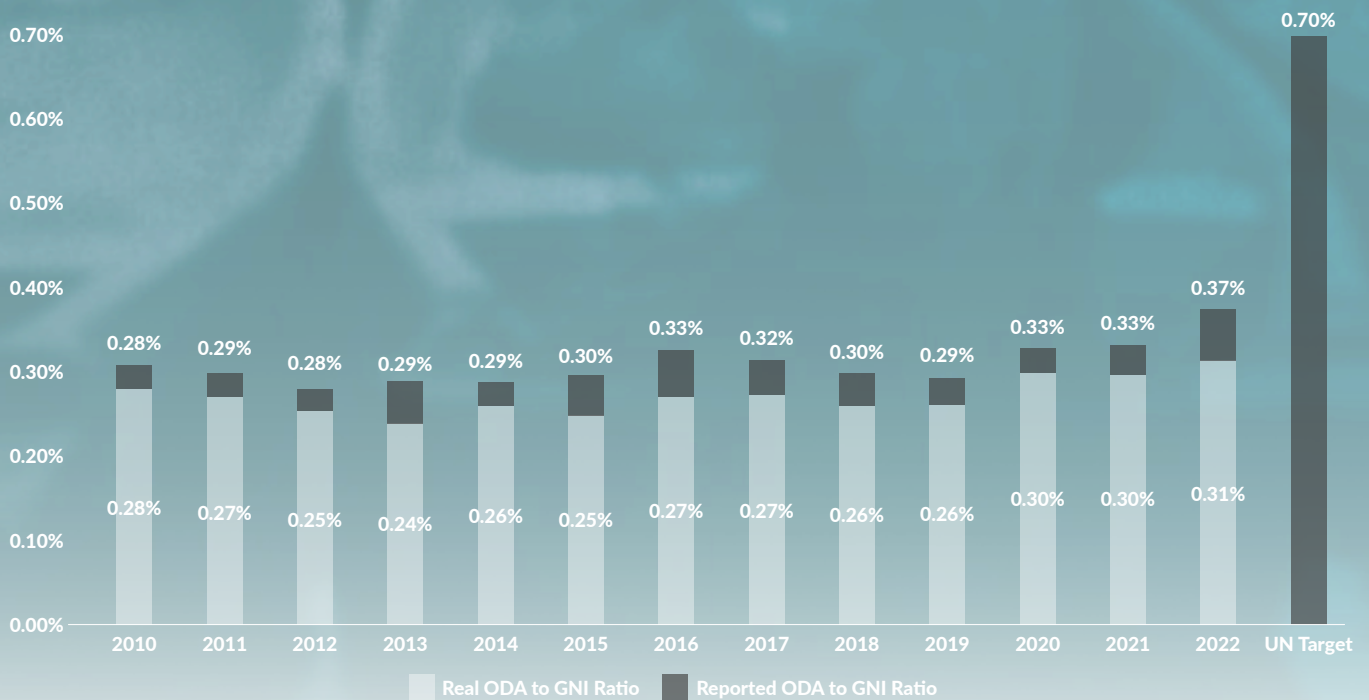
<sup>5</sup>These donors are Canada, Netherlands, Norway, Sweden, Australia, Switzerland, Denmark, Belgium, Italy, and Spain. They are ranked by average Real ODA in 2021 dollars between 2010 and 2022.

0.38% in 2022, up slightly from 0.35% in 2015. Among these 10 donors are several 0.7% donors as well as Belgium (0.41%) and Switzerland (0.40%). At the low end were Spain (0.22%) and Italy (0.24%).

The most generous donors, unfortunately, have only a modest impact in shaping the patterns for aid

allocations. In 2022, the five most generous donors, measured by the Real ODA / GNI performance ratio, provided only 16% of Real ODA in that year, down from 24% in 2015 and 25% in 2019.

Chart 5: Top 5 Donors: Changes in Real ODA (Discounting COVID-19 Control and Ukraine, 2022) (Constant 2021 US\$ billions)



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# Shifting ODA Patterns: Changing directions in development cooperation

**1. Scale of humanitarian assistance is increasing. Unprecedented levels of humanitarian assistance in 2022 is expected to continue due to the war in Ukraine, protracted armed conflicts, rising food insecurity, the ongoing health epidemics, and the climate crisis. An unreformed humanitarian system is in crisis.**

Between 2010 and 2021, the volume of humanitarian assistance has increased by more than 110% (2021 dollars), and has also grown substantially as a share of Real ODA, from 10.3% to 16.8%. Humanitarian aid increased again in 2022, with a DAC estimate of USD 18.8 billion (OECD DAC, 2023b).

This growth in humanitarian assistance has been steady over the decade, but is nevertheless increasingly insufficient to meet the humanitarian financing gap, which is also widening. The UN estimates the humanitarian need for 2023 at USD 54.9 billion, with one out of 23 people needing assistance. These demands are being driven by intersecting systemic shocks, including climate change, but also natural disasters in Turkiye and Syria, a food crisis in the Horn of Africa, and a worsening conflict in Sudan. An estimated 266 million people were facing acute level food insecurity in 2022/2023, more than double the number in 2019. Despite a record humanitarian response in 2022, there was still a financing gap of USD 22.1 billion or more than 40% of the appeals for that year (Development Initiatives, 2023c, 11-13).

Chart 7: Trends in Humanitarian Assistance, 2010 to 2021 (Constant 2021 US\$ billions)



A small number of persistent crises absorbed a large share of humanitarian funding, with 10 largest recipients receiving 63% of funding in 2022. In that year Ukraine was the largest recipient, receiving USD 4.4 billion, the largest volume of humanitarian aid ever recorded for one country. This response, however, also reflects inequality in donor responses to crises. According to the OECD's States of Fragility 2022 report, 86% of the funding requirements for Ukraine were met by July 2022, while only 22% of the plans for Chad and 11% of those for Haiti had been met (OECD DAC, 2022a). There has been concern that the appeals for Ukraine may divert funding from other pressing crises. There should not be a "competition" for life-saving resources in fragile contexts.

Rising humanitarian assistance is a sign of development failure. Crises and extreme fragility are lasting years and sometimes decades, driven by not only endemic conflict, but also climate change impacts and economic shocks. As these contexts multiply, the humanitarian system itself is in crisis and in urgent need of reform. The director for coordination at OCHA recently commented, "We have seen ourselves as humanitarians going from the actor of last resort, when everything else fails, to becoming the actor of first resort, mainly because the other actors are not stepping up in terms of response to development, governance, and political needs" (Loy, 2023).

In 2019, DAC donors adopted a Recommendation on the Humanitarian, Development and Peace Nexus in to enable these transitions to development (OECD DAC, 2019). In 2022, the DAC reported some positive but limited progress in better coordination, some examples of programming, but limited integration of the Recommendation's main policy directions into the humanitarian and development financing architecture (OECD DAC, 2022b). Countries facing prolonged crises are relying solely on humanitarian assistance, with less development aid that could assist a transition to greater resilience. For countries facing long term crises, development assistance declined from 50% to 48% between 2019 and 2021; peace assistance declined from 13% in 2019 to 11% in 2021 (Development Initiatives, 2023b, 90).

The Nexus has not brought the transformations needed and there is on-going confusion about what it looks like in practice and how donors should operationalize the Recommendation. In a 2022 survey of humanitarian practitioners, nearly 75% felt their organization was doing a "poor" or "fair" job in implementing the triple nexus (ALNAP, 2023).

**2. Reduced partner country ownership of aid priorities. Country level monitoring indicates a declining level of donor alignment with country plans and systems, with a decade trend in reduced Country Programmable Aid, Sector-wide Programming and Budget Support and untied aid.**

The first principle for development effectiveness is "ownership of development priorities by developing countries". The Global Partnership for Effective Development Cooperation's 2019 Progress Report, Making Development Cooperation More Effective concluded that partner country governments had made significant progress in national development planning, with high quality national development strategies almost doubling from 36% to 64%. Yet despite strong rhetoric in support of this basic principle, the review concluded that donor "alignment to partner country priorities and country-owned results frameworks ... decreased for most development partners since 2016 [and is] most pronounced for bilateral development partners." Use of country procurement systems is also low (OECD/UNDP, 2019, 15, 91 - 94).

More recently the DAC also reported that donor peer reviews note a lack of individualized donor country plans, multiple small scale project level interventions, largely determined by the donor, poor predictability and a lack of an overarching donor country strategies that integrate development and diplomatic activity (OECD DAC, 2023a, 136).

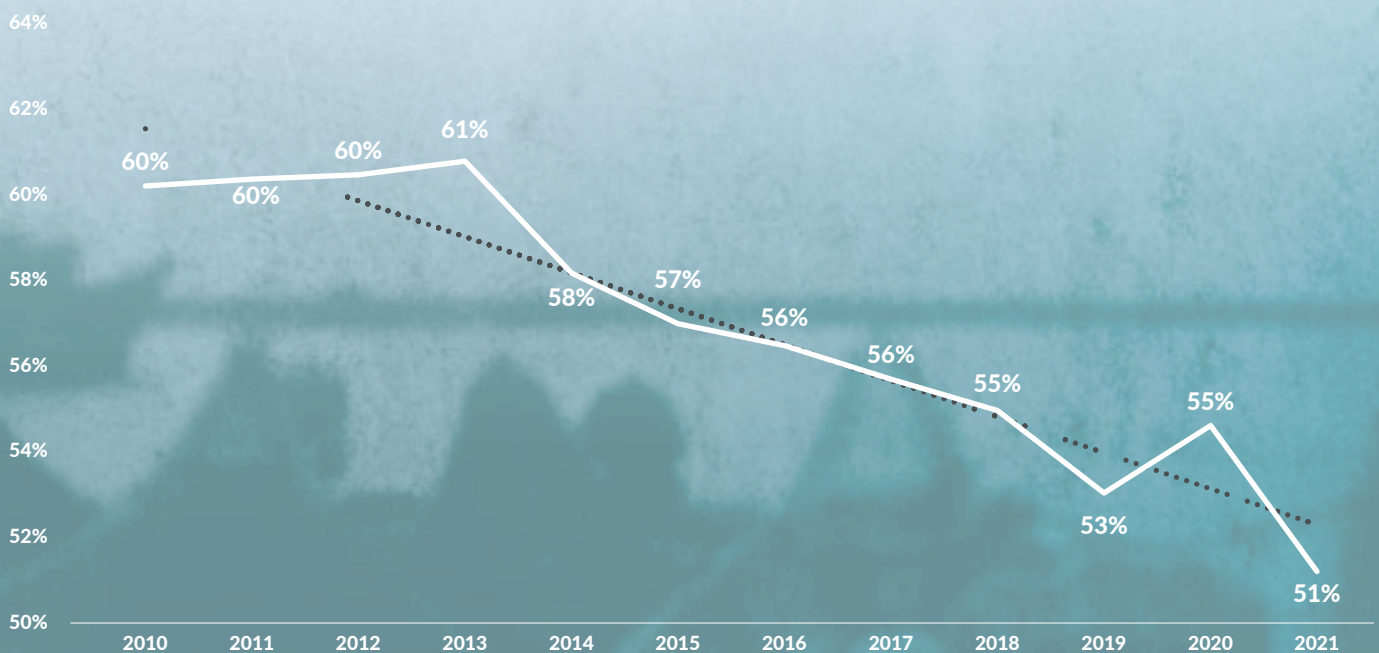
More macro indicators, such as Country Programmable Aid (CPA), Sector-wide and Budget Support and Untying ODA, all point to a decreased overall emphasis on country programming by many DAC donors.

## Country Programmable Aid

Chart 8 indicates the long-term decline in donor Country Programmable Aid (CPA) relative to DAC donors' Real Bilateral ODA. This is a measure of the share of donors' aid that is available to be programmed for individual countries or regions over which the

partner country could have a significant say.<sup>6</sup> DAC donors' CPA as a share of Real Gross Bilateral ODA has declined from 62% in 2010, 60% in 2015, to a low of 52% in 2021 (see Chart 3). At the same time, Real Gross Bilateral ODA, includes gross loans but excludes in-donor refugee costs, has been increasing over this decade.

Chart 8: Trends in DAC Country Programmable Aid, 2010 to 2021 (Constant 2021 US\$ billions)



Country programmable aid directed to Sub-Saharan Africa is shockingly low and has declined by 6% since 2010, from 38% of Gross Disbursements for that region in 2010 to 32% in 2021, well below the DAC average of 52%. ODA accounts for a significant share of external resource flows to Low Income Countries (LICs) (63%), with a lesser share in Lower-Middle Income Countries (LMICs) (37%) and Upper-Middle Income Countries (UMICs) (20%) (OECD DAC 2023a, 125). But this aid for the poorest countries is not country-focused. CPA for LICs was only 31% in 2021; 40% for LMICs; and 47% for UMICs (DAC CRS).

There are significant differences among donors in their levels of CPA. Several have maintained a high focus on country programming in their bilateral programming –

France's CPA at 77%, Japan's at 80% and Korea's at 80% in 2021. Overall, the top five donors also maintain a relatively high CPA at 53%, close to the DAC average for 2021. The next ten donors with a moderate volume of ODA are much less focused on country programming with an average CPA of 40%. The 15 smallest donors in terms of volume have a high average CPA at 60% of their small volume of bilateral aid.

As reflected in CPA and country systems alignment of aid, the move away from country programming over this past decade has been primarily driven by the 10 donors with moderate volumes of ODA. These donors have also relied heavily on the multilateral system for significant portions of their bilateral assistance (See Section 4).

<sup>6</sup> According to the DAC Statistical Table for CPA: "CPA takes as a starting point data on gross ODA disbursements by recipient but excludes spending which is: (1) inherently unpredictable (humanitarian aid and debt relief); or (2) entails no flows to the recipient country (administration costs, student costs, development awareness and research and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to NGOs, aid through secondary agencies, ODA equity investments and aid which is not allocable by country).

### Sector-wide and Budget Support

Budget support is an important means through which donors can support greater partner country ownership, relying on the recipient's own financial management systems. This can take the form of general budget support or support for government sector ministries (sector-wide budget support). Until the late 2000s it was a key modality comprising up to 30% of central government spending in Sub-Saharan Africa (OECD DAC, 2023a, 132).

As a share of Gross Bilateral ODA, budget support declined from 7% in the early part of the 2010s to a mere 4% since 2014. However, it spiked to USD 13.7 billion or 9% of Gross Bilateral ODA in 2020, falling to USD 10 billion and 7% in 2021 (See Chart 9). The increase in 2020 and 2021 is likely due to the impacts of the COVID-19 pandemic. It is an open question whether budget support is declining to the 4% to 5% plateau of 2018/2019.

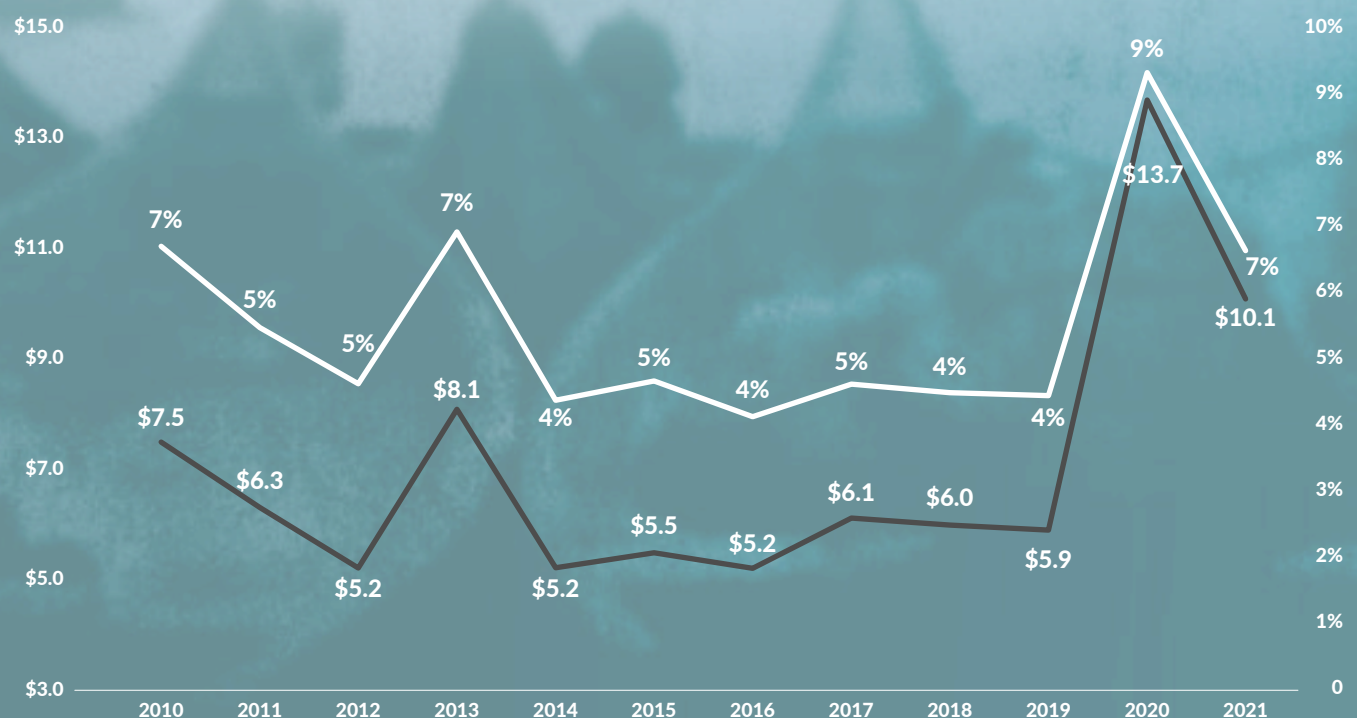
There were several key donors that continue to be involved in budget support in 2021: EU Institutions at

USD 3.5 billion (15% of Gross Disbursements); Japan at USD 3 billion (17% of Real Gross Bilateral Disbursements); and Germany at USD 1.9 billion (8% of Real Gross Bilateral Disbursements). Together these three donors make up 83% of all budget support in 2021.

Since 2015 more than 60% of budget support has been allocated to sector budget support, up from 45% in 2010.

According to the DAC analysis, budget support has been a modality for poorer countries, accounting in 2021 for 14% of total ODA in LDCs and 21% in LMICs. It is a modality used more often by multilateral organizations (OECD DAC, 2023a, 133). But from the recipient country perspective, while budget support is a modality consistent with strong country ownership of aid resources, it can also be often accompanied by high levels of policy conditionality, which undermine its utility.<sup>7</sup>

Chart 9: Trends in Budget Support, DAC Donors and EU Institutions, 2010 to 2021 (Constant 2021 US\$ billions)



<sup>7</sup> According to the DAC in relation to pandemic funding, "The International Monetary Fund has provided COVID-19 budget support with almost no conditionality; the World Bank has been criticised for conditioning emergency funding on as many as eight policy reforms, which may have lowered demand and slowed disbursement" (OECD DAC, 2023a, 133).



### Untying ODA

The degree to which ODA is provided untied to donor procurement systems and donor suppliers is also an indication of country ownership.

In 2021, DAC members reported that USD 20.4 billion of their Bilateral Commitments were tied and unavailable to partner countries to procure relevant goods and services. This was 19% of these Bilateral Commitments in that year. Chart 10 suggests that this trend remains largely unchanged over the decade, with an anomaly in 2020 due to the pandemic financing.

But even a high level of reported untied aid is not necessarily an indication of country ownership. A large portion of DAC bilateral finance is “informally tied” due to substantial barriers for stakeholders from the global south to bid on “untied” bilateral contracts. Chart 11 indicates the share of untied contracts awarded to suppliers in the global north and the global south. In the two periods covered, more than 60% of the value of these contracts went to suppliers in the global north, and 25% with suppliers in the global south - an improvement from 19% in the 2017/2018 period. (OECD DAC 2022c & OECD DAC ,2021a).

Chart 10: Trends in DAC Member Tied Aid as Share of Bilateral Commitments (Constant 2021 US\$ billions)

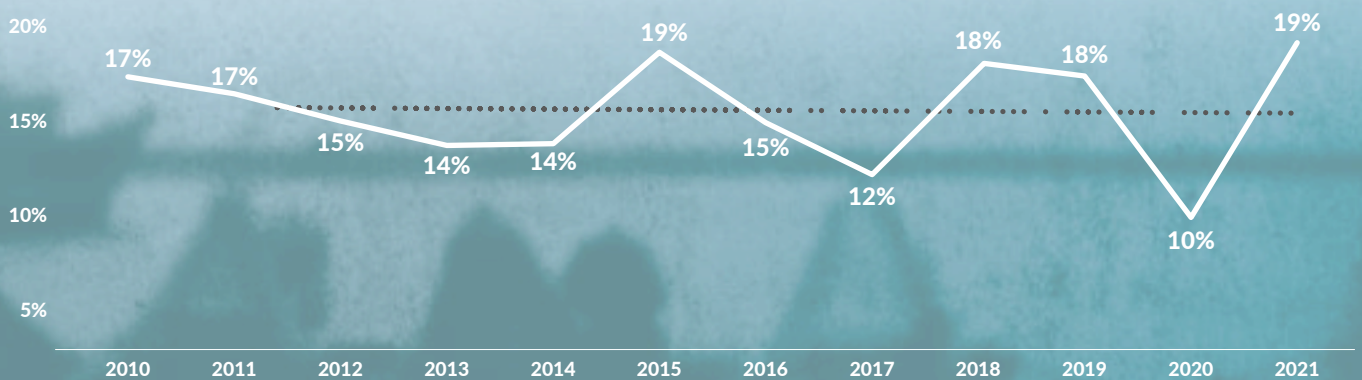
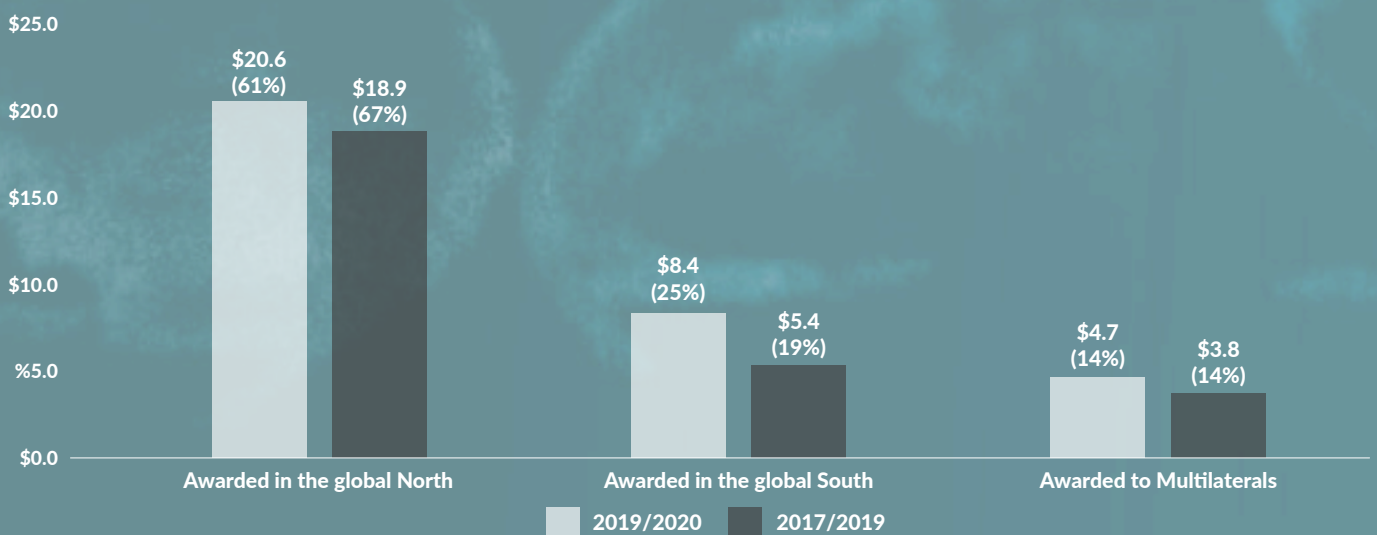


Chart 11: Geographic Awarding of Contracts, DAC Untied Aid (Constant 2021 US\$ billions)



In its 2022 report on untying of aid, the DAC pointed out that the awarding of contracts differed between country income groups. For LDCs only 12% of the value of contracts in 2019/2020 were awarded in those countries, while the share for LMICs was 34% and UMICs, 51% (OECD DAC 2022c, 19). This suggests that

the barriers facing suppliers in poorer countries to access donor procurements, where country ownership is crucial for capacity development and resilience, are much greater than in higher income-level developing countries.

### Civil society and locally-led development

Civil society organizations (CSOs) are significant partners in development cooperation deploying ODA resources. According to the OECD DAC, in 2020, USD 21.6 billion in DAC member ODA was channeled to and through CSOs (16% of “Real ODA” for that year). Of this amount, International Civil Society Organizations (ICSOs) received USD 6 billion (28%) in DAC Members’ ODA, and donor country-based CSOs accounted for an additional \$14 billion (65%). While donor country based CSOs and ICSOs are intermediaries for flows to Local CSOs (LCSOs), a mere USD 1.5 billion (7%) was directed by donors to developing country-based LCSOs. The DAC estimates that an additional USD 48 billion was disbursed by ICSOs and donor country-based CSOs from privately raised funds (OECD DAC, 2022f).

Issues of local ownership have also been shaped by the power imbalances embedded in civil society development cooperation. Civil society from the global south have challenged ICSOs to end practices that in their view “serve to reinforce the [unequal] power dynamic at play, and ultimately to close the space for domestic civil society” (Global Fund for Community Foundations, 2020;). The 2021 DAC Recommendation on Enabling Civil Society calls for all aid actors to “promote and invest in the leadership of local civil society actors in partner countries” by “increasing the availability and accessibility of direct, flexible, and predictable support including core and/or program-based support, to enhance their financial independence, sustainability, and local ownership” (OECD DAC, 2021b). While the Recommendation has generated considerable attention on the part of donors and civil society, progress on shifting power and resources to civil society in the global south remains to be seen.

Over the past five years a range of initiatives within civil society have been promoting this shift in power, calling for a strengthening of CSO locally-owned and locally-led development in the global south, and taking action against systemic racism. There is focus on “decolonizing” a system of highly unequal power exercised by northern donors and agencies (Kuloba-

Warria, 2023; Peace Direct, 2021; Peace Direct, 2022; Pledge for Change, 2030, 2022; RINGO, 2021; WINGS, 2022).

**3. Financing of global public goods (GPGs) has challenged the boundaries for ODA. With increased emphasis on “global challenges,” such as climate change, and the financing of 17 universal SDGs, ODA has been stretched in various directions, and at the same time marginalized, in an international financing architecture requiring trillions of dollars.**

Global public goods (GPGs) are those policies and investments that affect the well-being of all citizens of the world irrespective of national and regional boundaries. Access to benefits is universal; benefits may also be enjoyed over and over again by anyone without diminishing the access of others (Kaul, 2021; Elgar et. al, 2023). GPGs are focused on global challenges in such areas as communicable disease and pandemics (COVID-19), climate change mitigation, terrorism control and international security, or international financial stability.

These challenges call for a universal response, but in the current context of the polycrisis, their impacts are also figuring more prominently in national development strategies, development cooperation policies and finance, and in expectations for multilateralism. In a highly unequal world, the impacts of global challenges also affect different country contexts differently, and may call into question the scope for national sovereignty, including the power of country-level leadership to implement development priorities.

As a result, GPGs may also be subject to high levels of conflict and contestation over appropriate measures and their differential impacts at country level (Kaul, 2021, 6-7). A recent example has been the COVID-19 pandemic. While the development of the vaccine was clearly a GPG, the highly unequal access and hoarding by rich countries of these vaccines has been strongly contested. This hoarding resulted in what many would claim was the practical denial of access in the global south or “vaccine apartheid,” with perhaps millions of unnecessary deaths (UN Office of the High Commissioner for Human Rights, 2022).

The boundaries for ODA support for GPGs are also contested. DAC members, for example, have debated the scope for the use of ODA resources in response to the pandemic, in the development of health technologies and strategies to address pandemics, and in the allocation of vaccines (Elgar et. al., 2023, 18). Massive public resources towards the development of the COVID-19 vaccine were deemed ineligible as ODA as its purpose was not specific to developing countries. However, the controversial in-kind allocation to countries in the global south of “excess vaccines” that were purchased by donors for their own citizens has been allowed by the DAC.<sup>8</sup> These in-kind donations amounted to USD 3.8 billion in ODA in 2021 and 2022 (1.6% of Real Bilateral ODA in those two years). Burgeoning global challenges and dramatically underfunded GPGs are creating tension and controversy for the allocation of ODA. The latter has been intended as a resource for poverty-focused development, whose primary orientation is country-driven demands for development and humanitarian resources in the global south. GPG initiatives, on the other hand, are often based on (geopolitical) global purposes and are oriented towards maximizing global welfare and benefits, in which middle-income countries are as relevant, or more so, than low-income countries (OECD, 2022d, 45-46; Gulrajani, 2022b).

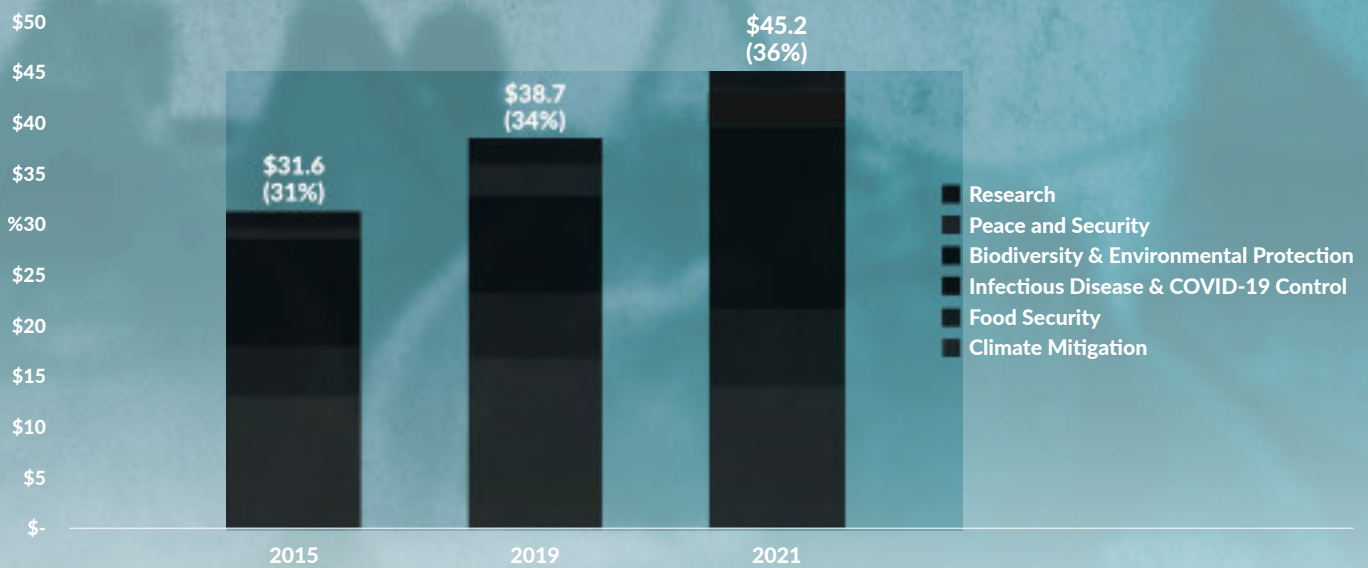
Nowhere is this tension more evident than in debates on climate finance at the annual Conference of Parties (COPs) for the United Nations Framework Convention on Climate Change (UNFCCC). In 2009 the providers agreed that climate finance would be “additional” to current levels of ODA, but left the definition of “additional to what” unanswered. As shall be demonstrated below, climate finance has been a growing share of ODA since 2015, reducing ODA for other purposes. Equally, under-funding of climate adaptation at country level and the struggle for finance for loss and damage from extreme weather events is equally characteristic of this politics in development cooperation. In other critical “global challenges” such as international security, or financial “stability”, or addressing the flows of irregular migration to the global north, the role of ODA is driven by geopolitical interests of donors, as much or more so, than a concern for advancing global public goods.

The level of funding for GPGs in ODA is difficult to pin down. According to recent reports by the DAC, bilateral spending on what could be considered the provision of global public goods increased from about 37% of average bilateral assistance in the period 2007 to 2011 to around 60% in the period 2017 to 2021. These shares include in-donor refugee costs and climate

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<sup>8</sup> See the DAC’s page on “COVID-19 related activities in official development assistance”, at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/vaccines-costs-oda.htm> and “Frequently Asked Questions” accessed at <https://www.oecd.org/dac/financing-sustainable-development/faqs-oda-eligibility-of-covid-19-related-activities.pdf>.

Chart 12: GPGs Disbursements in DAC Real Gross Bilateral ODA, 2015 to 2021 (Constant 2021 US\$ billions)



Source: Annex A in Elgar et al. (page 31 for relevant DAC sector codes for each GPGs theme). This Chart excludes climate adaptation disbursements as a GPG, and discounts climate mitigation significant purpose disbursements to 30% of their total value. It also excludes in-donor refugee costs as the reference point is DAC Real Gross Bilateral ODA.

Since 2015, the 17 universal SDGs have broadened the ambition and scope for development finance, from somewhat narrow objectives such as universal primary education, to international public investment flows. While the emphasis is to “leave no one behind”, the SDGs also raised the profile of GPGs across a spectrum of issues, such as oceans, sustainable consumption, sustainable energy, climate action or resilient infrastructure, requiring a wide range of engagement and trillions in finance. It seems to some observers that ODA as a development resource is “to an extent dissolved within broader international issues like climate, transitions, inequalities, the fight against pandemics and the protection of biodiversity” (Melonio et al., 2022, 21).

GPGs and the SDGs raise questions about the boundaries and nature of ODA: “boundaries, because the separation between local and international flows, public and private flows, and concessional and market flows is being called into question; and nature, because the challenge for some of the SDGs is as much about

redirecting existing capital as providing additional capital” (Melonio et. al., 2022, 21).

### **TOSSD: An alternative for reporting GPGs?**

In this context, the International Task Force for TOSSD has been developing a new metric, Total Official Support for Sustainable Development (TOSSD).<sup>9</sup> Its aim is to fill this gap in providing official statistics on both cross-border flows to developing countries and regional/global contributions to international public goods and global challenges. It is intended to complement ODA as a comprehensive metric that includes both concessional and non-concessional flows as well as a measure of private sector flows mobilized by official flows. Importantly, TOSSD includes flow from 15 southern providers such as Mexico, Brazil, Indonesia and Colombia (TOSSD Secretariat, 2023a).

Focusing on the financing of sustainable development, TOSSD’s Pillar Two captures flows for “international public goods” (IPGs), which “provide substantial benefits

<sup>9</sup> For full information on TOSSD including all background papers for the TOSSD Task Force see <https://tossd.org/>. For TOSSD data from 2019 to 2021 see <https://tossd.online/>. Note that several large providers such as the World Bank, Germany and the Netherlands do not yet report to TOSSD (August 2023). The author, along with Luca De Fraia (Actionaid Italy) have participatory Observer status with the Task Force since 2017.

to TOSSD recipients or their populations”<sup>10</sup> (TOSSD Secretariat, 2023, 17). The Task Force has had considerable challenges in determining the boundaries of IPGs that provide “substantial benefit,” such as climate mitigation efforts in provider countries, research in provider countries, and support for financial stability. The TOSSD Task Force is currently debating possible revisions to Pillar Two, including an option whereby providers would report activities, distinguishing between support for all IPGs, and those IPGs of substantial benefit to recipient countries (Tomlinson, 2021; Tomlinson 2022; Tomlinson, 2023 forthcoming; TOSSD Secretariat, 2023b, 8-9).

In 2021, TOSSD providers reported USD 444 billion in Commitments, USD 396 billion in Gross Disbursements and USD 308 billion in Net Disbursements (taking account Reflows back to providers) towards the implementation of the SDGs and Agenda 2030. These flows have both supported IPGs (Pillar Two) and direct cross-border flows to partner countries (Pillar One). TOSSD providers also reported USD 41 billion in private flows mobilized by providers for these purposes. Net Disbursements for TOSSD were almost double Real ODA for 2021, amounting to USD 165.8 billion (Tomlinson, 2023, forthcoming). While TOSSD is a very welcomed addition to transparency of public finance flows for the SDGs, at this stage, several large providers do not report – the World Bank, Germany and the Netherlands – which diminish its utility as a comprehensive metric of official support.

Approximately a third of the TOSSD Net Disbursements in 2021 (USD 94.3 billion) were reported to Pillar Two as IPGs. About a fifth of total net flows reported by providers were not previously available through the DAC Creditor Reporting System (CRS), with half of these reported for International Public Goods (Tomlinson, 2023a, forthcoming).

While still debating challenging issues with respect to IPGs, TOSSD has the potential for considerable value-added in bringing greater transparency in a comprehensive picture of all official resources in

support of the SDGs with significant benefits to developing countries. A recent DAC Working Paper suggests that TOSSD “will be critical to further increase our collective capacity to be open and transparent about the trade-offs of investing in GPGs means for direct support to developing countries, while also considering the broader role of development finance in the provision of GPGs” (Elgar, et. al., 2023, 22). But TOSSD is not yet at the stage where it might help resolve the tension in ODA allocations between the drive for donors’ financing GPGs and their obligation to address poverty reduction, climate change, and inequalities at the country level.

**4. Expanding ODA financing through multilateral organizations, which sidelines inclusive and efforts for effective multilateralism. Growth in funding the multilateral system has focused less on core financing, and more on donor co-managed funds implementing individual donor priorities through the UN system, undermining stable predictable funding, eroding coordinating and programming coherence in achieving GPGs, and eroding the norms and standards of multilateralism.**

Effective multilateralism is essential for an effective response to global challenges. The tensions in development cooperation with increasing demands to finance GPGs is also reflected in a multilateral system in crisis. Multilateralism is under intense pressure as the world faces the confluence of global crises and as momentum flounders for achieving Agenda 2030. The system is fragmented, its capacity and financing stretched, and its legitimacy challenged by renewed geopolitical polarization. A recent DAC review summarized some of the issues:

“While multilateral organizations may indeed have the potential to be an effective conduit to support the provision of public goods, these institutions are not necessary currently structured, tooled or financed in a way that allows them to deliver on this agenda while continuing to fulfil their original mission. In the absence of a global governance

<sup>10</sup> International public goods are distinct from global public goods. TOSSD defines IPGs as “goods which provide benefits that are non-exclusive and available for all to consume at least in two countries” (emphasis added). IPGs can include global public goods whose benefits are near universal (stable climate) and regional public goods where benefits extend to countries in the same region. Annex E of the Reporting Instructions provides further guidance on reporting IPGs for research, peace and security, climate change, refugees and internally displaced persons (TOSSD Secretariat, 2023a, 7).

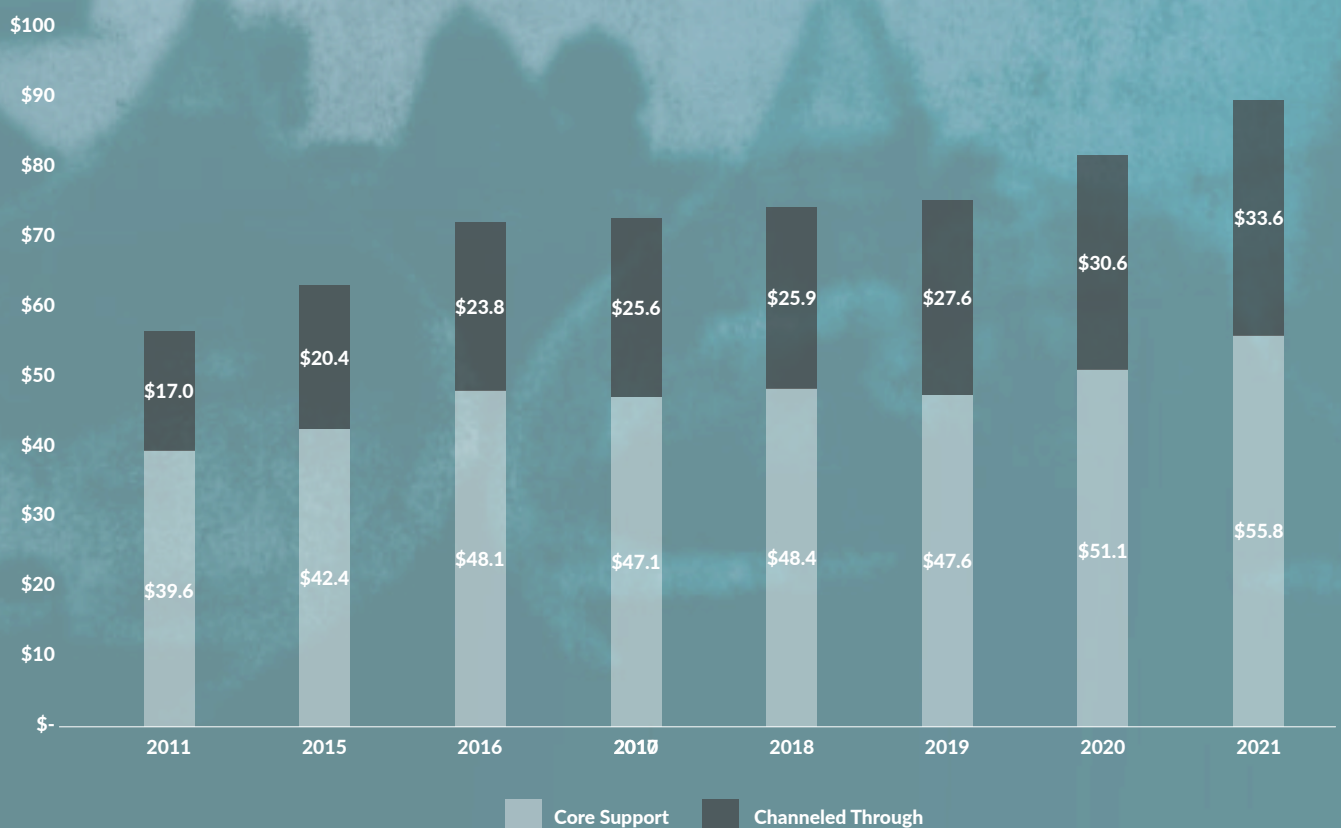
framework for the provision of global and regional public goods, the division of labour and the roles of different multilateral entities in this area also remain unclear and risk adding to the complexity of the multilateral architecture” (OECD DAC 2022d, 43).

ODA has been impacted by this urgency to seek multilateral solutions. At the same time ODA allocations also affect the system’s capacities to deliver. DAC donors provide finance for the multilateral system in two ways – 1) through “core support” for its various institutions (often progressively scaled based on members’ economic size), and 2) through bilateral resources “through” multilateral organizations that are earmarked in donor-co-managed pooled funds or trust

funds, which are implemented by the respective multilateral organization.

Chart 13 indicates that the share of donor ODA financing of the multilateral system has been growing steadily over the past decade (in 2021 dollars). Multilateral ODA finance was 42% of DAC donor Real Gross Disbursements in 2011, which increased to 46% in 2019 prior to the pandemic, and to 49% in 2021. However, the growth in the two types of multilateral finance has been uneven: core finance in support of policy and program under the direction of respective multilateral organizations has grown by only 40% since 2011, while donor co-managed financing through these organizations has increased by 98%.

Chart 13: Trends in Donor Disbursements with Multilateral Organizations (Constant 2021 US\$ billions)



Donor motivations for financing through multilateral organizations vary from reducing the donor's bilateral administration costs, ensuring donor program priorities are implemented in key multilateral organizations, to taking advantage of particular multilateral expertise and country reach in implementing GPGs, or to improving effectiveness through pooling resources with other donors. This channeling of donor bilateral funds through the multilateral system is the counter-point to the decline in bilateral Country Programmable Aid as analyzed above (Section 2).

The share of multilateral channels for donor finance varies considerably by donor. For the top five donors, the average share in 2021 was 18%, but this share

ranges from 7% for France to 24% for the United States. The next 10 donors are more dependent on multilateral channels, averaging 23% of their Real ODA, ranging from 14% for Belgium, but 30% for Canada and 31% for Norway and Sweden.

The UN system is the main multilateral venue for donor co-managed ODA in the multilateral system (Table 3). In 2019, 67% of all donor finance "through" this system was with UN organizations and agencies (rising to 71% in 2021). While varying amongst organizations, donor co-managed finance in the UN system made up more than two-thirds (69%) of DAC financing received by these UN organizations in 2019 (rising to 74% in 2021).

**Table 3: Trend in DAC Donor Financing Through the Multilateral System**

Multilateral Organizations Category	2019 Share of Total DAC "Through" Financing	2019 "Through" financing Share Category Total Finance	2021 Share of Total DAC "Through" Financing	2021 "Through" financing Share Category Total Finance
UN Organizations	67%	69%	71%	74%
IMF, World Bank, Regional Development Banks	14%	22%	13%	24%
EU and Other Multilateral Institutions	18%	17%	16%	14%
Total Multilateral System	100%	37%	100%	38%

*Source: DAC CRS Members Total Use of the Multilateral System*

Core financing in 2021, in contrast, made up by far the largest share of donor ODA for the IMF, World Bank and Regional Development Banks (76% of total donor finance for these institutions) and for the EU and Other

Multilateral Institutions (86%). Core financing, however, was only 26% of the total financing received by the UN system.

### Which donors are earmarking their UN contributions?

The two largest donors, Germany and the United States, earmarked 84% of their UN contributions in 2021 (Table 4). While several medium-sized donors earmarked more than the donor average (Canada,

Australia and Spain), overall medium-sized donors earmarked 66% of their UN contributions, compared to 79% for the five largest donors. Among the top 15 donors, France, Italy and Belgium earmarked less than 50% of their contributions to the UN system.

**Table 4: Donor Earmarking the UN System Contributions, 2021**

	Share of Finance for the UN System Earmarked ("Through")
Top Five Donors	79%
Next Top Ten Donors	66%
Germany	84%
United States	84%
Canada	84%
Australia	79%
Spain	78%

Source: DAC CRS Members Total Use of the Multilateral System

### Rise of donor earmarking erodes the multilateral system

The steady rise in donor-channeled bilateral finance through the multilateral system, which is earmarked for donor purposes (referred to as multi-bi aid), creates multiple donor-led priorities in many of the UN bodies. "A-la-carte" financing is contributing to a gradual erosion of the critical coordinating and programming functions, particularly in the UN system. The lack of predictable and sustainable finance has been identified as one of the most important barriers in realizing a more effective UN system (OECD DAC, 2022d, 66).

### UN system seeks a diversity of funding to cover lack of core finance

The lack of core finance for UN organizations is also one of the drivers of UN organizations seeking to diversify their funding base to support their core programs, including from foundations, INGOs and the private sector. According to the DAC, these sources already make up more than 20% of finance for the UN system. Similar to donor earmarked funds, they have the

potential to disregard UN norms and standards, disrupt agreed multilateral programming priorities, reduce UN organizational flexibility and program coherence, and come with high transaction costs (OECD DAC, 2022d, 23, 73-74; Marmo, 2022a; Marmo, 2022b).

### Increased fragmentation in the multilateral system

Donors' increased support for the multilateral system is uneven and reflects an ever-growing fragmentation of efforts. DAC donor total contributions to the UN system increased from 28% of donors' multilateral finance in 2011 to 36% in 2021. At the same time, the number of UN organizations financed increased from 54 in 2011 to 65 in 2021. Support through EU Institutions and Other Multilateral Institutions has also grown from 40% of total DAC multilateral disbursements in 2011 to 43% in 2021. Again, the number of institutions supported also broadened from 51 in 2011 to 60 in 2021, an increase of 18%. Donor ODA finance through the World Bank and Regional Development Banks, in this context, shrunk from 32% in



2011 to 21% of total donor multilateral ODA finance in 2021.

Given this diversity and high levels of donor priority setting through their multilateral funding modalities, it is no wonder that there is little governance and accountability in the multilateral system for assessing the system's coherence in achieving the SDGs.

### **Multilateral organizations and development effectiveness**

In 2020, DAC donors accounted for 81% of total funding within the UN development system (OECD DAC, 2023a, 8). But the trends noted above have also contributed to a rise in skepticism with multilateralism, now seen as less beneficial and reflecting even more DAC donor geopolitical and private sector interests. Individual multilateral institutions have also attracted significant criticisms, only compounded by a perceived failure to contain COVID-19 and implement a fair response to the pandemic.

Given expectations for a growing role in the provision of GPGs, it is surprising that the development and humanitarian effectiveness of the system on the ground has received only modest attention in the discourse on development effectiveness. The exception is the country monitoring process by the Global Partnership for Effective Development Cooperation (GPEDC). From their perspective, multilateral organizations are effective as convenors through their vast networks, as innovators in filling financing gaps for achieving the SDGs, and as implementors working directly with country governments on their development priorities.

The results from the GPEDC's 2018 last monitoring round on development effectiveness indicated that participating multilateral organizations had stronger alignment with country priorities compared to bilateral providers and engaged with country stakeholders more consistently than bilateral providers. However, the CSO perception in most partner countries is that consultation with development partners, including multilateral organizations, is episodic, unpredictable and not systematically implemented. CSOs and private

sector actors play the role of implementers for only 11% of multilateral development co-operation projects.<sup>11</sup> In a separate analysis, Baumann has suggested that UN field offices often function without sound theories of change that link their activities with national efforts and that their impact is affected by short-termism and a project orientation. He also notes they often function as "service providers" for donor earmarked funds (Baumann, 2023).

### **5. Climate finance as a share of ODA is growing. The volume of climate finance is growing but also concentrated among three top donors (Germany, Japan and France), with six donors already providing more than a quarter of their Real Gross Bilateral ODA as climate finance in 2021.**

The sixth report from the Intergovernmental Panel on Climate Change (IPCC) observed that 3.3 to 3.6 billion people live in contexts that are highly vulnerable to climate change, where climate change has already caused substantial damages and increasingly irreversible losses for people and the planet (IPCC, 2023). In 2009, developed countries, meeting at COP15 of the UNFCCC, agreed to allocate annually USD 100 billion in climate finance no later than 2020. This target was extended to 2025. As of 2023, there is no indication that this modest target for international climate financing has been met (Governments of Canada and Germany, 2022).

In 2016, the DAC estimated the share for bilateral and multilateral donors and mobilized private finance in making up the USD 100 billion commitment. According to this plan, bilateral donors would contribute USD 37.5 billion of the USD 100 billion. An additional USD 29.5 billion was to be allocated by multilateral organizations from their own resources and USD 32.2 billion mobilized from the private sector (OECD DAC, 2016). According to a progress report prepared by Canada and Germany (with the DAC) on behalf of the UNFCCC, the failure to achieve the USD 100 billion goal (\$83.5 billion in 2020) is mainly due to a gap in mobilized private finance. They have predicted that the target will be

<sup>11</sup> See the GPEDC 2018 monitoring dashboard for multilateral organizations at <https://effectivecooperation.org/MultilateralsDashboard>. A new round of monitoring has been initiated in 2023. In 2022 the GPEDC produced an interim report on "A Space for Change: Partner perspectives on an effective multilateral system," December 2022, accessed at <https://effectivecooperation.org/system/files/2022-09/Space%20for%20Change%20-%20Interim%20Report.pdf>.

achieved by 2030 (Governments of Canada and Germany, 2022).

There have been various estimates of the donors' achievement of their bilateral goal of USD 100 billion. In 2022, the DAC indicated that the target of USD 37 billion was delivered by DAC donors as climate finance in 2021 (USD 14 billion as principal purpose climate finance, and USD 23 billion as activities that supported climate action as a significant objective – i.e. one among several objectives) (OECD DAC, 2022e). Oxfam however suggests that this DAC calculation of bilateral climate finance may be inflated by as much as 30% for 2019/2020 climate finance data (Oxfam International, 2023, 5).

There is no agreed methodology for calculating climate finance by the UNFCCC. Using DAC climate finance statistics, AidWatch Canada calculates, using its own methodology (See footnote 13), bilateral gross disbursements for climate finance at USD 21.9 billion in 2021 and USD 22.8 billion in 2020 (2021 dollars). This amount for 2021 is a 38% increase from USD 15.9 billion in 2015 and USD 15.4 billion in 2019, but far

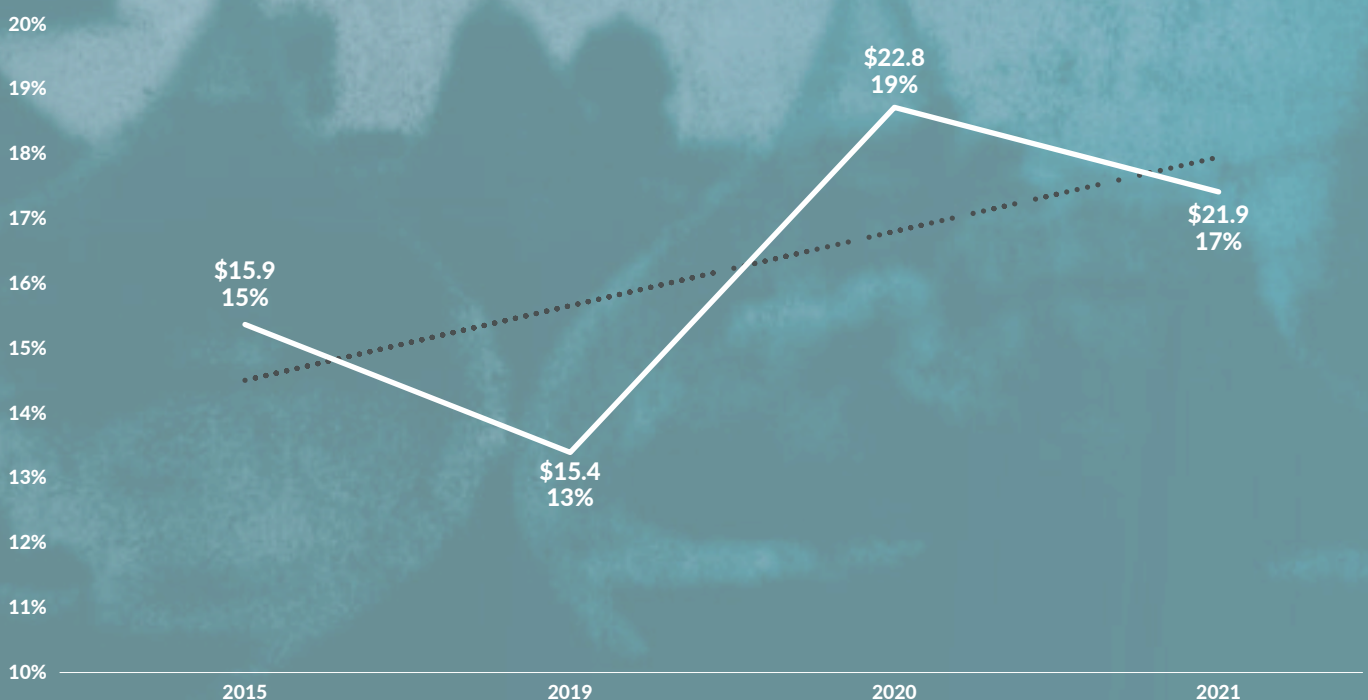
from the USD 37.5 billion target for annual bilateral climate finance for the period 2020 to 2025.

The 2009 Copenhagen Accord agreed that the USD 100 billion in climate finance would be “new and additional resources,” although new and additional have never been defined. In 2022 the IPCC reiterated that “resources prioritizing climate at the cost of non-climate development finance increases the vulnerability of a population for any given level of climate shocks, and additionality of climate financing is thus essential” (Quoted in Oxfam International, 2023, 24). All donors include eligible climate finance in their ODA reported to the DAC, and almost all claim that new and additional relates to levels of climate finance in ODA prior to 2009 (Hattle, 2022).

#### **What is the impact of climate finance on bilateral ODA?**

While varying from year to year, climate finance is on a trend to take up an increasing share of DAC donors' bilateral ODA, amounting to 19% of Real Gross Bilateral ODA Commitments in 2020 and 17% in 2021 (Chart 14).

Chart 10: Trends in DAC Member Tied Aid as Share of Bilateral Commitments (Constant 2021 US\$ billions)



Source: DAC Climate Finance Statistics, methodology by author (see footnote 13)

There is great variation in donor climate finance commitments in ODA. Table 5 sets out the top 10 climate finance donors in terms of volume and in its share of donor Gross Real Bilateral ODA Commitments. The top 3 donors (Germany, Japan and France) account for two-thirds (66%) of all 2021 bilateral climate finance. While significant climate finance providers, these donors also have a large share of loans in both their bilateral ODA and their climate finance (see below and the next section). All five of the largest donors by

volume are among the top 10 providers of climate finance, although the United States ranks 5th after Norway, and the United Kingdom, 8th.

Measured by the priority for climate finance in their bilateral aid, six donors are currently providing more than a quarter of their Real Gross Bilateral ODA as climate finance, with France at 35%, Japan at 31% and Austria at 28%. Several smaller donors by volume (Norway, Italy, Denmark and Korea) provide more than a fifth of their bilateral ODA as climate finance.

**Table 5: Top Ten Donors in Climate Finance (2021 Commitments)**

Top Ten Climate Finance Donors (2021) by Volume (Billions Current USD) (Share of Total Climate Finance)		Top Ten Climate Finance Donors (2021) by Share of Real Gross Bilateral ODA	
Germany	\$5.1 (23%)	France	35%
Japan	\$4.6 (22%)	Japan	31%
France	4.6 (21%)	Austria	28%
Norway	\$1.3 (6%)	Norway	28%
United States	\$1.2 (6%)	Italy	27%
Korea	\$0.9 (4%)	Denmark	21%
Netherlands	\$0.5 (2%)	Korea	20%
United Kingdom	\$0.5 (2%)	Germany	19%
Canada	\$0.5 (2%)	Iceland	16%
Sweden	\$0.5 (2%)	Netherlands	16%
<b>DAC Total</b>	<b>\$21.9</b>	<b>DAC Total</b>	<b>17%</b>

Source: DAC Climate Finance Statistics, methodology by author (see footnote 13)

### Loans in Climate Finance

Loans in climate finance are particularly troublesome as most partner countries have low Greenhouse Gas (GHG) emissions and no historical responsibility for the climate crisis. The notion that even concessional loans should pay for mitigation and adaptation in these countries belies the 2015 Paris Agreement principle of “common but differentiated responsibilities” to which all parties subscribe.

Loans as a modality for bilateral climate finance account for almost half (49%) of commitments in 2021, down from 56% in 2015. As noted above, Japan, Germany and

France all rely heavily on loans in their bilateral ODA portfolio, with climate finance being an even more significant source of these loans. In 2021, 85% of Japan’s climate finance was in the form of loans, 80% for France, and 35% for Germany. As a share of their loan portfolio, climate finance loans made up 44% of all loans for France, 42% for Japan, and 32% for Germany.

Adaptation is a key concern for low-income countries with low emission and high vulnerability to climate impacts. Concerningly, loans are even a significant share of donors’ climate adaptation finance, making up 44% in 2021, which is an increase from 38% in 2015. Loans as

a share of finance for climate mitigation has dropped from 64% in 2015 to 54% in 2021.

Oxfam International's Shadow Report on Climate Finance provides a comprehensive picture for the allocation of climate finance (Oxfam International, 2023).

**6. The international community is pushing to dramatically expand MDB finance, focusing on the mobilization of private sector resources for global challenges. Initiatives to reform an unfit international financial architecture will broaden the mandate of the World Bank to encompass support for global public goods. It has the potential to undermine an equally urgent need to ramp up finance for Low Income Countries who rely on highly concessional Bank resources. These initiatives rely on ODA as a catalyst for de-risking private sector investments through Private Sector Instruments (PSIs). With questionable impact on development outcomes for poverty reduction, the inclusion of PSIs in ODA is also undermining the credibility of ODA as a concessional metric, and will lead to substantial aid inflation.**

In the past two years there have been increasingly high-profile and urgent calls from the global south for reforming the current international financial architecture, which is seen to be entirely unfit for purpose in the face of global polycrisis. A recent G20 Experts Group on reforming international financial architecture pointed to financial requirements for the climate crisis alone at USD 1.8 trillion annually – USD 1.4 trillion mobilized from the private sector for a green energy transformation, USD 300 billion for adaptation, and USD 100 billion annually for loss and damage action. These calls resonate with the UN Secretary General's proposal for an additional USD 500 billion SDG Stimulus Package to reinvigorate and achieve Agenda 2030 over the next seven years. The latter calls for a mixture of finance from Public Development Banks, the use of IMF Special Drawing Rights (an international reserve currency), and meeting the 0.7% target for ODA by DAC donors (Ellmers, 2023a).

### ***Extending the role of the World Bank in development finance***

There are proposals from several different official quarters to rethink the mandate and scope for the World Bank and Regional Development Banks beyond their original poverty and country prosperity mandates, taking on board global challenges, such as the climate crisis, in their development finance.

In March 2023, the G20 Presidency (India) convened a G20 Experts Group on Strengthening Multilateral Development Banks (MDBs), whose purpose was to assess the scale of financing required from the MDBs to achieve the SDGs as well as “transborder challenges,” such as health, climate change and strengthening biodiversity. The Group reported in July 2023 documenting the need for USD 3 trillion annually for the SDGs by 2030, including USD 1.8 trillion for climate action (noted above) and USD 1.2 trillion in additional spending for other SDGs. It recommends a “triple agenda” for MDBs to contribute to these financing goals:

“(i) adopting a triple mandate of eliminating extreme poverty, boosting shared prosperity, and contributing to global public goods; (ii) tripling sustainable lending levels by 2030; and (iii) creating a third funding mechanism which would permit flexible and innovative arrangements for purposefully engaging with investors willing to support elements of the MDB agenda” (G20 Independent Experts Group, 2023, Executive Summary).

These recommendations from the G20 are very consistent with those proposed by the Bridgetown Initiative, an initiative promoted by Mia Mottley, the Prime Minister of Barbados, at the UNFCCC and Macron's June 2023 Summit for a New Global Financial Pact. The Bridgetown Initiative is explicit that the current international financial architecture is “entirely unfit for purpose in a world characterized by unrelenting climate change, increasing systemic risks, extreme inequality” (Government of Barbados, 2023).

In response to these proposals and others, the World Bank has set out an “Evolution Roadmap” to define its role in a reformed international financial architecture. Its intention is “to better address the scale of development challenges such as poverty, ... inequality, and cross-border challenges including climate change, pandemics, and fragility, conflict and violence, that all affect the Group’s ability to achieve its mission”<sup>12</sup> (World Bank, 2022). In April 2023 the US Treasury Secretary suggested that Bank reforms could result in a modest USD 50 billion in Bank increased lending over the next decade. Not surprising, the Roadmap largely ignores the G20 and Bridgetown’s key linkage between scaling up MDB finance and a transformative approach to multilateral governance (Derlich, et al., 2023). Developing countries and civil society for decades have been calling for more inclusive governance reforms for the MDBs. These reforms would focus on increasing Bank shareholding for emerging and developing countries, breaking the stranglehold of the United States and other developed countries over Bank decision-making. Many see such reform as a precondition for a credible role for the Bank in a “fit-for-purpose” international financial architecture going forward (Bretton Woods Project, 2023a).

### *Scaling up development finance through the Bank and other MDBs*

Urgent action on scaling up development finance is undoubtedly needed, not least to address the very rapid and growing onset of climate-induced catastrophes driven by the irreversible physics of GHGs in the atmosphere. The rationale for Bridgetown and its reliance on the existing institutions of the MDBs is to be bold but “practical.” Their focus is on practical measures within the scope of the current international financial architecture. In the words of Avinash Persaud, the architect of the Bridgetown Initiative, major action is needed now: “climate vulnerable countries are burning up” (Hertz, 2023).

As the largest development bank, the World Bank Group provided a total of USD 63.2 billion in development financing in 2021, including USD 23.7

billion by the International Bank for Reconstruction and Development (IBRD) (non-concessional), USD 22.9 billion from the International Development Association (IDA) (concessional finance window for the poorest countries), USD 11.4 billion by International Finance Corporation (IFC), and USD 5.2 billion in guarantees by the Multilateral Investment Guarantee Agency (MIGA) (World Bank, 2021 Annual Report). Of these amounts, the DAC reported USD 20.8 billion in gross disbursements by IDA, which were included in ODA in that year. The remaining World Bank finance is non-concessional flows that are ineligible to be considered ODA.

The overall growth in the IDA window for the poorest countries between 2018 and 2021 was an impressive 59%, but when translated into the value of 2021 dollars, this growth was reduced to 22%, from USD 17.1 billion in 2018 to USD 20.8 billion in 2021 (ODA amounts only).<sup>13</sup> IDA is a very significant source of finance for the governments of poorest countries, who have little or no options in the private finance markets available to other developing countries. About a third of this IDA finance is grants, not loans.

The Bank is also a large source of climate finance. For 2021, the World Bank reported that it had contributed USD 28 billion in climate finance within its overall portfolio (Multilateral Development Banks, 2022). But less than 30% of the Bank’s climate finance has been directed to LDCs, and while the Bank now claims that 48% of its climate finance is directed to adaptation, recent studies of Bank “climate projects” found that hundreds had little to do with climate adaptation or mitigation (Núñez-Mujica et al., 2023; Farr, et, al., 2022).

The G20 Experts Group recommends a massive scaling up of the MDBs lending capacities by USD 260 billion, of which the World Bank would have by far the largest share (i.e. USD 200 billion). The MDBs would also help mobilise and catalyse most of the associated private finance (G20 Independent Experts Group, 2023). As noted above, currently the World Bank’s Roadmap has under discussion a modest USD 50 billion increase in

<sup>12</sup> This Roadmap has been substantially critiqued by a coalition of 74 CSOs and individuals from around the world in July 2023, which can be accessed at [https://www.eurodad.org/civil\\_society\\_calls\\_for\\_rethink\\_of\\_world\\_banks\\_evolution\\_roadmap?utm\\_campaign=newsletter\\_13\\_07\\_2023&utm\\_medium=email&utm\\_source=eurodad](https://www.eurodad.org/civil_society_calls_for_rethink_of_world_banks_evolution_roadmap?utm_campaign=newsletter_13_07_2023&utm_medium=email&utm_source=eurodad)

<sup>13</sup> Author’s calculations based on data in the OECD DAC CRS.

their lending with no donor increase in the Bank's callable capital.

These proposals would mean an enhanced and far-reaching role for the Bank and other MDBs as development actors and providers of climate finance. But is the Bank a fit instrument to lead this renewal of international financial architecture? Its decades-long history of promoting severe austerity measures through its lending conditions has over time reduced state capacity and legitimacy through enforced privatizations and slashing state budgets. Many in civil society now fear a new generation of state-limiting “green conditionalities” accompanying an expanded mandate for climate finance.

Strong public institutions in all developing countries will be essential for social protection and adaptation measures as well as strengthening resilience in the face of inevitable loss and damage from the climate crisis in the coming decades. While action is urgent, in the absence of more fundamental reforms, the Bank and other MDBs are currently not fit for purpose in this scaling up of development and climate finance. It is essential to keep in focus the need for broader systemic reform of international finance. Ultimately the current highly unequal operating and governance modalities of the World Bank, other Multilateral Development Banks and national Public Development Banks, may undermine many of the intended benefits in the reform and scaling-up finance proposals.

### *The scope for the World Bank's mandate*

What may be the implications for expanding the mandate of the Bretton Woods institutions – the World Bank and the International Monetary Fund – to also tackle “global challenges,” particularly in vulnerable Middle-Income countries? Some Low-Income Countries are wary of the Bank's shift to use Bank resources towards these “global challenges,” accompanied by much wider access to such resources for “vulnerable” Middle-Income Countries. As noted earlier, these Low-Income Countries are highly reliant on World Bank concessional resources for their development finance.

In calling for greater attention to global challenges, the Bank's Roadmap leaves largely unanswered the issue of whether this extension of finance will be in addition to any enlarged financing for Low-Income Countries (Bohoslavsky et al., 2023). These countries are concerned that maximizing the Bank's finance for climate change, mainly in Middle-Income countries, may be at the expense of ramping up finance for important areas for poverty eradication such as education, health, agriculture and livelihood. They also fear that placing this increased climate capital in the Bank will accentuate the challenges these countries already face in accessing finance for their adaptation priorities (Rumble et. al, 2023; Kankaria et al., 2023). The history of the Bank's climate finance over the past ten years suggests that a more extensive shift to global challenges in the Bank mandate may well further marginalize Least Developed and Low-Income Countries.

The June 2023 Macron Summit, nevertheless, demonstrated strong support for these shifts within the Bank among several major donors such as the United States, Germany and France, but also countries such as India from the global south (Mathiasen, 2023).

Civil society has a decades-long history of documenting the failure of the World Bank and the IMF as “development actors.” World Bank projects and policy conditionalities have marginalized people living in poverty and exacerbated inequalities and fragility in the global south for decades. By relying on unreformed MDBs, implementing the Bridgetown and G20 proposals may exacerbate these unequal power relations and increase unsustainable debt that already deeply disadvantages those countries most affected by climate change impacts.

### *Sidelining including decision making through the UNFCCC, the Green Climate Fund*

The Bridgetown Initiative, alongside southern governments and CSOs, have called for MDBs “to be more inclusive and equitable in governance, voice, representation and access to finance” (Government of Barbados, 2023). Governance reforms must increase

Bank shareholding for emerging and developing countries, breaking the stranglehold of the United States and other developed countries over Bank decision-making, particularly but not only in the area of climate finance. Yet meaningful governance reform in these institutions have been discussed for decades, with little progress.

The proposals for scaling up finance through the MDBs side-step the reality of more democratic decision making for developing countries in the Green Climate Fund or in the Adaptation Fund, and potentially the Loss and Damage Fund, which operate within the framework of the UNFCCC. Current replenishment of the Green Climate Fund (GCF) has seen some ambitious commitments (with Germany doubling its contributions for example), but overall expectations are modest for any doubling of the total funds available to the GCF (Climate Home News, 2023). This move towards the MDBs may be seen by some as a “practical” way forward in the short term, but it seems yet another challenge to an already weakened and polarized multilateralism.

### ***The role of the MDBs in loans for development finance and ODA***

Ramping up finance through unreformed MDBs to address global challenges will rely on expanding loan finance to Low- and Middle-Income Countries. It can only exacerbate unsustainable debt that already deeply disadvantages those countries most affected by climate change impacts.

Proposals for debt sustainability are critically important for the future of development finance. Sixty percent of Low-Income Countries are in, or on the edge of, debt distress. Public debt has been accelerating in developing countries mainly due to growing development needs, exacerbated by the pandemic, rising interest rates and climate change, with limited access to alternative financing sources. Developing countries are relying much more on private sector creditors and China, making credit more expensive and debt restructuring complex. Private creditors make up 62% of developing countries’ total external public debt

in 2021. Bilateral creditors make up only 14% of this debt, with multilateral organizations responsible for 24% (UN Global Crisis Response Group, 2023, 9).

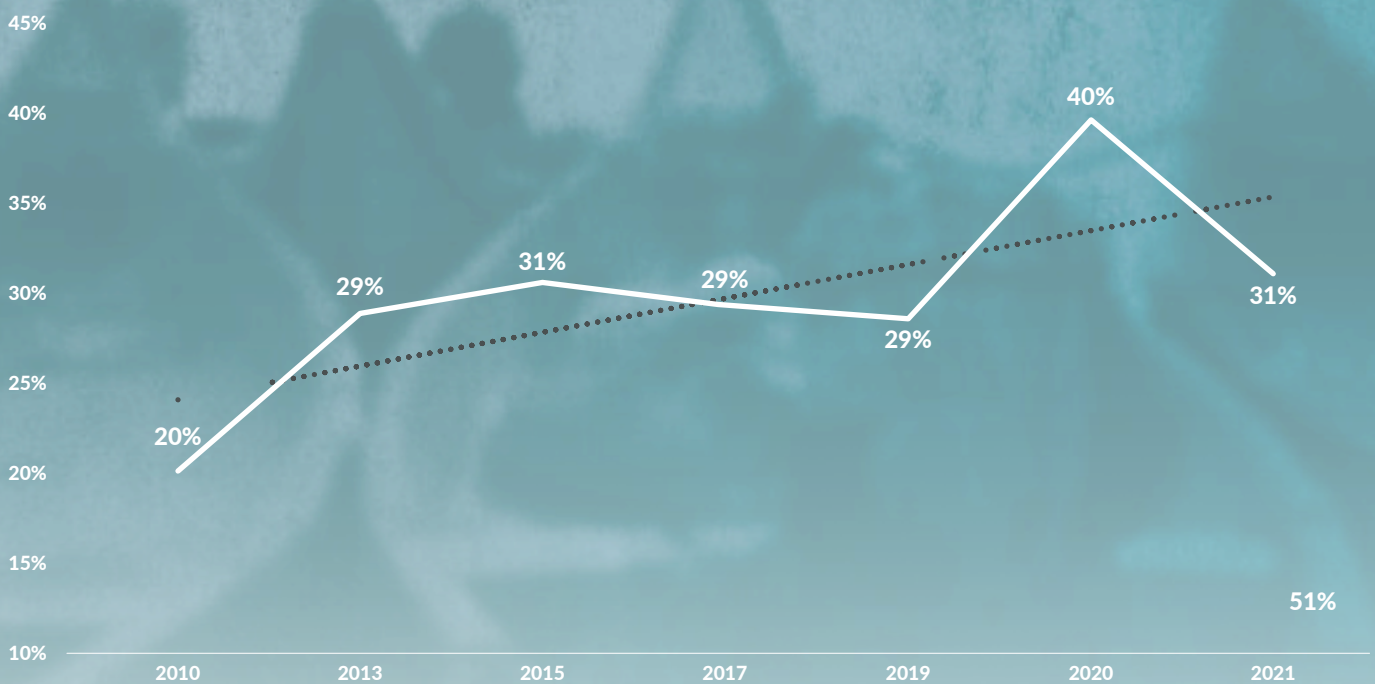
High borrowing costs make it increasingly difficult for developing countries to finance their development priorities. African countries’ borrowing cost more than 11% in interest, which the EU can borrow at 1.5% and the United States at 3.5% (UN Global Crisis Response Group, 2023, 10).

Mounting debt is constraining developing country fiscal capacities to meet basic health and education needs of their population and to finance development and climate initiatives. According to the International Institute for Environment and Development, in 2021, 59 countries paid USD 33 billion in debt repayments and received only USD 20 billion in new climate finance from developed countries (Carbon Brief, 2023). More than 55 countries pay more than 10% of their public revenues in debt service. In Africa, the amount spent on interest payments is higher than spending on either education or health. In total, 3.3 billion people live in countries that spend more on debt interest than on health (UN Global Crisis Response Group, 2023, 11). Debt relief is therefore a critical issue for development and climate finance.

The MDBs, alongside several major DAC donors – Japan, Germany, France – are responsible for the 11% increase in loan finance through ODA since 2010. Loan finance is now close to one third of Real Gross Bilateral ODA (Chart 15). Total ODA loans (in 2021 dollars) more than doubled from USD 28 billion in 2010 to USD 80.8 billion in 2021. Loans provided through the multilateral system (mainly MDBs) have been approximately 60% of total ODA loans since 2015. However, the share of grants by the World Bank’s International Development Association (IDA) window for the poorest countries has improved somewhat from 14% in 2015 to 29% in 2021 (as a share of total IDA finance).

While loans make up a significant share of bilateral ODA, these are highly concentrated with the three DAC donors – Japan, Germany and France – who account for 94% of all bilateral loans.

Chart 15: The Share of Loans in Real Gross ODA, 2010 to 2021



Loans make up more than a quarter (27%) of Real Gross ODA to Least Developed and Low-Income Countries and more than half (55%) of Real Gross ODA to Lower Middle-Income Countries (Chart 16). Both Low-Income Countries (with less than USD 1,045 in per capita GNI) and Lower Middle-Income Countries (with between USD 1,046 and USD 4,095 per capita GNI) are highly vulnerable to accumulating unsustainable debt. While loans are not a substantial part of ODA to Upper Middle-Income Countries, these countries rely on loans at commercial rates from the MDBs, which are not included in ODA flows.

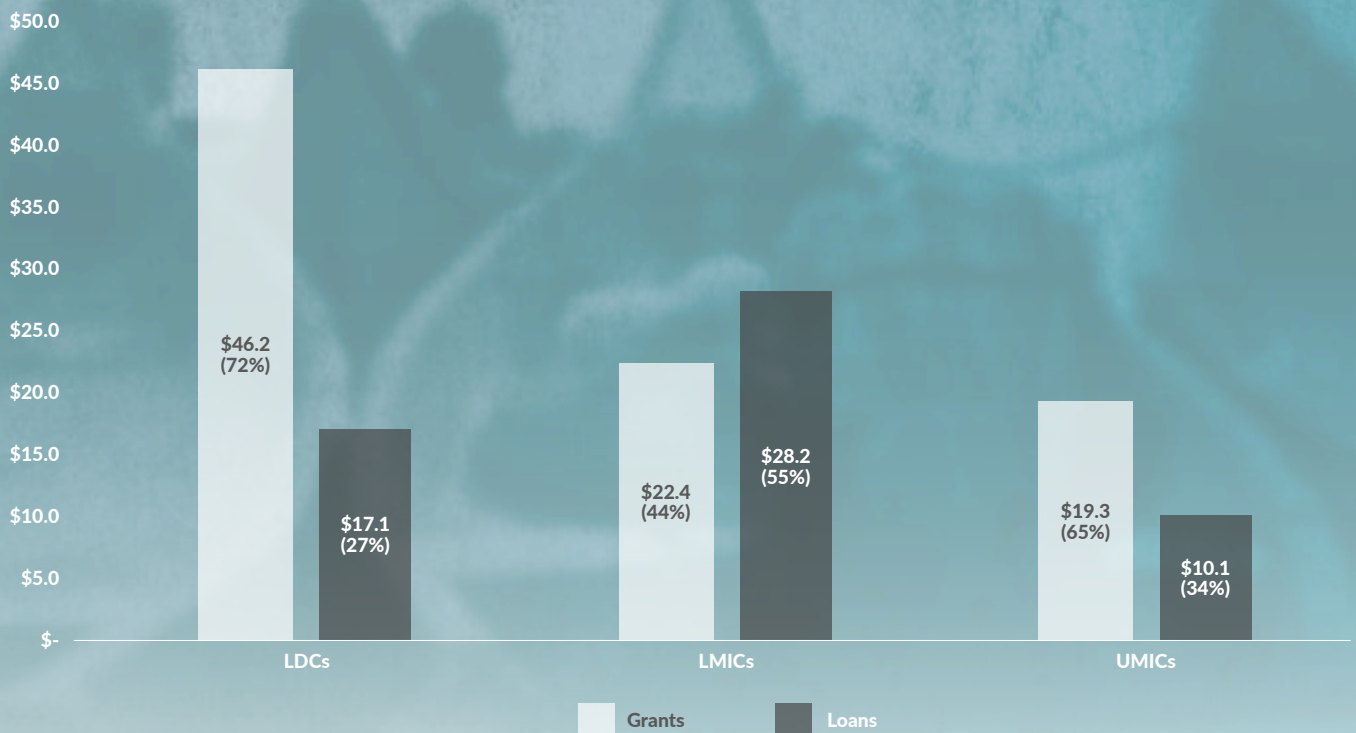
The persistent use of loans as a modality for delivering ODA is exacerbating a growing debt crisis for increasing numbers of vulnerable countries in the global south. The Bridgetown Initiative calls for a greater focus on debt relief beyond the G20 Common Framework for Debt

Treatment. The latter is a multilateral mechanism for restructuring, but not cancelling, sovereign debt for the poorest countries. The Common Framework is not an avenue for debt sustainability.

CSOs argue for a more fundamental reform of debt architecture through a multilateral legal framework for debt restructuring and forgiveness. The UN Secretary General has proposed a new UN Debt Authority, designed to operate in an inclusive manner, independent of creditors or debtors, and to develop the long-sought international legal framework for sovereign insolvency (Ellmers, 2023b). There is little enthusiasm among creditor nations for these proposals. Recently however some creditors have agreed to implement a “debt pause” for countries facing catastrophic weather events (to be implemented at the discretion of the creditors).



Chart 16: Loans in Gross ODA by Income Group



### *SDRs as an alternative to ramp up donor financing*

In response to the COVID-19 global pandemic crisis, the IMF agreed in 2021 to increase government liquidity to finance recovery through the issuance of USD 650 billion in Special Drawing Rights (SDRs), the largest allocation in history. SDRs are a global reserve currency, allocated by the IMF based on the shares held by its members (while most go to the wealthiest countries). SDRs however can be translated into national currency, and as such, are a very positive debt-free, conditionality-free injection of finance for developing countries. But of this USD 650 billion, only about USD 275 billion went to emerging and developing countries, and Low-Income Countries received a mere USD 21 billion.

For Upper Middle-Income Countries (UMIC) in Latin America, the SDR allocations were a critical and timely resource, creating fiscal space for quick action by the government during the pandemic crisis, when access to

concessional finance is almost non-existent for these countries (Marchini, et. al, 2023). However, Low and Lower Middle-Income Countries received far less benefit.

In light of these inequalities, donors agreed to reallocate USD 100 billion from their allocation of SDRs through a new fund, the Resilience and Sustainability Trust (RST) and through the existing IMF's Poverty Reduction and Growth Trust. Unfortunately, these two Trust Funds turn donor SDRs into debt instruments and may come with substantial IMF conditionalities related to austerity measures and climate governance. As noted, IMF conditionalities are highly contested by CSOs and citizens in borrowing from developing countries. Without reform of voting rights and direct access to SDRs by those who need them most, calls for increased allocations of SDRs in the face of the climate crisis and its impacts may result in compounding unsustainable debt (Bretton Woods Project, 2023b; Mariotti, 2022; Eurodad, 2021; Mutazu, 2022).

### Increasing donor reliance on private sector instruments through the MDBs and bilateral Development Finance Institutions (DFIs)

The World Bank Roadmap and the Bridgetown Initiative rely heavily on mobilizing private sector finance in a market-based approach for scaling up development

finance, an approach which is strongly endorsed by DAC donors. Yet according to the OECD, to date, developed countries have had limited success in actually mobilizing private finance, which has been “lower than anticipated, with most mobilized in middle-income countries” (Carbon Brief, 2023; Inter-agency Task Force on Financing for Development, 2023, 90).

Chart 17: Mobilized Private Finance, 2015 to 2021 (Constant 2021 US\$ billions)



Chart 17 confirms the limited growth in mobilized private finance since 2015, at a scale that is very distant from donor expectations that such finance will fill development gaps. Since 2017 there has been no growth to 2021.<sup>14</sup> Since 2017 more than 70% of mobilized finance has been through the multilateral system, with the World Bank’s International Finance Corporation (IFC) playing a major role. In 2021, the World Bank accounted for 64% of all mobilized private finance by multilateral organizations and the IFC made up 60% of the World Bank’s mobilized finance. This share is not surprising given the Cascade approach for the Bank’s financing, in which first priority is given to

mobilize commercial finance for any project. Only when there are no market options would public official resources be applied (Bretton Woods Project, Eurodad, et. al., 2023).

Among the DAC donors, the United States accounted for 39% of mobilized finance in 2021, France, 18%, and the United Kingdom, 16%, and together these three donors made up 73% of DAC donors mobilized private finance. Several donors provided a smaller share of this mobilized finance: Japan: 4%; Spain: 4%; Sweden: 4%; Germany: 3%; Netherlands: 3%; Canada: 2%; and Denmark: 2%.

<sup>14</sup> Note that in 2021, the EU did not report any mobilized finance by the European Investment Bank (EIB), the lending arm of the EU. Chart 17 includes an estimate of USD 6.7 billion for the EIB based on data for 2020.

The share of mobilized private finance dedicated to climate mitigation and adaptation has grown from 13% in 2015 to 32% in 2021. For DAC donors, this share has been stronger, rising from 26% in 2015 to 34% in 2021. Multilateral organizations mobilizing private finance for climate purposes grew from 8% to 31% in these years (DAC CRS).

Mobilizing the private sector, while important for some renewable energy initiatives, will not lead to the economic transformations needed in addressing the climate crisis. The expectation of the Bridgetown and G20 Experts Group proponents is that using concessional finance to reduce investment risk will result in the scale of investment needed in the global south, particularly for mitigation. But the record to date is not encouraging along these lines. Low-Income Countries are also likely to be side lined in this approach, which will strongly bias new climate finance in the multilateral system towards mitigation efforts not adaptation and loss and damage.

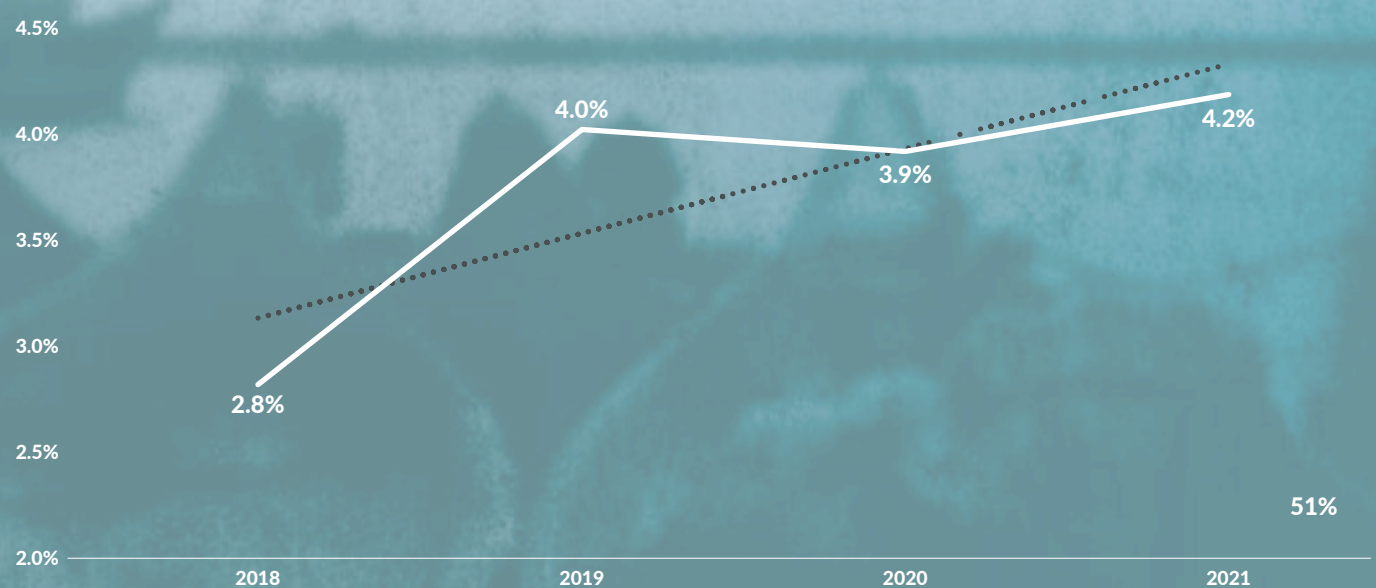
Mobilizing private finance through incentivizing and de-risking investments with ODA has been an increasing preoccupation of DAC donors. Since 2012, DAC

members have been engaged in “modernizing” what can be reported in the ODA metric.<sup>15</sup> Included is an agreement in 2016 to reflect donor efforts to mobilize private sector finance with official resources through various private sector instruments (PSIs). PSIs are donor vehicles, such as Development Finance Institutions (DFIs), capitalized by public money, with a mandate to mobilize private finance for development purposes.

Rules agreed in 2018 have allowed DAC donors two options to include this official finance in their ODA – an “institutional approach” or an “instrumental approach.” The former counts total eligible ODA transfers to PSI vehicles (notably DFIs), or the latter counts the individual ODA eligible transactions between PSIs and the private sector entity receiving the funding. Not all finance through PSIs may be eligible as ODA and each approach attempts to accommodate this element.<sup>16</sup>

Chart 18 demonstrates the share of PSI in Real Bilateral ODA since 2018. While this share remains relatively modest to date (averaging 3.8% over the four years), it has grown significantly since 2018, albeit the first year that donors reported ODA through PSIs.

Chart 18: Share of DAC ODA through PSIs in Gross Real Bilateral ODA



<sup>15</sup> Former Development Cooperation Directorate and donor officials have been very critical of the modernization of ODA, focusing on assumptions relating to grant equivalence and the broadening of the scope for financial instruments that might be included as ODA. See a series of critiques at <https://www.odareform.org/whats-new>.

<sup>16</sup> This analysis draws from Nerea Craviotto's Eurodad Briefing Paper, forthcoming (September 2023), on trends in donors' allocations to PSIs for which I was pleased to review an earlier version.

To date, only several donors have been prominent in their use of PSIs in their ODA finance, and particularly the United Kingdom, Germany, France and Japan (Table 6). As a share of their Real Gross Bilateral ODA in 2021 (not shown in the table), France and the United

Kingdom's PSI ODA is 12% and 11% respectively, with Germany at 5%. While having a relatively small share of total PSI ODA, as a share of its Real Gross ODA in 2021, Canada was at 14%.

**Table 6: Major DAC Donors for PSI ODA (2018 – 2021)**

Billions of 2021 US Dollars	2018	2019	2020	2021	4-Year Total	Percent Total PSI
United Kingdom	\$1.1	\$1.6	\$1.1	\$0.9	\$4.7	26%
Germany	\$0.6	\$1.0	\$1.1	\$1.2	\$3.9	22%
France	\$0.7	\$0.8	\$0.9	\$1.4	\$3.8	21%
Japan	\$0.1	\$0.3	\$0.6	\$0.6	\$1.6	9%
Canada	\$0.0	\$0.2	\$0.4	\$0.6	\$1.2	7%
Norway	\$0.2	\$0.3	\$0.3	\$0.2	\$0.9	5%
<b>Total DAC PSI</b>	<b>\$3.2</b>	<b>\$4.6</b>	<b>\$4.8</b>	<b>\$5.3</b>	<b>\$18.0</b>	

Source: DAC1

As a multilateral donor, European Union Institutions, through its European Investment Bank, is also a major source of PSI ODA providing a four-year total of USD 4.4 billion. Including the EIB alongside DAC donors, the EU ranks 4th at 20% of total PSI ODA over these four years.

Eurodad has reviewed the allocation and focus of this PSI finance. Between 2018 and 2021, 42% of PSI ODA (including the EU Institutions) was invested in banking and financial services, 16% in the industry sector and 12% in energy generation (renewable energy). While data is limited, 59% went to Upper Middle-Income Countries, 41% to Lower Middle-Income Countries and only 4% over the four years to Least Developed Countries (Craviotto, 2023, forthcoming).

CSOs have been critical of the inclusion of donor support for PSIs in their ODA, while also acknowledging that certain carefully targeted private sector initiatives may benefit poor and marginalized populations.

- The inclusion of support for PSIs as ODA abandons the crucial criteria for ODA as concessional finance.

Concessionalism is a fundamental pillar for defining ODA, including its unique comparative advantage relative to other forms of development finance. Most PSI funding modalities are non-concessional. DAC donors therefore have been developing distinct rules for PSIs relating to the notion of “additionality”, whether that be “financial additionality” (partners unable to obtain financing at the necessary terms and/or scale), “value additionality” (non-financial value such as technical assistance) or “development additionality” (intention to deliver development impact).<sup>17</sup> These terms allow for wide scope in interpretation and will certainly result in inflated ODA for the donors involved.

- With the instrumental approach for reporting PSIs, there is no ceiling for what can be included in ODA linked to the original donor investment in the PSI. Without a ceiling, reinvesting returns from projects/partners to the PSI could result in reporting ODA beyond the original capitalization of the PSI (which is the basis for the institutional approach), calling into question the whole notion of ODA as a donor's effort.

<sup>17</sup> See the DAC Working Party on Statistics, DAC Working Party on Development Finance Statistics, “Private sector instruments: additionality, reporting requirements and data disclosure, and monitoring, safeguards and disciplines,” August 5, 2023, accessed at [https://one.oecd.org/document/DCD/DAC/STAT\(2023\)20/REV1/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT(2023)20/REV1/en/pdf).

- There is a strong risk that donors will increase tied aid through engagement with donor country-based private sector companies in their PSI initiatives.
- DAC donors are broadening the scope for reportable activities within PSIs to include various forms of guarantees, equity investments, and mezzanine finance instruments. These areas have questionable merit in relation to the purposes of ODA and in achieving measurable development impact. These measures, combined with vague unverified notions of “additionality,” ultimately undermine the integrity and credibility of the ODA metric as a measure of resources dedicated to reducing poverty and inequalities.
- Activities funded through PSIs have the potential to erode public finance available for developing country governments, as they can be a factor in introducing unsustainable levels of public and private debt, or through tax avoidance by the corporations involved.
- Weak transparency plagues any assessment of projects supported through PSIs. Improving aid accountability is a challenge where these resources cannot be traced in the multiple layers of DFI financial transactions with intermediaries. Publish What You Fund in a study confirmed that the current state of DFI transparency makes it difficult to track DFI activities, their impact, and whether they are adhering to their accountability and environmental, social, and governance (ESG) commitments.<sup>18</sup>

Certain types of private sector have an important role in development cooperation, where ODA can strengthen small and medium enterprises, women-led businesses and small-scale farmers, which make a difference in fighting poverty, food insecurity and inequalities. This support is clearly linked to development impacts from these private sector initiatives. To further clarify the effectiveness of private sector development actions, CSOs, partner countries, donors and the private sector engaged through the Global Partnership for Effective Development Cooperation (GPEDC) to develop the Kampala

Principles on Effective Private Sector Engagement in Development Cooperation.<sup>19</sup> These are a set of principles with detailed guidance that links private sector engagement with development effectiveness principles. However, since their adoption in 2019 by the GPEDC, there have been no corresponding assessments of current private sector engagement in development cooperation.

In the coming years, DFIs are expected to play a more prominent role in the financial architecture for development. They will operationalise increasing amounts of ODA resources as a means for de-risking private sector investments. But the evidence to date suggests that mobilized private finance is no panacea for closing the finance gap for SDGs, particularly in relation to poverty reduction, inequality, health or education. If increased amounts of ODA are to be directed towards private sector-oriented institutions, there is a clear danger that scarce ODA will be diverted from its central purpose of support for reducing poverty and inequalities and reaching populations that have been excluded. It may be time to abandon the fantasy that the private sector will fill the gap in financing Agenda 2030, certainly not without major public resources for this Agenda and robust levels of transparency and accountability.

## 7. Safeguarding ODA: A renewed narrative concentrating on ‘leave no one behind’

In setting forth Agenda 2030 in 2015, the international community launched a universal pledge “that no one will be left behind” and “to reach the furthest behind first” (UN, 2015). Fulfilling this pledge was always to be full of complex challenges requiring both resources and a transformational politics, in which all actors – governments, civil society, the private sector – were to play an essential role. Donors’ deployment of aid was to be crucial. In the words of Winnie Byanyima, former Executive Director of Oxfam International,

“Governments have considerable policy space to reduce inequality [...] and aid, used strategically, can help to build a more human economy. It can help end

<sup>18</sup> See the DFI Transparency Index, launched by Publish What You Fund in January 2023, accessed at <https://www.publishwhatyoufund.org/dfi-index/>.

<sup>19</sup> See the Kampala Principles and Guidance at <https://effectivecooperation.org/landing-page/action-area-21-private-sector-engagement-pse>.

poverty and fight inequality in poor countries. It has the potential to deliver transformative finance from rich to poor nations, helping close the inequality gap between and within them. If aid needed a renewed calling, the crisis of economic inequality is it” (Quoted in McDonnell, 2018).

But by 2023, this historic pledge is ever further out of reach, sidelined by the subsequent convergence of polycrisis, European war, conflagration in Gaza, attacks on civil society actors, sharpening left/right political divisions in donor countries, and the related shifts in development cooperation priorities, policies and practices.

The numbers of poor, vulnerable and marginalized people are again on the rise. The UNDP, in its latest 2023 report, confirms that 1.1 billion people are affected by multidimensional poverty, with half living in Sub-Saharan Africa (where the intensity of poverty is very high), a third living in Low-Income Countries and two-thirds (730 million) living in Lower Middle-Income Countries (OPHI and UNDP, 2023). Another study put the estimate of those who are vulnerable, that is, not extremely poor, but also not part of the lower middle class, at 3.4 billion people or half the world’s population. Many in this group, to varying degrees, risk falling into poverty at the slightest shock, whether it be weather, a short-term economic contraction, a health crisis, or conflict (Fengler et al., 2022).

At the same time, the scope and allocations of aid have been shifting over this past decade, responding with new modalities to urgent global challenges (pandemic and climate change) as well as overwhelming donor foreign policy preoccupations. Key SDGs of significant importance for “leaving no one behind” are tremendously off track, for which new aid modalities relying on loans and private sector mobilization seem largely irrelevant.

This current conjuncture calls for a renewed public narrative for ODA, one committed to safeguarding aid as a unique resource for global solidarity dedicated to leaving no one behind (See OECD DAC, 2018, for a Development Cooperation Report dedicated to aid strategies to leave no one behind).

In the prevailing discourse on aid, the deep challenges in tackling poverty and inequalities, leaving no one behind, are largely invisible. Current aid narratives are pulling in different directions – stepping up financing for donor geopolitical interests in a polarized world and Ukrainian war reconstruction, responding to heightened humanitarian needs driven in part by a failure to address climate change, and relying on a faith in the private sector to meet the financial requirements of the SDGs. The unstated assumption, seen in recent initiatives to ramp up financing through the World Bank, is that public and private sector interests will essentially align in support of Agenda 2030. It leaves largely unanswered the conditions and modalities for cooperation that might directly improve and safeguard the lives of billions of people who are in fact being left behind.

ODA has also become deeply compromised as a resource dedicated to tackling poverty and inequalities. The current trends described in this chapter reveals:

- An atrophied donor-driven aid system, systemically ignoring long-standing international commitments for development cooperation (providing 0.7% of GNI, USD 100 billion in climate finance by 2020, a priority to LDCs and Sub-Saharan Africa);
- Donor priorities moving away from development effectiveness principles, particularly those that call on the alignment of their country-level aid with democratic ownership of development priorities by government and other stakeholders in partner countries;
- An obsessive focus on incentivizing private sector financing for “global public goods,” often in a manner that prioritizes donor concerns (e.g. mitigation, not adaptation, irregular migrations from the global south), and a reliance on innovative finance and expanding World Bank loans, which deflects attention from donors’ obligations to increase aid budgets (Chadwick, 2023); and
- A reliance on a polarized multilateral system, characterized by increasing levels of mistrust, through donor-controlled trust funds, which sidelines inclusive multilateralism.

Yet ODA remains the only dedicated large-scale resource for international development finance under government/political direction. It therefore has the political potential to be invested as a catalyst for truly transformative and collective action addressing poverty, inequalities and marginalization. This potential will require a concerted political paradigm shift for donors and CSOs. The narrative must move beyond their short-term charitable responses and commercial and foreign policy interests, which currently shape many aid allocation priorities and partnerships. It requires a clear vision to shift at least a significant portion of aid resources in this direction, with civil society playing crucial roles.

### **What then could give shape to and inform an alternative narrative for aid along these lines?**

Coming out of the experience of the pandemic, it is more important than ever to reposition the narrative for development cooperation, away from immediate self-interests, towards one of peoples' solidarity based on donor obligations to our shared and common humanity. The response to the pandemic was characterized by a deadly exercise of power by donors that excluded vaccines and medical supplies from those in the global south, which must be avoided in future crises, particularly but not only the climate crisis. Drawing attention to the current realities for the majority of people in the global south, aid should be reinvigorated as a focused (and limited) resource, with specific donor policy commitments to addressing multidimensional poverty, ending hunger, promoting healthy well-being, ending gender inequalities and other forms of social/economic exclusion. Can it reclaim its role as a vision and catalyst for country-level people-centered approaches, and as a counterpoint to an exclusive reliance on the private sector and World Bank driven loan finance in the face of polycrisis?

In fact, with donor publics in the global north, the long-standing ethical foundation for aid along these lines remains solid. A 2022 Eurobarometer Survey, for example, of European citizens found that almost nine in ten (89%) respondents think it is important to partner

with countries outside the EU to reduce poverty around the world, with 42% of the opinion that this purpose is "very important," the latter being an increase of 4% from a 2020 Survey. More than two-thirds agreed that tackling poverty in partner countries should be one of the main priorities for their national government, and even more – eight in ten – agreed that this should be one of the main priorities for the EU (Eurobarometer, 2022).

While such overwhelming support is positive, it is still largely framed in a "charitable" narrative, reinforcing patronizing and "colonial" approaches, and often accentuating a donor "saviour complex." Consequently, any renewal of the narrative for aid must also build public awareness and understanding in the global north for a dynamic vision for mutual effort to leave no one behind, one which is informed by the values of mutual respect, trust, long-term accompaniment, solidarity and global citizenship (Kuloba-Warria, 2023). Existing mainstream public and media frames for aid, often sustained by public communication by international CSOs and from which politicians in the global north draw support and inspiration for aid initiatives, are often a long way from such awareness and understanding.

Shifting the narrative frame for aid in the north will therefore require a substantial expansion on the part of both donors and ICSOs to broaden the reach and long-term sustainability of public awareness programs in donor countries well beyond the immediacy of public and media relations. Currently, donors spend an almost negligible 0.2% of their Real Gross ODA in 2021 on public awareness, which is in fact a decrease from 0.3% in 2010. Public attitudes are now largely derived from government media promotion of their good intentions in supporting aid projects, alongside a predominant charitable framing of CSO appeals for public donations in response to repeated humanitarian emergencies. It is little wonder that leading donor politicians reflect these attitudes as they engage with counterparts in the global south.

The existing political dynamics playing out in many donor countries are clearly challenging for a renewed

narrative. There is no blueprint or easy political path to reframing ODA. The path will be uneven and challenging, and will require long term commitment, resources, and clear focus. But a number of avenues can be highlighted for civil society in shifting the current narrative.

1. Be consistent in civil society's own public narratives, in analysis of donor aid trends, and in dialogues with government, emphasizing the importance for ODA to have an exclusive focus at the country level on the multidimensional and structural roots and causes of poverty, inequalities and vulnerabilities in all developing country contexts. Bilateral, multilateral, civil society and private sector channels are relevant to ODA only insofar as they deliver clearly to these purposes at the country level. Other official flows can still be mobilized in relation to global challenges and captured through such metrics as TOSSD, UNFCCC monitoring of climate finance, and UN financing for development fora.
2. Call on donors to reinvigorate an increased focus in ramping up country level programming, with accountability to country stakeholders and reverse the decline in Country Programmable Aid (CPA). This approach includes encouraging multilateral organizations' reflection on implementation of the four development effectiveness principles – country ownership, inclusive partnerships, country results frameworks, accountability and transparency – at this level.
3. Strengthen and extend partnerships in which country-level actors (government and civil society) lead and direct donor programming, rather than implement donor-determined (including ICSSO) priorities. In doing so, all aid actors must mainstream “leaving no one behind” by paying close attention to power and politics affecting the most vulnerable, rather than promoting opportunities for different donor stakeholders to engage in country programming. To be effective, donors must also invest in long-term experienced staff at all levels who can engage directly but respectfully, building trust, with country-level organizations working with targeted constituencies to inform (coordinated) country programming.
4. Strengthen relationships with government (and civil society), where country contexts allow, by increasing budget support and sector wide programming. These are a means to reinforce government responsibility and accountability in key public sector obligations for health, education, social transfer programs, or improvised opportunities and inclusion of vulnerable populations.
5. Decolonizing aid, shifting towards the management of aid resources at the country-level through country-managed platforms by local or national governments, or national CSOs, avoiding the localization of donor / ICSSO structures for continued donor control over these resources. Decolonization is a confirmation of the right to development in which aid supports partner countries' fiscal and policy spaces to determine their own development paths. Respecting CSOs as development actors in their own right, donors should work collaboratively with civil society to implement the DAC Recommendation on CSO Enabling Environment in Development Cooperation and Humanitarian Assistance (OECD DAC, 2021b).
6. Donors' starting point for building north/south trust and overcoming polarization in finding common ground around global challenges is meeting their current international commitments: 0.7% of GNI for ODA; USD 100 billion in additional climate finance up to 2025; an effective UNFCCC-based Loss and Damage Facility; and 0.15% of GNI in aid to Least Developed Countries.
7. Donor's future financing commitments for new and additional post-2025 climate finance should be negotiated based on actual needs and priorities of developing countries. Based on donors' historical responsibilities for GHGs, climate finance ODA must be new and additional to increases in ODA for other purposes. Targets for donors' fair share should be set relative to their wealth; global allocations should be based on historical



responsibilities; finance should be rooted in solidarity and the principle of “Common but Differentiated Responsibilities.”

New finance should be mostly grant-based or highly concessional loans (the latter only for mitigation); it should focus on the actual needs of the most vulnerable, be gender-responsive, locally led, and free from donor-imposed economic conditions. While most actions on the ground for adaptation are inseparable from appropriate development planning and activities with ODA, mitigation action is distinct and should be reported separately from ODA.

The post-2025 new climate finance goal should also be based on agreement on what constitutes climate finance and should clearly identify separate goals for mitigation, adaptation and loss and damage.

8. Donors should put renewed efforts into operationalizing the DAC Recommendation on the Humanitarian, Development and Peace Nexus (OECD DAC, 2019). Increasingly, the most vulnerable people and those most likely to be left behind are found in fragile and conflict affected contexts, often in Middle Income Countries. Donors must take account of the Recommendation on the Nexus in meeting the appeals for increased humanitarian assistance and substantial financing for climate loss and damage for all affected countries. The Recommendation goes a long way to strengthening the agency of local actors and an approach for a strong transition to sustainable development. There are also many lessons that can be derived from decades of humanitarian efforts, which should inform loss and damage facilities and country-level reconstruction (Knox-Clarke et al., 2023).
9. Donors should give priority to increasing core multilateral ODA through effective UN organizations working effectively at the country level. Donors should give priority to channeling increased climate resources through UNFCCC financing mechanisms (such as the Green Climate

Fund) rather than an unreformed World Bank. Increase contributions to core resources for UN organizations, and diminish the use of donor-managed trust funds, will strengthen the capacities and coherence of multilateral organizations on the ground. They may also choose to rely on UN coordination functions for their bilateral aid at the country level to reduce transaction costs and greater local control of priorities for partner countries. Strengthening the role of the World Bank as a development actor requires priority action on reforming governance, conditionalities and democratizing decision-making.

10. Donors' allocation of aid for humanitarian assistance and recovery in Ukraine should be clearly identified and additional to aid for other purposes. To heightened full transparency on support for Ukraine in ODA now and in future years, the DAC should consider the creation of an Eastern Europe Assistance Tracker separate from reporting ODA flows. This Tracker would report all humanitarian, development, fiscal and refugee support for Ukraine and other countries in Eastern Europe affected by Russia's invasion over the coming years of reconstruction in Ukraine.
11. Donors should reform the terms and conditions for ODA as a metric entirely devoted to ending poverty and inequalities. In doing so, DAC donors should give priority to reviewing the implications of the “modernization” of ODA in light of this renewed purpose for ODA, in particular the use of loans and the grant equivalency calculations, the expansion of ODA to include financial mechanisms to mobilize private finance, and the inclusion of massive in-donor costs for refugees and students. In parallel, the international community should strengthen the coverage and reporting rules for TOSSD as a measure of all international support, including various forms of loans and support through PSI for the SDGs and Agenda 2030.

The confluence of crises, alongside ramping up finance in a dysfunctional aid system, is a daunting mix. But in almost every country across the globe, a wide diversity

of citizens and their organizations are also persistent in demanding transformative changes to secure the rights of all people. Movements and coalitions are pressing for urgent action on climate change, economic disparities, unresponsive health systems, socially prescribed gender roles, rising inequalities and discrimination, and increasingly unhealthy environments. These coalitions and movements are part of large and complex global social forces for change that would benefit people and the planet. It is then crucial that a renewed aid narrative work towards accelerating the deployments of aid resources in support of goals for these movements for change, through both civil society and governments in the global south.



## Annex

### DAC Donors Real ODA, 2010 to 2020

Billions of 2021 US Dollars	2010	2015	2019	2020	2021	2022
<b>Top 5 Donors</b>						
France	\$9.7	\$8.4	\$10.7	\$13.5	\$14.1	\$16.0
Germany	\$12.6	\$16.2	\$21.1	\$26.1	\$27.2	\$30.2
Japan	\$7.1	\$8.7	\$10.5	\$12.1	\$14.8	\$19.1
United Kingdom	\$14.2	\$18.7	\$21.5	\$19.6	\$14.8	\$11.9
United States	\$35.4	\$34.0	\$32.7	\$35.1	\$42.8	\$45.2
<b>Total</b>	<b>\$79.1</b>	<b>\$86.1</b>	<b>\$96.1</b>	<b>\$106.5</b>	<b>\$113.7</b>	<b>\$122.4</b>
<b>Share of Total Real ODA</b>	<b>65.5%</b>	<b>66.3%</b>	<b>66.7%</b>	<b>67.8%</b>	<b>68.6%</b>	<b>68.7%</b>

### DAC Donors Real ODA, 2010 to 2020

Billions of 2021 US Dollars	2010	2015	2019	2020	2021	2022
<b>Next 10 Top Donors</b>						
Australia	\$3.9	\$4.1	\$3.3	\$3.3	\$3.5	\$3.1
Belgium	\$2.5	\$1.9	\$2.2	\$2.3	\$2.3	\$2.6
Canada	\$4.8	\$4.7	\$4.6	\$4.9	\$5.8	\$8.0
Denmark	\$2.7	\$2.5	\$2.8	\$2.8	\$2.8	\$2.5
Italy	\$2.8	\$3.3	\$4.1	\$4.3	\$5.0	\$5.3
Netherlands	\$5.7	\$5.2	\$5.2	\$5.0	\$4.9	\$5.9
Norway	\$3.8	\$4.4	\$4.9	\$5.3	\$4.6	\$4.3
Spain	\$5.3	\$1.4	\$2.6	\$2.7	\$3.1	\$3.4
Sweden	\$4.3	\$5.3	\$5.7	\$6.9	\$5.8	\$5.6
Switzerland	\$2.1	\$3.2	\$3.1	\$3.5	\$3.5	\$3.3
<b>Total</b>	<b>\$38.0</b>	<b>\$36.0</b>	<b>\$38.6</b>	<b>\$41.1</b>	<b>\$41.4</b>	<b>\$43.9</b>
<b>Share of Total Real ODA</b>	<b>30.5%</b>	<b>27.7%</b>	<b>26.8%</b>	<b>26.2%</b>	<b>25.0%</b>	<b>24.7%</b>

*Note: These 10 donors were identified based on average volume 2010 to 2022.*

Billions of 2021 US Dollars	2010	2015	2019	2020	2021	2022
<b>Last 15 Donors</b>						
Austria	\$1.0	\$0.9	\$1.2	\$1.2	\$1.3	\$1.4
Czech Republic	\$0.2	\$0.2	\$0.3	\$0.3	\$0.4	\$0.3
Finland	\$1.4	\$1.4	\$1.2	\$1.3	\$1.4	\$1.3
Greece	\$0.4	\$0.2	\$0.3	\$0.3	\$0.4	\$0.3
Hungary	\$0.1	\$0.2	\$0.3	\$0.5	\$0.4	\$0.4
Iceland	\$0.04	\$0.04	\$0.06	\$0.06	\$0.07	\$0.09
Ireland	\$1.0	\$0.8	\$0.9	\$1.0	\$1.1	\$1.3
Korea	\$1.3	\$2.0	\$2.6	\$2.4	\$3.0	\$3.1
Lithuania	\$0.04	\$0.06	\$0.08	\$0.08	\$0.08	\$0.14
Luxembourg	\$0.5	\$0.5	\$0.6	\$0.6	\$0.7	\$0.6
New Zealand	\$0.4	\$0.5	\$0.6	\$0.6	\$0.6	\$0.7
Poland	\$0.4	\$0.5	\$0.7	\$0.7	\$0.8	\$1.1
Portugal	\$0.6	\$0.3	\$0.4	\$0.4	\$0.4	\$0.5
Slovak Republic	\$0.07	\$0.1	\$0.1	\$0.1	\$0.2	\$0.2
Slovenia	\$0.06	\$0.06	\$0.08	\$0.08	\$0.1	\$0.1
<b>Total</b>	<b>\$7.5</b>	<b>\$7.8</b>	<b>\$9.4</b>	<b>\$9.5</b>	<b>\$10.7</b>	<b>\$11.4</b>
<b>Total Real ODA</b>	<b>\$124.6</b>	<b>\$129.8</b>	<b>\$144.0</b>	<b>\$157.0</b>	<b>\$165.8</b>	<b>\$177.7</b>

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# Regional Aid Trends

Africa • Latin America and the Caribbean • Asia and the Pacific  
European Union • Non-European Union Members of the OECD DAC

# Africa

by Vitalice Meja, Reality of Aid - Africa

In Sub-Saharan Africa (SSA), more than a third of the population are living in extreme poverty. With almost half (43%) of the countries in the region being in, or at a high risk of debt distress, and government revenue amounting to 18% of GDP amid historic levels of inflation, compared to general government debt of 38.7% of GDP, Sub-Saharan Africa faces a “big funding squeeze” (IMF 2023). This is affecting governments’ ability to fund sectors critical for addressing extreme poverty, such as health, education and social protection. Stubbornly high inflation, fuelled by rising food and energy prices, as well as weaker currencies and low investment growth, continues to constrain African economies, creating uncertainty for the majority of the poor.v



## Climate Change – Climate Finance and Decarbonization

Africa's natural resource wealth holds significant untapped economic potential. The rising demand for minerals and metals linked to the global transition, such as cobalt, copper and lithium, to increase fiscal resources, create new regional value chains that produce jobs, and accelerate energy access on the continent. However, turning a "resource curse" into a "resource opportunity" requires good sectoral governance, appropriate taxation to capture a greater share of resource rents, and regional cooperation and investments.

At the same time, climate change represents a major threat to Africa achieving the Sustainable Development Goals (SDGs). More than 110 million people on the continent were directly affected by weather, climate and water-related hazards in 2022, causing more than USD 8.5 billion in economic damages. Heatwaves, heavy rains, floods, tropical cyclones and prolonged droughts continue to have devastating impacts on communities and economies, with increasing numbers of people at risk.

Given Africa's high exposure, fragility and low adaptive capacity, the effects of climate change are expected to be felt more severely. People's health, peace, prosperity, infrastructure and other economic activities across many sectors in the region are exposed to significant risks associated with climate change.

At the 15th Conference of Parties (COP15) of the UNFCCC in Copenhagen in 2009, developed countries committed to a collective goal of mobilising USD 100 billion per year by 2020 for climate action in developing countries, in the context of meaningful mitigation actions and transparency on implementation. At COP21

in Paris, the annual USD 100 billion goal was extended to 2025 (UNFCCC, 2015).

Having signed and ratified the Paris Agreement, nearly all African countries<sup>20</sup> have committed to enhancing climate action through reducing their greenhouse gas emissions (GHGs) and building resilience. For the continent, adaptation to the adverse impacts of climate change is urgent. However, many of their commitments are conditional upon receiving adequate financial, technical and capacity building support. A UNEP-commissioned research estimates that the cost of adapting to climate change across Africa could reach USD 50 billion a year by 2050, if the global temperature increase is kept within 2°C above pre-industrial levels. According to the African Development Bank (AfDB), Africa will need investments of over USD 3 trillion in mitigation and adaptation by 2030 in order to implement its Nationally Determined Contributions or NDCs (AfDB 2022). The Nairobi Declaration, out of the just concluded first African Climate Summit (ACS), demanded that major polluters and global financial institutions commit more resources to help poorer nations and make it easier for them to borrow at affordable rates.

Africa has struggled to unlock the scale of financing required towards climate-positive growth. The share of adaptation finance provided or mobilised in Africa increased, from 25% in 2016 to 45% in 2020 (i.e. a USD 6.6 billion increase) due to large infrastructure projects supported by mobilized private climate finance. Loans accounted for more than three-quarters of total public climate finance, amounting to 61% of the total public finance. This calls for DAC members to align and coordinate their technical and financial resources towards low carbon development, and contributing to global decarbonization.

<sup>20</sup> As of November 2019, 49 African countries out of 54 had ratified their NDCs.

## Political Coups – Humanitarian Aid on the Rise

African governments have failed to tackle the widespread humanitarian crisis its people are facing, and insufficiently prioritized the sustainable development agenda since the COVID-19 pandemic. As a result of the intensity of poverty and state high-handedness, a number of coups, coupled by social economic neglect by governments, have made states very vulnerable. The continent now accounts for 35 armed conflicts, making it the region with the second highest number of armed conflicts. Across parts of Africa, internally displaced people, refugees and migrants have been driven from home by armed conflicts, repression, communal violence, poverty and environmental factors (HRM 2023).

Humanitarian needs remain high amid recurrent insecurity. Furthermore, citizens from conflict-affected

countries have been left to suffer the consequences of climate change, natural hazards, and socio-economic challenges on their own. Some 22 out of 54 member states are in need of humanitarian support, with over 10% of the population being dependent on humanitarian aid. This has pushed the demand for humanitarian support at a much higher level. DAC members have responded to these needs by reallocating more ODA towards humanitarian support. In 2021, humanitarian support was second to ODA sector allocations at USD 7.6 billion, compared to USD 8.6 billion provided to health and education. See bar chart 1.

However, it must be noted that while ODA during humanitarian crises and pandemics remain critical to those most vulnerable, ODA must focus on providing sufficient fiscal space for African governments to tackle the socioeconomic problems creating the humanitarian crises in the first place, while laying the foundation for genuine sustainable development.

Chart 1: Selected ODA Sector Allocations in Sub-Saharan Africa



## The Covid-19 fallout

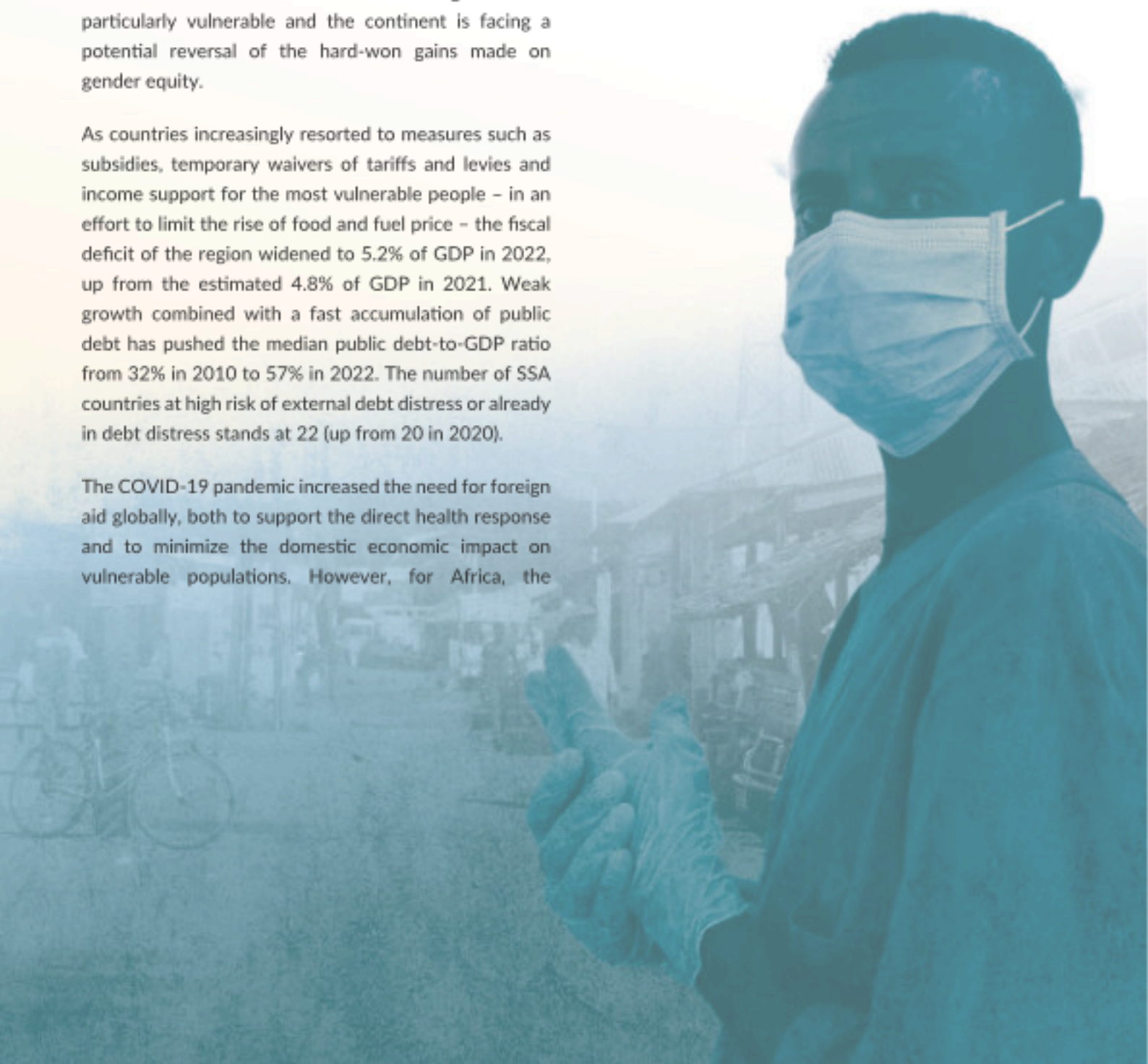
The effects of COVID-19 on Africa's development are manifested in the GDP reductions, high debt levels and falling government revenues. COVID-19 reduced international flows of trade, foreign aid, remittances and Foreign Direct Investments (FDIs) towards Sub-Saharan Africa. There is also increased extreme poverty levels. According to the UNECA 2023 Report, an additional 18 million new poor emerged in Africa in 2022. It is estimated that COVID-19 pandemic pushed an estimated 55 million Africans into poverty in 2020, reversing more than two decades of progress in poverty reduction on the continent. Women and girls remain particularly vulnerable and the continent is facing a potential reversal of the hard-won gains made on gender equity.

As countries increasingly resorted to measures such as subsidies, temporary waivers of tariffs and levies and income support for the most vulnerable people – in an effort to limit the rise of food and fuel price – the fiscal deficit of the region widened to 5.2% of GDP in 2022, up from the estimated 4.8% of GDP in 2021. Weak growth combined with a fast accumulation of public debt has pushed the median public debt-to-GDP ratio from 32% in 2010 to 57% in 2022. The number of SSA countries at high risk of external debt distress or already in debt distress stands at 22 (up from 20 in 2020).

The COVID-19 pandemic increased the need for foreign aid globally, both to support the direct health response and to minimize the domestic economic impact on vulnerable populations. However, for Africa, the

COVID-19 effect on foreign aid flows was negative and limited. COVID-19 spending did help lift foreign aid to an all-time high in 2020, but not the aid provided to Africa.

While the pandemic did not impact DAC members' planned ODA commitments and some were still able to rapidly mobilize additional funding to support developing countries facing exceptional circumstances, there was no additional flow of funds for Sub-Saharan Africa. The preliminary data in 2020 showed that net bilateral ODA flows from DAC members to Sub-Saharan Africa fell by 1% in real terms amounting to USD 31 billion.



## Trends of ODA Flows to Africa

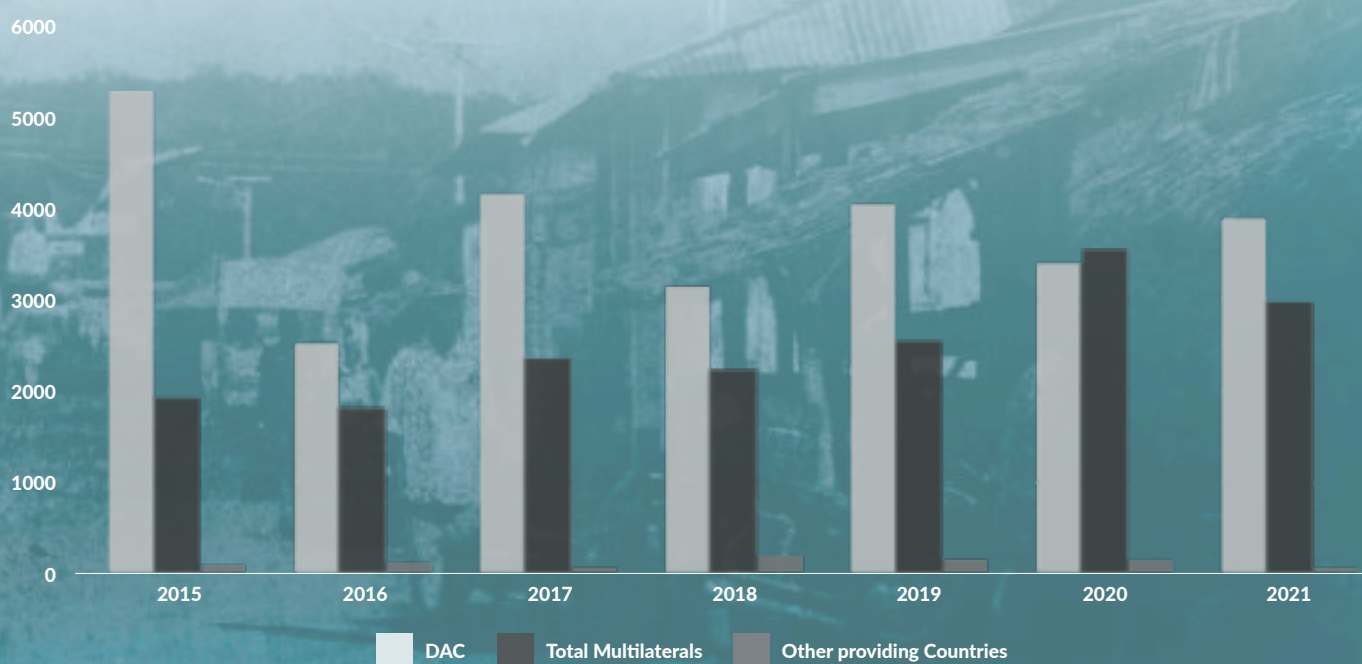
Africa's need for more concessional resources and grants during these tough fiscal times have not been met, while blended finance and non-concessional resources from multilateral development banks have prioritized projects that are beyond their reach. Support for social sectors, including health, social protection and gender equality before the pandemic, have not been sustained.

The Sub-Saharan African region, with a high concentration of LDCs, has experienced flat government revenue, and falling remittances and foreign direct investment (FDI). ODA remains a vital

part of the financing mix, outstripping all sources as a share of GDP except domestic revenue in Sub-Saharan Africa. ODA to SSA dropped by 7.8% from 2021 to 2022. (OECD 2023).

There is, however, increased outflows from multilateral organisations in 2021 to Sub-Saharan African Countries. Some 40.4% of multilateral ODA targeted SSA from 2012 to 2021, with an upward trend over the decade. This showed a decline when compared to an average 26.1% of bilateral ODA (see Chart 2). It also indicates that bilateral donors are increasingly channeling funds through multilateral agencies where concessionality is much lower – concessionality levels to Africa from multilateral remains at 55% while that of the bilateral is at 90%.

Chart 2: Total ODA, Private Sector, Other Official Flows Receipts

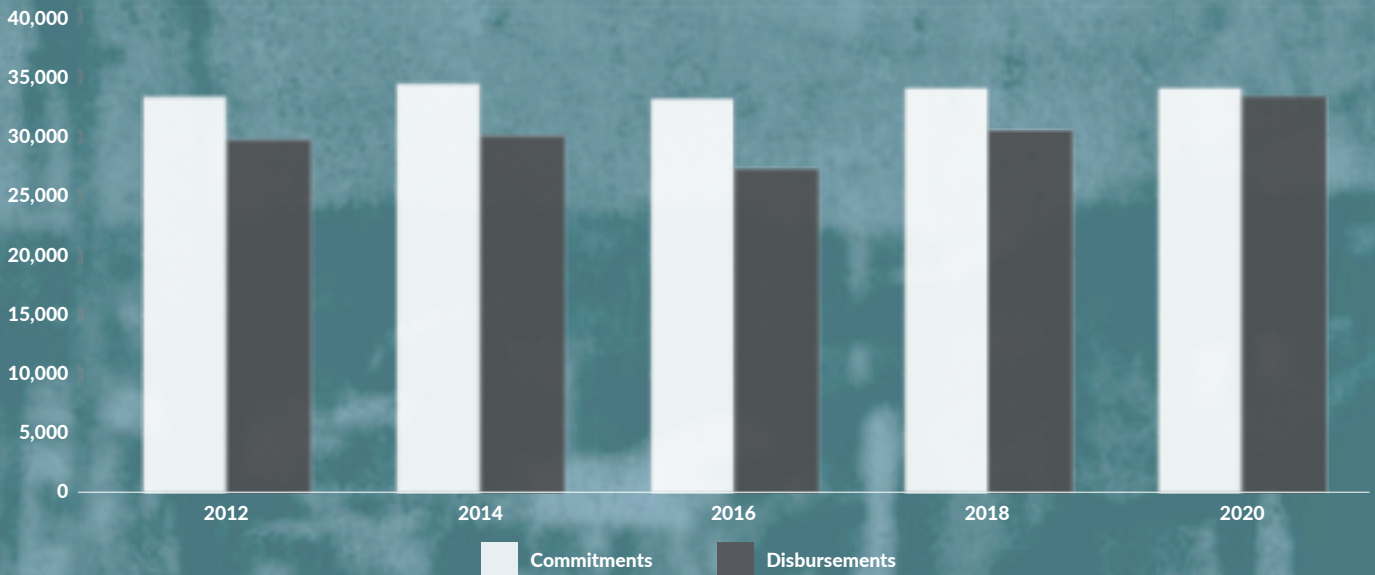


According to OECD statistics in 2023, ODA to Sub-Saharan Africa accounted for an average of 21.4% of DAC countries' bilateral ODA from 2020 to 2022. By comparison, ODA to Asia amounts to 23.2% of the total in the same period, despite countries in Asia facing lower intensity of need on average, and across several

indicators. Furthermore, there exists a huge ODA delivery gap between ODA commitments and ODA disbursements in any given year. The ODA gap averaged to USD 3.1 billion over the last seven years, implying that the continent is owed by donors over USD 22 billion in ODA commitments since 2015 (see Chart 3).

## ODA Commitments vs Disbursements

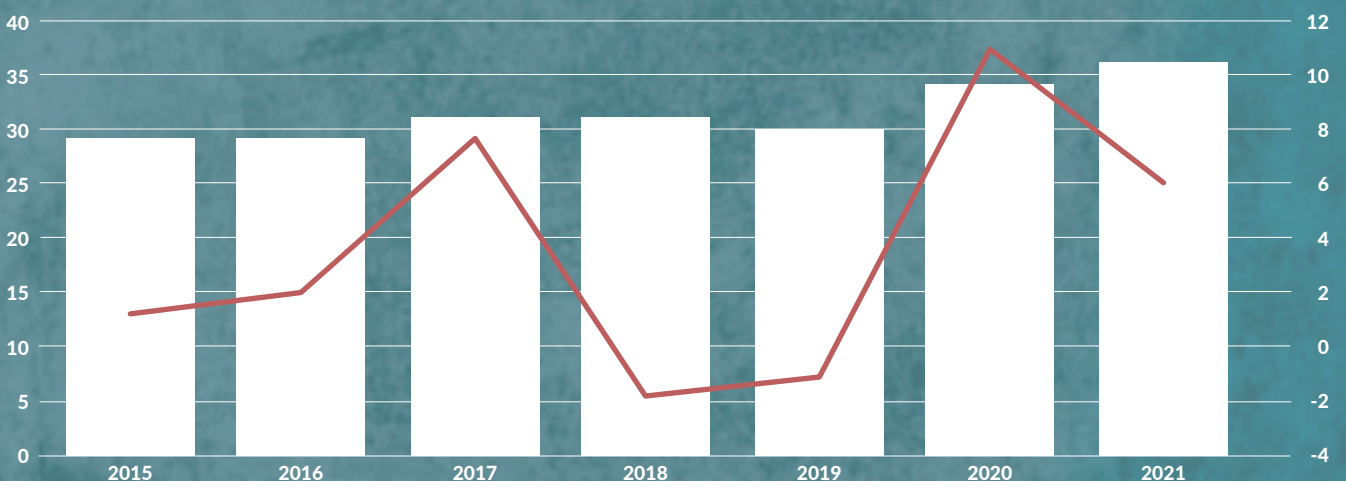
Chart 3: DAC ODA Flows to Sub-Saharan Africa - Commitments vs Disbursements



Foreign aid from official donors in 2022 rose to an all-time high of USD 204 billion, up from USD 186 billion in 2021, as developed countries increased their spending on processing and hosting refugees, and on aid to Ukraine, according to preliminary data collected by the OECD. The 2022 ODA total figure is equivalent to 0.36% of DAC donors combined gross national income (GNI). This is still below the United Nations target of 0.7% ODA to GNI. There was also a 0.7% decline in

bilateral ODA to Least Developed Countries (LDCs) in 2022 compared to the previous year. Preliminary data in 2022 show that net bilateral ODA flows from DAC countries to Africa was USD 34 billion, representing a drop of 7.4% in real terms compared to 2021. Within this total, net ODA to Sub-Saharan Africa was USD 29 billion, a fall of 7.8% in real terms. The figure illustrates the volatility of ODA flows to Africa, with falling ODA levels dominating the trend.

Chart 4: ODA Volatility in Africa





## Financial Leakages in Africa

Every year, an estimated USD 88.6 billion leave the continent as Illicit Financial Flows (IFFs) – about half of what Africa needs to finance and achieve sustainable development. These originated from three main sources: commercial, including tax evasion, trade mis-

invoicing and abusive transfer pricing (65%); criminal activities (30%); and bribery and theft by corrupt government officials and their collaborators (5%). Africa's annual IFFs are equivalent to 3.7% of its GDP (UNCTAD 2020). This amount is more than the combined total inflows of Foreign Direct Investment and Official Development Assistance for the period between 2020 to 2022, as illustrated in the chart below.

Chart 5: Financial Outflows vs. Inflows to Africa



Studies show that inadequate regulation of the financial system and capital account; trade openness in the context of weak regulation and poor governance; and poor institutional quality and excessive dependence on commodity exports are the major contributors to Illicit Financial Flows in Africa. At the same time, not enough ODA is channelled as a tool for supporting strong domestic resource mobilization systems.

For ODA to play its role in addressing IFFs, there will have to be increased investment by development partners and international organizations to Africa to strengthen capacity for tax assessment, including

through developing requisite skills, broadening knowledge and deepening experiences through training. There will also be a need to expand and strengthen their support to African countries to enact and implement policies and legislations to tackle transfer pricing, starting with a comprehensive review of all tax treaties, tax incentives and trade and investment agreements to eliminate all loopholes for Base Erosion and profit shifting and other Illicit Financial Flows. Currently, only USD 105 million is devoted to support trade policies for domestic resource mobilization in Sub-Saharan Africa.

## Conclusion

The key to ensuring that African countries are able to finance and develop social and economic infrastructure is to reach the right mix of blending domestic resources and sustainable external financing. This mix should expand fiscal space and provide enough room to enhance their capacity to provide public services, particularly those targeting the poor.

ODA could act as a catalyst to increase funding towards solving inequalities in education, health and other social sectors, and not by themselves taking over the funding of those sectors. It should be channelled as a tool for supporting the empowerment of governments and communities by targeting government and community institutions and policy-frameworks that build strong domestic resource mobilization systems while at the same time focusing on selected social sectors which are critical during humanitarian crises and pandemics.



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# Latin America and the Caribbean

By Henry Morales<sup>21</sup>, Reality of Aid - Latin America and the Caribbean

At present, Latin America and the Caribbean (LAC) presents us with heterogeneous and ever-changing political and economic scenarios, where there is no single formula to address the multiple structural problems faced by states in order to guarantee a decent and just life for their constituencies. The objective conditions for seeking change in the economic model, based on new paradigms of life, continue to be long-term bets in several countries. The immediate solution to socioeconomic problems is generated by different national and international political alternatives of a welfare nature, many of which are temporary and do not allow for a sustainable solution to the existing problems.

It is here where questions arise as to what to do in the face of an objective reality, where the causes of poverty and social and economic inequality are dictated by the unjust distribution of income and wealth, by the application of inadequate and unsustainable public policies and the continuous plundering of national wealth by transnational economic powers. This is a reality in which private capital (particularly transnationals), the international financial system (with licit and illicit financing) and the traditional local oligarchic powers dictate the rules of the game for the functioning of economies. It is in this scenario of

globalization where the concept of development and international financial assistance is taking shape within a complex framework of economic, political and social relations in which the region is inserted. The so-called Official Development Assistance (ODA) that reaches the region continues to evolve on the basis of a dominant economic thinking, where geopolitical and economic interests and priorities are applied between the traditionally called “donor” and “recipient” countries.

The current international scenario of multiple crises (financial, climate, economic recession, care, post COVID-19 and international armed conflicts, especially the NATO-Ukraine-Russia conflict) will continue to have direct repercussions on the operating logic of the aid system at the global level, and therefore towards the region in its different modalities: North-South (bilateral, multilateral, decentralized and private) and South-South. In this context, there is no doubt that there are new geopolitical and strategic rethinking and different views on the role that the ODA system should play in general, in which there are more and more critical voices from the region to demand that relations between “donors” and “recipients” should take place within a framework of relations of respect, solidarity, reciprocity, and that do not violate the sovereignty and self-determination of the people.

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## The Reality of Aid in the Region

Most Latin American and Caribbean countries have the status of middle-income countries (high or low) and this is one of the reasons for the decreasing levels of ODA from donors in recent years. However, this is a criterion that is not necessarily representative of the objective reality of each country. Per capita income is determined based on the Gross Domestic Product (GDP) of a country between its number of inhabitants, which does not mean that it is the real income for each person, rather an average estimate (World Bank 2019). Thus, poverty and economic exclusion rates exceed 65% of the regional population (OECD DAC 2023).

In relation to the figures provided by the OECD in 2023, during the last 13 years, the behavior of ODA has been significantly increasing in terms of financial flows. The following figure shows the annual behavior of financial flows, in which a relative annual increase can be seen, until reaching USD 205 billion in 2022. The average ODA to global GDP ratio over the last few years is .031%, well below the demanded 0.7%. According to Brian Tomlinson, “The 13.6% increase in ODA in 2022 (relative to 2021), while relatively commendable, paints a misleading picture, especially given that refugee costs (Ukraine) within donor countries hogged a significant share of donor funding, while core development areas were neglected”.

Figure 1: Net ODA from all donors worldwide for the period 2010-2022. Millions of USD in current figures.



Source: Prepared by the author with data from OECD DAC 2023

Figure 2 refers to the distribution of ODA made globally by all donors, according to the OECD (2023). We can see that Africa is the region that receives the largest flow of aid with 35% during the reference period of this analysis (2012-2021), followed by Asia with 29%,

America with 6%, Europe with 5% and Oceania with 1%. The item that the OECD determines as unspecified countries reaches 24% of the total. The percentages for the period are very similar to the annual behavior of ODA.

Figure 2: Net ODA Distributed by all donors by recipient region worldwide for the period 2012-2021. USD millions in current figures.



Source: Prepared by the author with data from OECD DAC 2023.

According to these data, the region of the Americas, which is made up of 46 countries: 33 countries in North and Central America and 13 countries in South America, received an average of 6% of global ODA during the period 2012-2021 (a percentage similar to annual behavior). The behavior of financial flows underwent minimal variations, which increased from 2020 onwards. The annual average over the last few years is approximately USD 10 billion, much lower than the average for Africa (USD 58 billion per year) and Asia (USD 47 billion).

Figure 3 shows the behavior of net ODA channeled to the Americas by recipient country for the period. The sub-region of Central America and the Caribbean received an average of 49.6% of the regional total while South America received 41% (the remaining 9% is

distributed among other regional and sub-regional investments). In bilateral terms, the countries that received the most during the period were Colombia (12% of the regional total), Haiti (9.7%), Brazil (8%) and Bolivia (6%). Among the justifications for being the largest recipients are the following: peace process in Colombia, humanitarian crisis in Haiti, environmental protection in the Brazilian Amazon, political crisis in Bolivia (coup d'état), and geopolitical priorities (limiting the rise of progressive governments, fight against drug trafficking and economic interests) that donors have in the region. Other aspects to consider are the high levels of poverty and exclusion experienced by more than 75% of the regional population. The figure shows ODA flows by country, by year and have been consolidated for the period 2012-2021.



Figure 4 shows the record of each donor in terms of funds allocated to the Latin American and Caribbean region for the period 2012-2021. The European Union was the main donor with 41% of the total while multilateral agencies channeled 32%. The country with the largest channeling of funds was the United States with 20%, followed by Germany with 12% and France with 10%. The European Commission contributed 10%

of the regional total. It is important to note that private donor funds have a greater presence in the region, channeling 5% of the regional total. In general terms, OECD DAC member countries channeled 65% of the regional total; G7 countries provided 51%; regional banks at 12%; and non-DAC countries at 3% (OECD DAC 2023).

Figure 4: Net ODA from all donors (OECD and Other Non-DAC) to the Latin America and the Caribbean region, 2012-2021. Millions of dollars at current prices.



## Regional ODA Trends for the Coming Years

Within the framework of building new economic proposals, the Latin America and the Caribbean region will see the strengthening of what some have called a post-neoliberal regionalism in the coming years. The coming to power of progressive governments is generating new political and economic perspectives that are once again being promoted within a challenging regional and global political, social and economic context. The challenge of building a new financial and economic architecture has been accompanied by diverse and varied regional initiatives (economic, financial and social), and various forms of solidarity and collaboration among the peoples and governments of

the region, especially within the framework of CELAC, UNASUR, MERCOSUR and the member countries (in the process of integration) of the BRICS.

We will continue to analyze and establish new guidelines on how to ensure that the financing for the development system is established within the global process aimed at making it more efficient and effective. In this context, the region will continue to discuss new ODA trends, such as Total Official Support for Sustainable Development (TOSSD), which, among other modalities, includes the sum of international development assistance that can be generated by governments, international bodies and the private sector, as funds aimed at promoting sustainable development, especially within the framework of the SDGs, the climate agenda and security, among others.



One of the most evident risks of the TOSSD is that non-reimbursable ODA will gradually decrease (Domínguez1 2020). It is a reality that of the global total of ODA reaching LAC, non-reimbursable ODA flows will be gradually reduced and the so-called credit resources or soft loans such as “blending” (a mixture of subsidized resources and loans-investments) will emerge more strongly.

Another factor in dispute and under review are the policies linked to the coherence of development assistance. In many of the region's countries, there is a demand for changes in the way aid guidelines and priorities are established. Traditionally, the point of reference for donor countries was to establish their policies and priorities on the basis of the supposed interests of ODA recipient countries, considering needs and demands. Nowadays, this procedure has changed and what are called sustainable development policies are applied, in which the criteria applied are a mixture of the interests of aid recipient and donor countries. The central question in these procedural changes is the existence of geopolitical and economic priorities, not necessarily established by the “beneficiary” countries, given that this orientation has always existed implicitly in the policies and priorities of donors. There is a tendency to prioritize the channeling of greater ODA to those countries that have a potential interest due to their mineral, energy and natural resource wealth. And in the geopolitical sphere, a prioritization towards countries that, through donor-allied governments, can stop or weaken progressive governments.

In the same perspective of the critical analysis of the lack of coherence of current ODA policies, the tendency to have greater flows of reimbursable assistance over non-reimbursable ones and the inclusion of the private sector as an agent of development within the framework of corporate social responsibility or in public-private partnerships will continue to generate doubts about the type of development cooperation that will be developed in the region. And, unfortunately, tied assistance, a practice with a long tradition in the region, will continue to establish trends in which the economic and investment interests of donor countries will

continue to be prioritized, especially in terms of goods and services.

The trends in ODA flows to the region in the coming years will be lower or similar to those of 2021. Bilateral ODA will be the most affected and multilateral ODA (mostly generated by international financial institutions) will have a greater financial flow, especially in loans and credits for development projects and programs. In other words, ODA will progressively change its humanistic logic towards a perspective of reimbursable financing (loans and credits). It is estimated that international financial institutions will increase their commitment of assistance, especially from the IDB and the World Bank. ODA arriving in the form of donations (non-reimbursable) will gradually decrease.

Prior to the COVID-19 pandemic, it was eminent that the SDGs were being left behind and with scenarios of non-compliance according to the established plans, especially due to reduced funding for their fulfillment. Now, in the midst of 2023 and given the impacts that the current crisis is generating, the chances of satisfactorily advancing the 2030 Agenda are more improbable. It is evident that donor countries and other entities channeling financing for development, as well as recipient countries in the region, prioritize investment in initiatives aimed at strengthening their commercial interest agendas and leaving priorities such as the climate agenda and the SDGs in the background.

There are two initiatives underway that should be monitored for their geopolitical implications and which are directly linked to the international cooperation priorities of donors in LAC: the United States is prioritizing an issue of geopolitical interest such as influencing to stop or reduce irregular migration from the LAC region to the United States, which underpins its Regional Development Cooperation Strategy (RDCS) 2022-2027. And on the part of the European Union, the promotion of the EU-LAC Global Gateway mechanism in which priorities are established in four major areas: a green and just transition; inclusive digital transformation; human development; and health resilience and vaccines.

In recent years, South-South Cooperation (SSC) has become a fundamental pillar in the process of transition to a new economic and political agenda in the region. This is based on strengthening the role that corresponds to the states as guarantors in the conduction of the countries' development strategies. CELAC is undoubtedly the most ambitious political organization for the articulation of all Latin America and the Caribbean, which presents great challenges and challenges for its activation, as well as for strengthening the necessary mechanisms for a broad and inclusive participation of its SSC, mainly towards the countries of the region. In other coordination spheres (Mercosur,

Unasur, OAS, SEGIB, SICA, ECLAC, among others), there is a wide and diverse mobilization of experiences, initiatives and capacities, which show difficulties in harmonizing and aligning their actions. The deployment of collaborations that currently exist in SSC is an example of the strengthening of this new modality of integration in the region. In the case of most SSC recipient countries, they continue to face difficulties in transforming themselves into cooperation providers, despite the fact that the region has a wide range of history, experiences and lessons learned that are not being adequately shared.



## Conclusion

A major factor in the distribution of ODA in the region is the conditioning on the type of income that each country has, which is assumed as a basis for establishing the level of priority for channeling assistance, a criterion that is not necessarily adjusted to the reality of the needs of the different countries. These criteria are causing assistance to be increasingly limited to countries with middle-income status, even though their poverty and economic marginalization or inequality indicators are of great concern. Currently, development assistance is at the crossroads between becoming a redistribution mechanism aimed at contributing to global efforts to help the most marginalized and excluded populations achieve greater social and economic welfare, and becoming an eminent channeling mechanism for funds aimed at promoting economic growth based on certain trade rules and the promotion of the market economy.

There is a clear trend of reduction in non-reimbursable ODA and an accelerated increase in reimbursable assistance (loans and credits) in a context of deficient coordination and harmonization in the channeling and execution of assistance. Development-oriented loans and credits, which is the new orientation of ODA in general, are not established under sufficiently favorable conditions, which is generating a lack of control in the management of concessionality rates and is not guaranteeing objective conditions to avoid the accumulation of unsustainable debt in the recipient countries.

It is clear that in the current regional context in LAC, the geopolitical weight that the ODA system had some years ago, and especially the hegemonic power of some donor countries (the United States in particular), especially due to the use of this mechanism as a tool for pressure and conditioning, will be increasingly weakened and questioned. In several countries of the region, there is an orientation to demand that ODA ceases to be a factor of interference and political destabilization. To demand that financing be directly linked to national agendas and priorities and especially that it not violate regional sovereignty. This reality will undoubtedly cause the gradual reduction of ODA flows. In the current global context, LAC is not a priority for the ODA system, especially for those countries that make up the OECD DAC.

From the perspective of SSC in Latin America and the Caribbean, it is evident that each regional experience will continue to have its own agenda, as well as each country in which there are differentiated practices conditioned by the type of government they have, something that also varies over time. SSC at bilateral, multilateral and regional levels is generally the result of agreements established among governments or official entities among countries, whose interests and political orientations change. The SSC that currently exists in the region continues to be discretionary and is generally the result of political-diplomatic relations between countries and institutions, or of agreements established in forums and spaces of political articulation.



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# Asia and the Pacific

by Reality of Aid - Asia Pacific

The multiple crises brought on by COVID-19, the effects on the Russian war on Ukraine, and climate change caused setbacks for people-centred development in Asia Pacific. Colonial exploitation followed by decades of unequal trade and investment agreements and predatory lending practices that kept countries in debt, financed extractive economies and solidified neoliberal policies have weakened the ability of developing countries to respond to the multiple crises in a manner that upholds people's rights. As the pandemic unfolded, jobs and income losses pushed around 80 million more people in Asia Pacific into extreme poverty<sup>22</sup>. Hunger also worsened in the region as a quarter of the population experienced moderate or severe food insecurity during 2020 and 2021.<sup>23</sup>

As the world slowly emerged from the worst of the pandemic, the Russian invasion of Ukraine brought on new challenges as the region grappled with food and energy price inflation. The war has caused major economic difficulties in Asia because of the disruption of global supplies of agricultural and energy commodities coming from Ukraine and Russia, driving up inflation and increasing hunger in the region. Meanwhile, worsening climate change-induced disasters such as heatwaves, droughts, floods, strong typhoons, and rising sea levels are already damaging food systems, and endangering the jobs, health, and safety of millions of people in the region, and further impair their capacity to recover from the pandemic. Overall, these crises, coupled with the rising wall of debt

<sup>22</sup> Jerving, S. (2021). Extreme poverty rose by 80 million in Asia and Pacific due to COVID-19. Retrieved from <https://www.devex.com/news/extreme-poverty-rose-by-80-million-in-asia-and-pacific-due-to-covid-19-100672>

<sup>23</sup> FAO. (2022). The State of Food Security and Nutrition in the World 2022

that developing countries need to pay, are blocking the path towards people-centered recovery and sustainable development. Furthermore, the multiple crises affected women disproportionately as precarious work<sup>24</sup>, hunger<sup>25</sup>, and the negative impacts of austerity and climate change were particularly worse for women.

Social unrest worsened as a result of the crises and people's dissatisfaction with the governments' response. During the pandemic, both in-person and online protests continued. In Thailand, youth groups carried out demonstrations calling for political reforms<sup>26</sup>. In Indonesia, workers launched massive protests against the Omnibus Law which will harm labour rights and heighten extractivism<sup>27</sup>. In India, farmers continued their camps against the three laws that will decrease government protection of farmers and increase the private sector's control of agricultural markets<sup>28</sup>. These protests have been met by violence and repression. Online protests were also conducted across various countries to air grievances and oppose government's often militarised lock downs and inadequate delivery of aid.

Meanwhile, geopolitical tensions continue to brew and also impact how aid is delivered in the region. Military and economic alliances are being formed by the United States with countries in the region to contain the expansion of China's economic and military power. Aside from building military bases in countries such as Japan, South Korea, Australia, and the Philippines, the US has been nurturing relations with formations such as the QUAD (US, India, Japan, and Australia), the AUKUS (Australia, United Kingdom, and United States), as well as the ASEAN (Association of Southeast Asian Nations) on various security, military and economic initiatives.

The ASEAN, for example, has been a platform for the US to promote a "rules-based order" in Southeast Asia in order to prevent China from controlling the maritime territories and the expansion of its economic interests in the sub-region. The recent US-led Indo-Pacific Economic Framework (IPEF)<sup>29</sup> and Blue Dot Network are being proposed to counter China's economic influence, including China's infrastructure drive through the Belt and Road Initiative (BRI). The China-Taiwan tensions have also been used by the US to maintain influence in the region and protect its economic interests in Taiwan's semiconductor industry. On the other hand, the Russia-Ukraine war has been met with differing responses from Asian leaders, from a statement of support for Russia from Myanmar<sup>30</sup>, trying to broker for peace such as China, calls for peace while maintaining economic links such as Thailand and India, and playing both sides such as Pakistan which has increased its oil and wheat imports from Russia while supplying weapons and ammunitions to Ukraine.<sup>31</sup>

These multiple crises have shaped and at the same time, were also shaped by how aid is provided and implemented in the region. Aid can be instrument for people-centered development and for facilitating redistributive justice from the Global North countries who have massively benefited from histories of colonialism and neo-colonial practices, to the Global South countries whose economies have for a long time, served as sites for profit extraction for the elite and the Global North. While advances in reforming aid policies have been achieved since Accra in 2008, aid in Asia Pacific is still replete with practices that prevent developing countries in the region from achieving their development objectives.

<sup>24</sup> UNESCAP. (2022). The workforce we need.

<sup>25</sup> FAO. (2022). The State of Food Security and Nutrition in the World 2022.

<sup>26</sup> Robinson, G., Macan-Markar, M., & Turton, H. (2020, October 21). Thai protests build as pandemic fuels unrest across Southeast Asia. *Nikkei Asia*. <https://asia.nikkei.com/Spotlight/The-Big-Story/Thai-protests-build-as-pandemic-fuels-unrest-across-Southeast-Asia>

<sup>27</sup> IndustriAll. (2021). Mass demonstrations against Indonesia's Omnibus law. <https://www.industriall-union.org/mass-demonstrations-against-indonesias-omnibus-law>

<sup>28</sup> Bhardwaj, M. (2021, April 19). Amid COVID chaos and protests, India's farmers eye record wheat crop. *Reuters*. <https://www.reuters.com/world/india/amid-covid-chaos-protests-indias-farmers-eye-record-wheat-crop-2021-04-29/>

<sup>29</sup> Members of the IPEF are India, Japan, United States, Australia, Fiji, New Zealand, South Korea, Brunei, Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam.

<sup>30</sup> <https://asia.nikkei.com/Spotlight/Asia-Insight/How-Ukraine-war-shook-and-shaped-Asia-in-2022>

<sup>31</sup> <https://www.hindustantimes.com/india-news/pak-deception-on-ukraine-plays-russia-for-oil-supplies-arms-to-kyiv-101682307179039.html>

## 0.7% GNI Official Development Assistance (ODA) commitment still not met

Preliminary data released by the Organisation for Economic Cooperation and Development (OECD) show that total official development assistance (ODA) figures reached an all-time high of USD 211.3 billion in real terms in 2022<sup>32</sup> (see Figure 1). This signals a 13.6% effect of the pandemic on developing countries hit the hardest.

However, the increase in ODA levels is still not enough to meet the 0.7% of gross national increase from 2021. According to the OECD, it is one of the highest growth rates recorded in the history of ODA<sup>33</sup>, which grew only

4% in 2020 and 8% in 2021 – years when the income (GNI) commitment made by provider countries in 1970. Total ODA in 2022 only translated to 0.36% ODA as percent of GNI, which is only a little bit over half of the 0.7% of GNI commitment. This commitment has long been unmet for more than half a century. In fact, 0.36% is the highest level of ODA as percentage of GNI that provider countries have collectively given since 1970. This was achieved only two times, in 2022 and more than 40 years earlier, in 1982 (see Figure 2).

Having met only 0.36% of GNI means provider countries owe developing countries around USD 3.9 trillion in ODA. This could be used to ‘rescue’ the sustainable development goals and put them on track, which, according to the United Nations Conference on Trade and Development (UNCTAD) face a USD 4 trillion annual investment gap<sup>34</sup>.

Figure 1. ODA Flows from 2018 to 2022 (in million USD, constant 2021)<sup>35</sup>

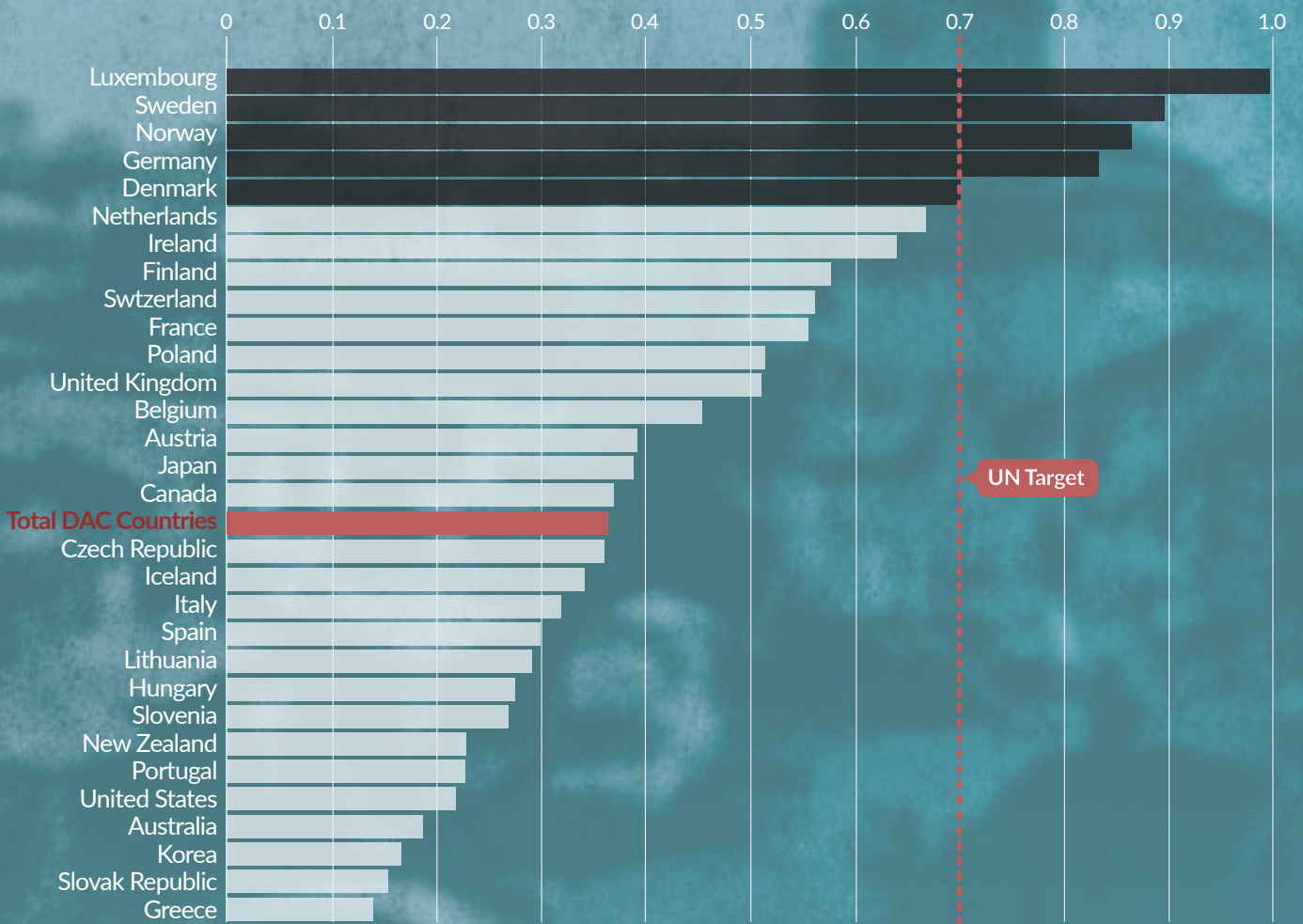


<sup>32</sup> OECD.Stat. (2023). DAC1-Total official and private flows. <https://stats.oecd.org/Index.aspx?DataSetCode=TABLE1>

<sup>33</sup> OECD. (2023). ODA Levels in 2022 – preliminary data, detailed summary note. <https://www.oecd.org/dac/financing-sustainable-development/ODA-2022-summary.pdf>

<sup>34</sup> UNCTAD. (2022). Closing investment gap in global goals key to building better future. <https://unctad.org/news/closing-investment-gap-global-goals-key-building-better-future>

<sup>35</sup> OECD Stat. DAC1. Accessed 31 July 2023

Figure 2. ODA as percent of GNI since 1960 (graph lifted from OECD)<sup>36</sup>

<sup>36</sup> OECD. April 2023 preliminary figures. <https://public.flourish.studio/story/1882344/>



## Aid is not only inadequate, it is also debt-creating

Increased aid is needed to address the multiple challenges in the region. However, aid must not push developing countries deeper into debt, which could worsen the poverty, hunger, and inequality in the region.

In 2019, the UNESCAP estimated that an annual investment of USD 1.3 trillion is needed to implement the 2030 Agenda.<sup>37</sup> Scaling up of health systems to achieve targets under Sustainable Development Goal (SDG) 3 (Good Health and Well Being) will need USD 158 billion annually through 2030, while an additional investment of USD 880 million per year in the same period is needed for emergency preparedness, risk management and response, as part of the health system.<sup>38</sup> In terms of climate finance, the Asian Development Bank (ADB) in 2015 estimated that at least USD 40 billion annually is needed by Asian countries to adapt to climate change<sup>39</sup>. The International Energy Agency (IEA), on the other hand, estimated that Southeast Asia needs an annual investment of around USD 180 billion in clean energy by 2030<sup>40</sup>. The International Monetary Fund (IMF) in 2021 estimated that the Pacific region needs USD 100 billion in the next 10 years for climate adaptation.<sup>41</sup> These estimates have potentially increased due to the setbacks caused by COVID-19 and the Russian war on Ukraine.

Available data however shows that aid did not meet even half of the financing needs mentioned above.

<sup>37</sup> ESCAP. (2022). Economic and Social Survey of Asia and the Pacific 2022. [https://www.unescap.org/sites/default/d8files/knowledge-products/Survey2022\\_1.pdf](https://www.unescap.org/sites/default/d8files/knowledge-products/Survey2022_1.pdf)

<sup>38</sup> Ibid.

<sup>39</sup> ADB. (2015, July 1). Major Boost in Finance is Key to Helping Asia Manage Climate Change. <https://www.adb.org/news/features/major-boost-finance-key-helping-asia-manage-climate-change>

<sup>40</sup> Singleton, L. (2023, March 23). Scale up of clean energy funding in Southeast Asia needed to meet climate goals. <https://www.imperial.ac.uk/news/243991/scale-clean-energy-funding-southeast-asia/>

<sup>41</sup> Fouad, M., Schneider, T., Novta, N., Preston, G., & Weerathunga, S. (2021, September 30). Unlocking Access to Climate Finance for Pacific Island Countries. <https://blog-pfm.imf.org/en/pfmblog/2021/09/unlocking-access-to-climate-finance-for-pacific-islands-countries>

<sup>42</sup> Oxfam. (2022). Climate finance in Asia: Assessing the state of climate finance in one of the world's most climate vulnerable regions. <https://policy-practice.oxfam.org/resources/climate-finance-in-asia-assessing-the-state-of-climate-finance-in-one-of-the-wo-621445/>

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> Casali, R. (2023, May 5). Navigating the Legacy of the COVID-19 Pandemic: Managing Public Debt to Support a Rebounding Asia Amid Global Uncertainty. <https://www.adb.org/news/speeches/navigating-legacy-covid-19-managing-public-debt-rebounding-asia-uncertainty-roberta-casali>

ODA from DAC countries to Asia Pacific continuously increased between 2018 and 2021 before dropping in 2022 (see Figure 3). At its highest level of USD 34.32 billion (constant 2021) in 2021, however, is still not enough to meet neither the health systems upgrade in the region nor the climate adaptation needs of the region. Committed climate finance is also inadequate. According to Oxfam, “USD 113 billion in climate finance was committed to Asia between 2013-2020, an average of USD 14 billion per year”<sup>42</sup>. Two thirds of this finance is allocated for mitigation while only one third going to adaptation, which is disturbing since the region’s population is the most vulnerable to climate change and will need to adapt<sup>43</sup>.

Not only is aid not enough, it is also debt-creating. Data from the OECD show that the amount of ODA channeled as loans is increasing (see Figure 4). Right in the middle of a pandemic, ODA loans more than doubled in 2020 from the 2019 levels, and continuously increased in 2022. Similarly, climate finance in the region was mostly in the form of loans. Of the USD 113 billion committed to the region between 2013-2020, the total grant equivalent is only 43%.<sup>44</sup>

According to the ADB, “Between 2019 and 2021 alone, public debt in developing Asia rose by over 8% of gross domestic product (GDP) on average, with some countries increasing by almost 50%, as the pandemic forced governments to borrow and spend more to support lives and economies, just as tax revenues were falling”.<sup>45</sup> Table 1 shows that indeed, government debt-to-GDP ratios of many developing countries in Asia Pacific worsened during the pandemic.

Developing countries also continued and even increased their external debt servicing during the pandemic, at a time when spending to save lives and ensuring social safety nets are in place to alleviate the impacts of the pandemic should take priority. Debt servicing often impacts public spending on services by channeling public funds into loan repayments (see Table 2).

The DAC's humanitarian ODA increased by 8.5% over 2021, and reached a historical peak of USD 23.9 billion in 2022. This is mainly because of the increase in the ODA sent to Ukraine.<sup>46</sup> Meanwhile, DAC humanitarian ODA to Asia Pacific (see Figure 5) decreased by 12% between 2021 and 2022. The top 15 humanitarian ODA recipients in Asia Pacific are listed in Table 3. Except for

Afghanistan, Pakistan, Philippines, and Sri Lanka, these countries experienced a cut in the humanitarian ODA they received from DAC countries between 2021 and 2022. This decrease in aid resulted in not meeting humanitarian needs. For example, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) assessed in 2022 that Afghanistan would need USD 4.4 billion in humanitarian assistance while Myanmar would need USD 826 million. The amounts provided by DAC members fell short to meet these needs. Even with the combined amount disbursed by official and private donors in 2022 for Afghanistan (USD 2.2 billion) and Myanmar (USD 232.6 million) were not sufficient.<sup>47</sup>

Figure 3. DAC ODA to Asia and Pacific from 2018 to 2022 (in million USD, constant 2021)<sup>48</sup>

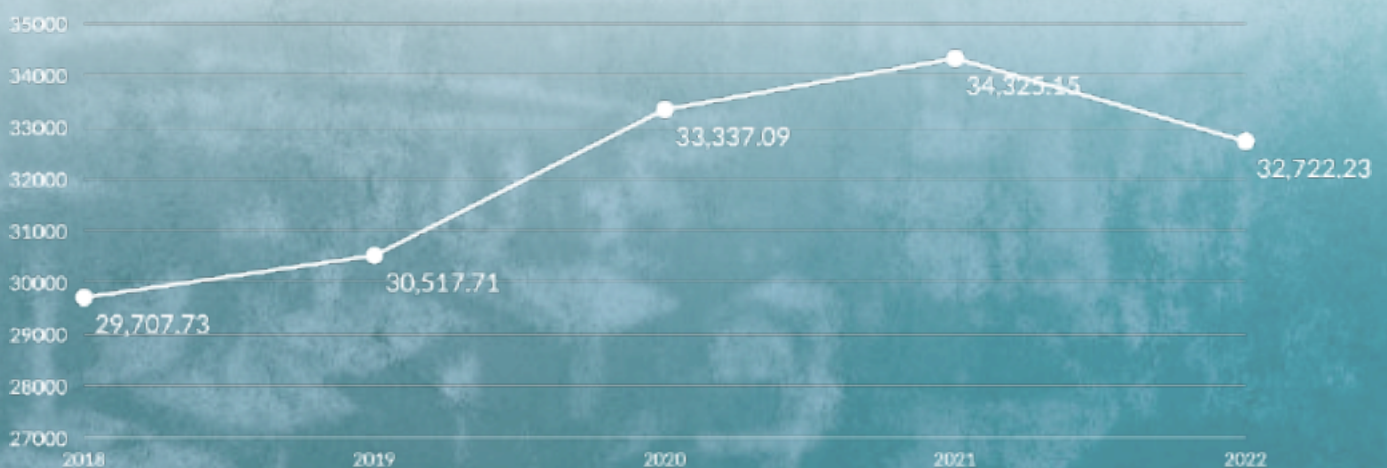
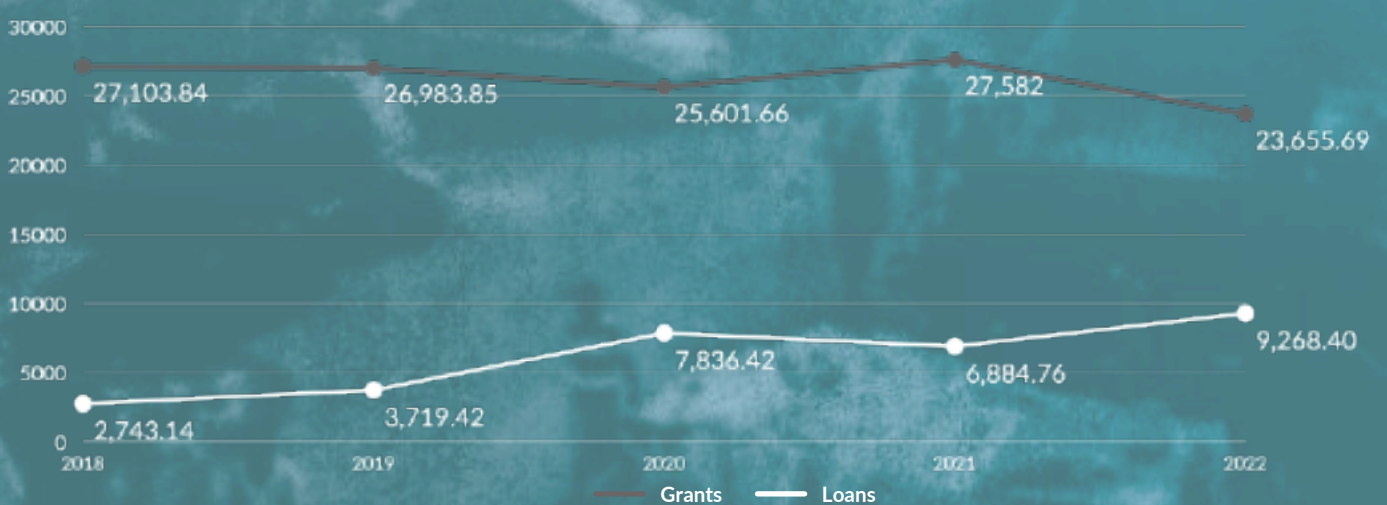


Figure 4. DAC ODA Grants and Loans in Asia Pacific (in million USD, constant 2021)<sup>49</sup>



<sup>46</sup> <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm>

<sup>47</sup> Calculated from OECD data

<sup>48</sup> <https://data-explorer.oecd.org/>

<sup>49</sup> <https://data-explorer.oecd.org/>

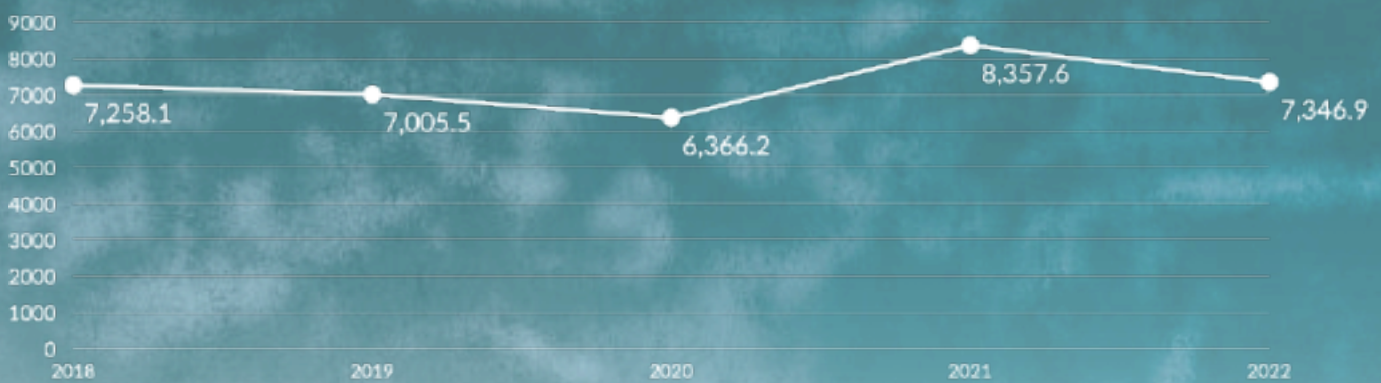
Figure 5. DAC Humanitarian ODA to Asia Pacific (in million USD, constant 2021)<sup>50</sup>

Table 1. Government Debt as % of GDP

Government Debt % of GDP	2017	2018	2019	2020	2021
Bhutan*	111.7	113.4	106.5	130.9	132.4
Mongolia	102.8	90.7	79.2	97.4	79.8
Sri Lanka*	72.3	83.6	82.6	95.7	103.1
India	69.7	70.4	75.1	89.2	84.2
Lao P.D.R.*	57.2	59.7	62.0	82.7	93.5
Pakistan*	60.9	64.8	77.5	79.6	74.9
Fiji*	42.2	44.8	48.4	68.9	86.1
Malaysia	54.4	55.6	57.1	67.7	69.0
Kyrgyz Republic	58.8	54.8	51.6	67.6	61.1
Philippines	38.1	37.1	37.0	51.6	57.0
Tajikistan	47.7	46.3	43.1	50.4	44.4
Papua New Guinea*	32.5	36.7	40.2	47.1	50.9
Thailand	32.5	34.0	34.0	45.2	52.8
Tonga*	45.6	45.9	41.3	43.6	47.5
Samoa*	46.7	49.4	44.3	43.2	46.3
Nepal*	25.0	30.1	33.1	42.4	45.8
Vietnam	46.3	43.7	41.3	41.7	39.7
Tanzania	40.7	40.5	39.0	40.5	40.7
Indonesia	29.4	30.4	30.6	39.8	41.2
Myanmar*	38.5	40.4	38.8	39.3	62.3
Uzbekistan	19.3	19.7	28.4	37.6	35.8
Cambodia	30.0	28.4	28.2	35.2	36.3
Bangladesh*	28.6	29.6	31.7	34.2	35.5
Kazakhstan	19.9	20.3	19.9	26.4	25.1
Marshall Islands	25.6	24.5	24.8	21.6	19.8
Kiribati	21.3	19.8	20.1	19.0	17.6
Micronesia, Fed. States of	21.9	19.6	17.8	18.3	15.0
Timor-Leste*	6.6	9.1	11.3	13.7	14.1
Solomon Islands*	8.5	8.1	7.9	13.7	16.5
Turkmenistan	19.8	18.9	15.3	13.1	11.1
Afghanistan*	8.0	7.4	6.1	7.4	no data
Tuvalu*	12.0	11.8	11.5	7.3	6.0
Brunei Darussalam*	2.8	2.6	2.6	2.9	2.5

\*Central government debt. Data from the IMF Global Debt Database<sup>51</sup>

<sup>50</sup> <https://data-explorer.oecd.org/>

<sup>51</sup> IMF. (2023). Global debt database. <https://www.imf.org/external/datamapper/datasets/GDD>. Accessed 20 May 2023.

Table 2. Asia Pacific Countries Government External Debt Payments as % of Government Revenue (Data from Debt Justice)<sup>52</sup>

Country	2019	2020	2021	2022
Sri Lanka	47.0	59.3	57.0	80.5
Lao People's Democratic Republic	26.7	26.6	26.1	52.9
Pakistan	20.4	22.9	30.9	40.0
Bhutan	9.1	6.2	14.4	38.9
Maldives	27.0	26.2	53.3	36.8
Mongolia	10.7	30.7	24.8	28.4
Turkmenistan	36.1	34.2	23.6	13.8
Myanmar	5.6	3.9	24.3	13.4
Indonesia	13.3	21.0	23.4	12.8
Samoa	10.0	7.5	5.1	12.2
Tajikistan	10.4	9.3	10.4	10.3
Cambodia	4.3	5.8	6.8	9.5
Tonga	2.6	2.8	1.6	9.1
Kyrgyzstan	7.1	8.6	6.4	8.9
Bangladesh	7.1	6.8	7.6	8.3
Papua New Guinea	10.7	28.3	15.9	8.0
Fiji	11.8	23.3	2.7	7.1

Table 3. DAC Humanitarian ODA to Asia Pacific Countries (in millions USD, constant 2021)<sup>53</sup>

Country	2018	2019	2020	2021	2022	Average past 5 yrs.
Syrian Arab Republic	2,079.97	2,003.67	1,975.29	1,656.31	1,297.5	1802.6
Yemen	1,155.34	1,371.03	1,277.95	1,296.51	1,276.71	1275.5
Afghanistan	385.24	380.09	415.6	1,637.74	1,899.62	943.7
Iraq	1,122.64	847.1	565.31	420.88	200.71	631.3
Lebanon	509.72	477.8	419.22	404.49	402.25	442.7
Bangladesh	415.14	535.87	419.62	440.11	363.71	434.9
Jordan	401.02	398.73	316.46	300.48	279.32	339.2
Palestinian Authority or West Bank and Gaza Strip	299.74	238.51	220.07	302.41	271.27	266.4
Myanmar	159.6	224.76	181.08	186.08	167.71	183.9
Pakistan	96.05	58.61	93.95	50.98	172.84	94.4
Nepal	100.59	92.26	69.74	53.57	34.58	70.1
Philippines	66.64	27.71	31.55	23.95	51.97	40.3
Thailand	23.22	25.79	18.45	27.32	29.21	24.8
Iran	13.29	19.77	22.74	13.93	13.59	16.7
Sri Lanka	4.69	2.7	1.6	2.34	50.12	12.3

<sup>52</sup> Debt Justice. (2023). Debt data portal. <https://data.debtjustice.org.uk/>. Accessed 31 July 2023.

<sup>53</sup> <https://data-explorer.oecd.org/>

## Channeling of ODA to Support Private Sector

ODA levels are already below commitments and not enough to support the development objectives of developing countries. And yet, a portion of this scarce resource is diverted towards initiatives driven by profit. Two main channels this is being done is through private sector instruments and blended finance. Private sector instruments (PSIs) are financing instruments that ODA providers can use to make direct investments in private enterprises or in 'PSI vehicles' – such as development finance institutions (DFIs), investment funds, or other special purpose vehicles – which in turn invest in private entities (e.g. enterprises or investment funds) in developing countries. PSIs include loans to private sector entities, equity investments, mezzanine finance instruments, guarantees, and capital contributions to

DFIs.<sup>54</sup> Meanwhile, blended financing involves the use of development finance such as ODA to de-risk, and thereby, attract private finance.<sup>55</sup> PSI in Asia Pacific grew from USD 213.53 in 2018 to USD 800.95 million in 2020 before dropping to USD 569.96 in 2021. Both PSI and blended finance are supposed to complement inadequate public finance by increasing the private sector's involvement in development. However, OECD's data for Asia Pacific show that both PSI and blended finance tend to be heavily concentrated in lower-middle income (LMICs) and upper middle income countries (UMICs), instead of countries with more difficult challenges such as least developed countries (LDCs), small island developing states (SIDS) and land-locked developing countries (LLDCs) (see Figures 6 & 7). Instead of channeling more resources towards grants that directly target poverty and address inequalities in countries that need it most, aid money was invested instead in more profitable countries.

Figure 6: Share of PSI by country classification in Asia Pacific (2017-2021 average)<sup>56</sup>

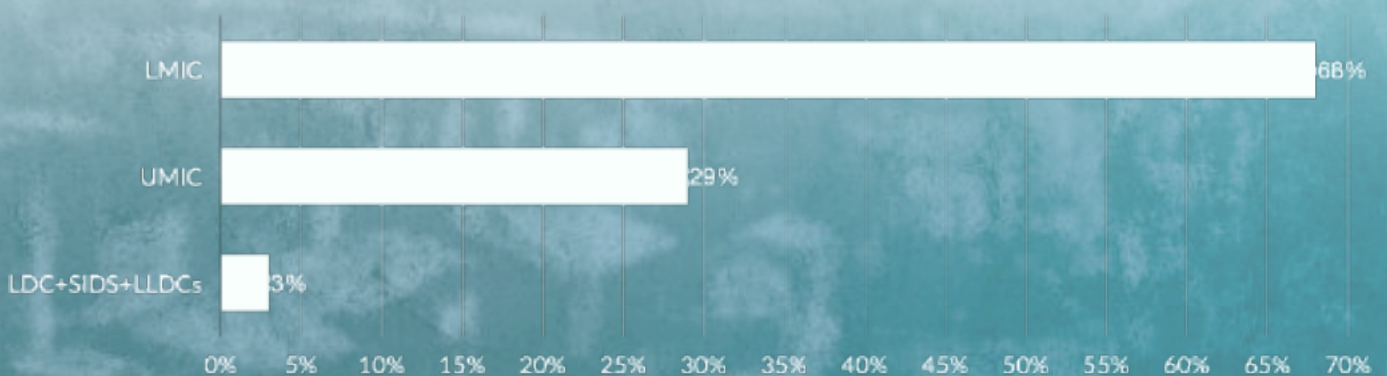
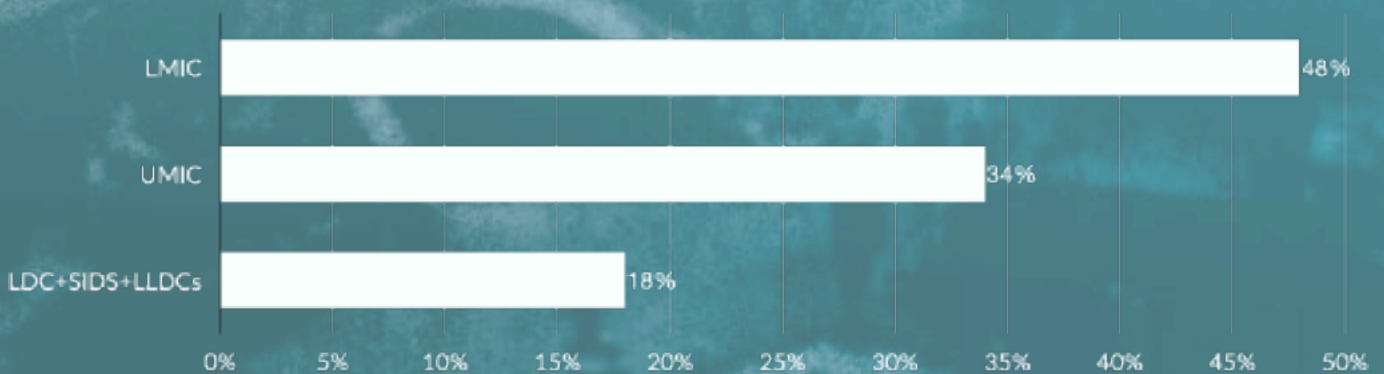


Figure 7. Mobilised private finance by country classification in Asia Pacific (2017-2021 average)<sup>57</sup>



<sup>54</sup> Caio, C., & Craviotto, N. (2021, February). Time for action: How private sector instruments are undermining aid budgets. [https://www.eurodad.org/time\\_for\\_action](https://www.eurodad.org/time_for_action)

<sup>55</sup> OECD. (n.d.) Blended finance. <https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/>

<sup>56</sup> OECD Stat. CRS grant equivalent. Accessed 31 July 2023. LMIC and UMIC categories excluded countries also classified as SIDS, LDC, and LLDC.

<sup>57</sup> OECD Stat. Mobilisation. Accessed 31 July 2023. LMIC and UMIC categories excluded countries also classified as SIDS, LDC, and LLDC.

## Competing geopolitical interests and military aid

Geopolitical tensions continue to worsen in Asia Pacific as economic powers compete to protect their economic and security interests in the region. The revival of the Quadrilateral Security Dialogue or the “Quad” (US, Japan, Australia, and India) alliance in 2017 signaled a renewed partnership among these countries to counter China’s emergence as a global economic and military power. Together, these countries have built cooperation on climate, COVID-19 vaccines, critical and emerging technologies, as well as military cooperation through aid and joint exercises.

The United States and Japan in particular are significant players in disbursing military aid to Asia Pacific to promote their own security agenda. Between 2018 to 2022, the US disbursed USD 9.71 billion to the region<sup>58</sup>. Within this five-year period, the top countries that received the largest amounts of US military aid are Afghanistan (USD 7.86 billion), the Philippines (USD 531.66 million), Pakistan (USD 424.28 million), Malaysia (USD 197.91 million), Vietnam (USD 162.58 million) and Indonesia (USD 130.90 million).

In July 2023, the US announced a USD 345 million military aid package to Taiwan to counter military threats from China<sup>59</sup> and maintain its economic interests in the country, particularly in the semiconductor industry<sup>60</sup>. Meanwhile, Japan is considering disbursing military assistance through its Overseas Security Assistance (OSA). The OSA will provide financial support to help ‘like-minded’ countries strengthen their defenses through supporting satellite communication

and radio systems for maritime surveillance.<sup>61</sup> Among the first expected beneficiaries are the Philippines and Malaysia, two countries that have ongoing maritime disputes with China. Announced in April 2023, the OSA program will operate independently from Japan’s ODA programme which has restrictions on Japan’s use of foreign aid for military purposes.

Meanwhile, China has also begun extending military assistance, though not as large as the US’ military aid to countries in Asia Pacific to secure its own relationships. Chinese military aid is highly non-transparent. However, SIPRI’s research revealed that between 2000 to 2020, China delivered USD 27.4 million worth of military aid to Fiji, Tonga, Papua New Guinea, and Vanuatu, along with other military equipment and vehicles, uniforms, and personnel training.<sup>62</sup> China also donated to the Philippines between 2013 to 2018 USD 21 million worth of military aid, including USD 7 million in rifles and ammunition in 2017 and USD 14 million worth of patrol boats in 2018.<sup>63</sup> In 2022, The Philippines also received around USD 10.5 million worth of military equipment, including rescue and relief equipment, drone systems, detectors, water purification vehicles, ambulances, fire trucks, x-ray machines, EOD robots, bomb disposal suits and transport vehicles; and engineering equipment such as backhoes, dump trucks, forklifts and earthmovers.<sup>64</sup>

Military-related disbursements can also be part of ODA flows. Under the 2016 revised rules for reporting ODA, peace and security expenses for military and police training to ensure public safety in partner countries, including the supply of military equipment and activities preventing violent extremism, are now included as part of ODA.<sup>65</sup> These are usually reported under Conflict,

<sup>58</sup> [www.foreignassistance.gov](http://www.foreignassistance.gov)

<sup>59</sup> Merchant, N., Knickmeyer, E., Miller, Z., & Copp, T. (2023, July 30). US announces \$345 million military aid package for Taiwan. AP News. <https://apnews.com/article/taiwan-military-aid-china-support>

<sup>60</sup> Hawkins, A. (2023, May 22). China’s war chest: how the fight for semiconductors reveals the outlines of a future conflict. Guardian. <https://www.theguardian.com/world/2023/may/22/chinas-war-chest-how-the-fight-for-semiconductors-reveals-the-outlines-of-a-future-conflict>

<sup>61</sup> Kaizuka, J. (2023, April 11). Japan’s Official Security Assistance: The Sleeping Giant Stirs? The Diplomat. <https://thediplomat.com/2023/04/japans-official-security-assistance-the-sleeping-giant-stirs/>

<sup>62</sup> Liang, X. (2022, June 20). What can we learn from China’s military aid to the Pacific?. <https://www.sipri.org/commentary/blog/2022/chinas-military-aid-pacific>

<sup>63</sup> Beauchamp-Mustafaga, N. (2022, July 26). China’s Military Aid Is Probably Less Than You Think. <https://www.rand.org/blog/2022/07/chinas-military-aid-is-probably-less-than-you-think.html>

<sup>64</sup> Department of National Defense. (2022, January 21). China donates RMB 130Million (PhP 1 Billion) worth of equipment to the AFP. [https://www.dnd.gov.ph/Postings/Post/China%20donates%20RMB%20130Million%20\(PhP%201%20Billion\)%20worth%20of%20equipment%20to%20the%20AFP/#x](https://www.dnd.gov.ph/Postings/Post/China%20donates%20RMB%20130Million%20(PhP%201%20Billion)%20worth%20of%20equipment%20to%20the%20AFP/#x)

<sup>65</sup> Lee, Y. (2019). Aiding Militarization: Role of South Korea’s ODA in “Peacekeeping” Activities in Asia. <https://www.realityofaid.org/wp-content/uploads/2019/08/3-Aiding-Militarization.pdf>

Peace and Security (CPS) which amounted to USD 6.59 billion (constant 2021) for Asia Pacific from 2017 to 2021.<sup>66</sup> However, there are other activities involving military and security forces which are not considered as CPS, but are reported in other ODA categories such as relief coordination; material relief assistance; water transport; human rights; health personnel development; disaster prevention and preparedness; legal and judicial development; public sector policy and administrative management; waste management/disposal; and medical education, among others.<sup>67</sup>

Foreign military aid to the region has enabled gross human rights violations and repression of dissent. While US law requires military assistance to be contingent on good human rights performance, US military assistance is often associated with worse performance on human rights.<sup>68</sup> Afghanistan, which received the largest military aid from the US since 2017, is still rife with conflict. US-funded 'peace and development' programs in the Philippines have included military occupation of schools and forcible evacuations of communities.<sup>69</sup> Equipment donations such as anti-riot gear have also ended up being used against protesters in developing countries.<sup>70</sup>

<sup>66</sup> OECDStat. Creditor Reporting System. Accessed 30 July 2023.

<sup>67</sup> Reality of Aid-Asia Pacific, IBON International, & CPDE. (2019). Rising Militarism: Implications for Development Aid and Cooperation in Asia Pacific. <https://drive.google.com/file/d/1yYS0THOs-2HsPFucesIXPZArsGIC5ZAR/view>

<sup>68</sup> Sandholtz, W. (2016). United States military assistance and human rights. *Human Rights Quarterly* 38(4): 1070–1101.

<sup>69</sup> Ibid.

<sup>70</sup> Lee, Y. (2019). Aiding Militarization: Role of South Korea's ODA in "Peacekeeping" Activities in Asia. <https://www.realityofaid.org/wp-content/uploads/2019/08/3-Aiding-Militarization.pdf> ; Chik, H. (2021, December 24). China sends anti-riot gear and police advisers to Solomon Islands to help restore order. *South China Morning Post*. <https://www.scmp.com/news/china/diplomacy/article/3160946/china-sends-anti-riot-gear-and-police-advisers-solomon-islands>

## Conclusion

The development setbacks and challenges in Asia Pacific that the multiple crises induced by the COVID-19 pandemic, the Russian war on Ukraine, and climate change make the case for why provider countries must fulfil their commitment on delivering 0.7% of GNI as ODA. However, this promise has been continuously broken for more than 50 years since the 1970s when this commitment was made. At the same time, the integrity of aid is being undermined by creating more

debt, increasing support for profit-driven initiatives, as well as tying aid to military and security interests. ODA commitments need to be fulfilled by provider countries as a matter of justice. Thus, civil society, peoples' movements, and global South countries must be relentless in demanding that the 0.7% of GNI commitment be fulfilled, protect the integrity of aid, and take action towards system change that will bring the needed transformations in the global aid architecture to undo centuries of injustices that allowed developed countries to extract wealth from less developed countries.





# The European Union

By Nerea Craviotto, Eurodad

The COVID-19 pandemic and the war in Ukraine have reversed years of progress across many areas of sustainable development, including poverty, healthcare and education.<sup>71</sup> Many developing countries are also facing the negative impacts of climate change, and are at the same time highly indebted. This undermines their ability to provide public services, with women and children among the most impacted.<sup>72</sup>

Demands on international development cooperation have never been so high. Humanitarian aid and development assistance is needed to curb the spillovers of the war in Ukraine. And the available climate finance is not keeping pace with the growing impact of climate change.

In the 1970s, rich countries committed to allocating 0.7% of their gross national income (GNI) to official development assistance (ODA) or aid.<sup>73</sup> Yet, not many countries have delivered on this. Furthermore, despite pledges made in 2005 to deliver aid effectively<sup>74</sup>, this is not always the reality.

The EU is a key actor in the field of development finance and mobilizes half of the available ODA resources. Yet, in recent years, it has increasingly supported the use of development resources and institutions to leverage private finance, with lack of substantive evidence to demonstrate the positive development impact. This has happened alongside a process that has changed the rules on what counts as ODA, incentivizing the use of aid to support private sector-oriented operations, and the increasing role of foreign affairs and geopolitical interests in the field of aid.

This article looks at how the development finance landscape has changed in recent years, with particular attention to the role of EU institutions and its Member States. It argues that the current polycrisis calls for greater ambition, and it provides civil society organizations (CSOs) with recommendations to advocate for greater quantity and quality of ODA within the EU.

<sup>71</sup> United Nations (2023). Financing for Sustainable Development Report 2023. Inter-agency Task Force on Financing for Development, available at <https://financing.desa.un.org/iatf/report/financing-sustainable-development-report-2023>.

<sup>72</sup> Fresnillo, I. and Crotti, I. (2021). The Climate Emergency. What's debt got to do with it? Eurodad, available at [https://www.eurodad.org/climate\\_debt\\_faqs](https://www.eurodad.org/climate_debt_faqs).

<sup>73</sup> United Nations, Resolution adopted by the General Assembly 2626 (XXV). International Development Strategy for the Second United Nations Development Decade (para 43), available at <http://www.un-documents.net/a25r2626.htm>.

<sup>74</sup> For further information, see OECD, Paris Declaration and Accra Action Agenda, available at <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>.

## The use of ODA to ‘catalyze’ private finance

Since the early 2010s, the landscape of development finance has changed substantially. The effects of the 2008/09 financial and economic crisis became evident: aid budgets were under pressure and there was an increased focus on attracting private finance to deliver on the post-2015 development agenda. The adoption of the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda (AAAA)<sup>75</sup>, agreed by United Nations Member States in 2015, put the need to mobilize private finance at the center of national and global development strategies. At the time, UNCTAD estimated that with the ongoing levels of investment in SDG-related sectors, developing countries were facing an annual financing gap of USD 2.5 trillion,<sup>76</sup> and this increased to more than USD 4 trillion in the aftermath of the COVID-19 pandemic.<sup>77</sup> The AAAA endorsed a narrative focused on “using the ‘billions’ in ODA and in available development resources to leverage ‘trillions’ in investments of all kinds”.<sup>78</sup> To do so, public finance and public institutions like multilateral development banks (MDBs), were (and are) expected to catalyze trillions of dollars’ worth of private investments for development.

As part of this, Development Finance Institutions (DFIs) – public institutions that invest in private sector projects in low- and middle-income countries – have increasingly played a greater role in the field of development finance.

The Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC) has facilitated this shift through its ODA ‘modernization’ process, which has reformed the way donors’ contributions are calculated.<sup>79</sup> One of the main goals was to incorporate “in ODA the effort of the official sector in catalysing private sector investment in effective development”.<sup>80</sup>

By 2016, DAC donors had agreed to principles that would ensure that “the DAC statistical system reflects the effort of the official sector in providing private sector instruments in a credible and transparent way while offering the right incentives and removing the disincentives in the use of these instruments”. The explicit expectation in defining these principles was to increase the use of ODA “to boost efforts to scale up engagement by the private sector in development finance”.<sup>81</sup> This agreement also confirmed the role of DFIs in development cooperation.

<sup>75</sup> A new global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities. Available at <https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2051&menu=35>.

<sup>76</sup> UNCTAD (2014). “Developing countries face \$2.5 trillion annual investment gap in key sustainable development sectors, UNCTAD report estimates”, available at <https://unctad.org/press-material/developing-countries-face-25-trillion-annual-investment-gap-key-sustainable>.

<sup>77</sup> UNCTAD (2022). Closing investment gap in global goals key to building better future, available at <https://unctad.org/news/closing-investment-gap-global-goals-key-building-better-future>.

<sup>78</sup> World Bank et al. (2015). From Billions to Trillions. MDB Contributions to Financing for Development, available at: <https://documents1.worldbank.org/curated/en/602761467999349576/pdf/98023-BR-SecM2015-0233-IDA-SecM2015-0147-IFC-SecM2015-0105-MIGA-SecM2015-0061-Box391499B-OUO-9.pdf>.

<sup>79</sup> For further information on the ODA modernisation process, see [https://devinit.org/wp-content/uploads/2017/09/Background-paper\\_ODA-modernisation.pdf](https://devinit.org/wp-content/uploads/2017/09/Background-paper_ODA-modernisation.pdf).

<sup>80</sup> See paragraph 13 of DAC HLM Communiqué 2014, available at <https://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.pdf>.

<sup>81</sup> See Annex I in DAC HLM Communiqué 2016, available at <https://www.oecd.org/dac/DAC-HLM-paCommunique-2016.pdf>.

### Box 1: What are private sector instruments (PSIs)?

PSIs are financing instruments that ODA providers can use to make direct investments in private enterprises or in 'PSI vehicles' – such as development finance institutions (DFIs), investment funds, or other special purpose vehicles – which in turn invest in private entities (e.g. enterprises) in developing countries. They consist of loans to private sector entities, equity investments, mezzanine finance instruments (such as subordinated loans, preferred equity, and convertible debt/equity) and guarantees. Capital contributions to DFIs are also considered PSIs – whether they are provided as grants or equity investments.

PSIs are also not the same as blended finance, although the two are linked. PSIs are instruments, while blended finance is a structuring approach.<sup>82</sup> PSIs are used by ODA providers to invest in private sector entities (whether directly or via PSI vehicles such as DFIs). With blended finance, ODA providers (or other providers of concessional finance) invest alongside private sector entities or investors and may or may not use PSIs to do so (e.g. they could also use grants or technical assistance, which are not PSIs).<sup>83</sup>

In 2018, DAC members agreed a temporary set of rules on how to report the use of PSIs as ODA. Since then, CSOs have consistently highlighted the far-reaching implications of this. One of the main concerns relates to the threat of diverting concessional resources away from their core mandate of eradicating poverty and reducing inequalities, as well as from strengthening public sector investment for these purposes. CSOs have

stressed as well that the erosion of concessionality – the principle that aid flows must offer more generous terms than those from the market – could easily blur the boundaries between ODA and commercial transactions,<sup>84</sup> and thus contribute to the diversion of ODA. CSOs have also stressed the little alignment of PSIs with development effectiveness principles, notably regarding the risks for increased aid tying.<sup>85</sup>

<sup>82</sup> See, for example, Convergence's description of blended finance here <https://www.convergence.finance/blended-finance>.

<sup>83</sup> Table 1 in Oxfam (2017) *Private-Finance Blending for Development: Risks and Opportunities*, provides an overview of the most common instruments used to blend, which include both PSIs and other instruments, such as grants and technical assistance. Available at <https://www-cdn.oxfam.org/s3fs-public/bp-private-finance-blending-for-development-130217-en.pdf>.

<sup>84</sup> For further information, see Craviotto, N. (2022), *Under pressure: How private sector instruments are threatening the untying of aid*, Eurodad, available at [https://www.eurodad.org/under\\_pressure\\_how\\_private\\_sector\\_instruments\\_are\\_threatening\\_the\\_untying\\_of\\_aid](https://www.eurodad.org/under_pressure_how_private_sector_instruments_are_threatening_the_untying_of_aid).

<sup>85</sup> See Craviotto, N. (2022). *Under pressure: How private sector instruments are threatening the untying of aid*. Eurodad, available at [https://www.eurodad.org/under\\_pressure\\_how\\_private\\_sector\\_instruments\\_are\\_threatening\\_the\\_untying\\_of\\_aid](https://www.eurodad.org/under_pressure_how_private_sector_instruments_are_threatening_the_untying_of_aid)

## The turn to the private sector in the EU's financial architecture for development

The EU, together with its Member States, has been a strong promoter of the need to mobilize private sector investment towards the achievement of the SDGs. This push is also present in the current European financial architecture for development, which in recent years, has seen an expansion of its geographical coverage, an increase in the overall volumes mobilized and the set-up of new facilities. These changes have reinforced an ongoing narrative in the EU regarding the geopoliticization of aid<sup>86</sup> – with a focus on migration, security and competitiveness.

In 2017, the EU adopted the European Consensus on Development<sup>87</sup> in response to the 2030 Agenda and the SDGs. Hand-in-hand, the EU launched the External Investment Plan (EIP) in an effort to mobilize private investors to contribute to sustainable development in developing countries. The plan included a Fund – the European Fund for Sustainable Development (EFSD) – which offered guarantees to leverage public and private investments.

With the following EU budget (2021 – 2027), the EU adopted its Neighbourhood, Development and

International Cooperation Instrument–Global Europe (NDICI Global Europe) – a single instrument to deliver external support, which earmarks EUR 79.46 billion for cooperation with third countries outside the EU.<sup>88</sup> It includes the European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee (EAG), with fire-power of EUR 53.45 billion.<sup>89</sup> This provided a strategic framework and a set of mechanisms for blended finance and guarantees to scale investment for greater impact in partner countries, mainly from the private sector. This has raised concerns for CSOs given its lack of evidence to support that move.<sup>90</sup> Moreover, the NDICI Global Europe places at its core cooperation with the EU's two priority regions – Sub-Saharan Africa and what it terms the Neighbourhood (the EU's eastern and southern neighbours).

Additionally, the European development finance architecture has also changed, with an increasing role for European-led DFIs, like the European Investment Bank (EIB) and EU Member State DFIs. In 2022, the EIB created a development branch called EIB Global to further promote investment in developing countries.<sup>91</sup> At national level, 15 DFIs<sup>92</sup> focus on private sector investment in developing countries. In 2022 their combined investment activity reached EUR 8.7 billion,<sup>93</sup> as their role has increased over the last decade.

<sup>86</sup> Bougrea, A., Orbie, J. and Vermeiren, M. (2022). "The New European Financial Architecture for Development: Change or Continuity?" in *European Foreign Affairs Review*, Vol 27, Issue 3 (2022) pp. 337 – 360.

<sup>87</sup> Available at [https://www.consilium.europa.eu/media/24004/european-consensus-on-development-2-june-2017-clean\\_final.pdf](https://www.consilium.europa.eu/media/24004/european-consensus-on-development-2-june-2017-clean_final.pdf).

<sup>88</sup> For further information on the NDICI – Global Europe, see [https://international-partnerships.ec.europa.eu/system/files/2021-07/factsheet-global-europe-ndici-june-2021\\_en.pdf](https://international-partnerships.ec.europa.eu/system/files/2021-07/factsheet-global-europe-ndici-june-2021_en.pdf).

<sup>89</sup> Gavas, M. and Pérez, A. (2022). The future of the European Financial Architecture for Development, commissioned by the European Parliament, available at <https://www.cgdev.org/sites/default/files/Future%20of%20European%20Parliament.pdf>.

<sup>90</sup> For further information on CSO reactions, see Romero, M.J. (2020). International development and the next EU budget, endorsed by Eurodad and several CSOs, available at [https://www.eurodad.org/development\\_next\\_eu\\_budget](https://www.eurodad.org/development_next_eu_budget). ITUC (2021), EU's new financial instrument for external action finally adopted: we need a 'Global Europe' based on solidarity, available at <https://www.ituc-csi.org/Neighbourhood-Development-International-Cooperation-Instrument> and Oxfam (2021). Oxfam welcomes European Parliament vote on EU aid budget, but cautions on future steps, available at <https://www.oxfam.org/en/press-releases/oxfam-welcomes-european-parliament-vote-eu-aid-budget-cautions-future-steps>.

<sup>91</sup> See EIB Global <https://www.eib.org/en/publications/20220310-eib-global-flyer.htm>.

<sup>92</sup> The member institutions are: the Belgian Investment Company For Developing Countries (Bio), British International Investment (formerly CDC), the Spanish Compañía Española de Financiación del Desarrollo (COFIDES), the German Deutsche Investitions- und Entwicklungsgesellschaft (DEG), the Finnish Fund for Industrial Cooperation (Finnfund), the Netherlands Development Finance Company (FMO), the Danish Investment Fund for Developing Countries (IFU), the Norwegian Investment Fund For Developing Countries (Nordfund), the Development Bank of Austria (OeEB), the French Société De Promotion Et De Participation Pour La Coopération Economique (Proparco), the Swiss Investment Fund For Emerging Markets (SIFEM), the Italian Società Italiana Per Le Imprese All'estero & CDP Development Finance (SIMEST/CDP), the Portuguese Sociedade Para O Financiamento Do Desenvolvimento (Sofid) and the Swedish Swedfund International.

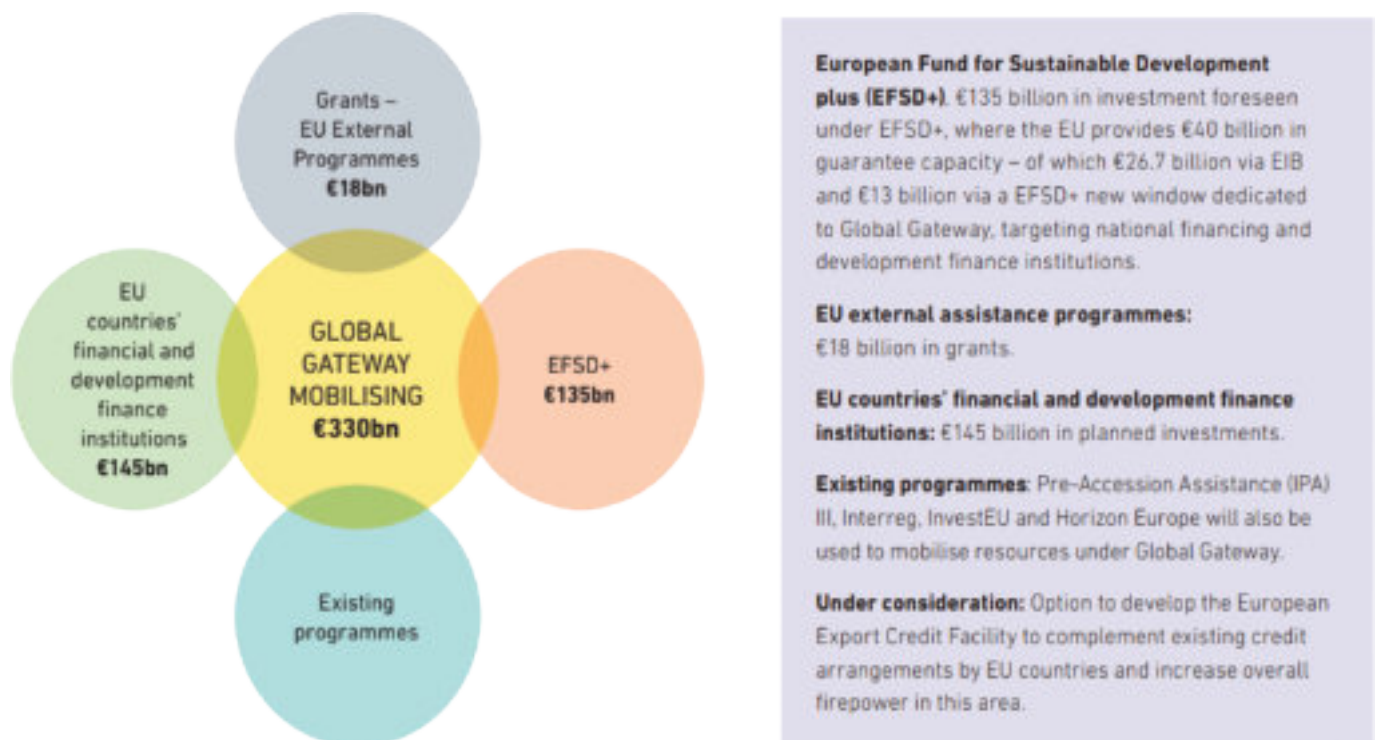
<sup>93</sup> See EDFI 2023 Annual Report [https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2023/06/EDFI\\_Annual-Report-2023.pdf](https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2023/06/EDFI_Annual-Report-2023.pdf)

## The EU Global Gateway

The Global Gateway<sup>94</sup> is the EU flagship strategy to establish EU-led connectivity around the world focusing on five sectors: digital (secure and open internet); climate and clean energy; transport; health (including vaccines and supply chains); and education and research. The European Commission (EC) unveiled this

plan in December 2021, aiming to mobilise EUR 300 billion in investments for the Gateway through a so-called Team Europe approach, which “brings together the EU and EU Member States with their financial and development institutions, including the EIB and the EBRD”.<sup>95</sup> As Figure 1 shows, the Global Gateway actually draws on tools that have already been adopted as part of the 2021-2027 budget.

Figure 1: Financial structure of the Global Gateway



Source: Sial, F. and Sol, X. (2022) adapted from Tagliapietra, S. (2021), Bruegel

The EC is currently strongly promoting the Global Gateway.<sup>96</sup> It is presented as the response to help close the global investment gap that is necessary to deliver on the SDGs and the commitments made under the Paris Agreement to fight climate change.

Foreign policy and geopolitical competition are, however, inherently embedded in the rationale for the

Global Gateway.<sup>97</sup> Naming recipient countries ‘partners’, the EC explicitly calls the Gateway a “positive offer” that “aims to forge links and not create dependencies”<sup>98</sup> – hinting at China’s Belt and Road Initiative (BRI). Yet, despite calling recipient countries ‘partners’, uneven power dynamics between the EU and recipient states remain, as there is no concrete evidence of a “partnership”.

<sup>94</sup> European Commission, the Global Gateway: [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en).

<sup>95</sup> European Commission (2021) Global Gateway: up to €300 billion for the European Union’s strategy to boost sustainable links around the world. 1 December 2021, available at [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_6433](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6433).

<sup>96</sup> See [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_22\\_2393](https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2393) and EC Twitter account, for instance, [https://twitter.com/EU\\_Commission/status/1565950216884260866](https://twitter.com/EU_Commission/status/1565950216884260866).

<sup>97</sup> Sial, F. et Sol, X. (2022), The Emperor’s New Clothes: What’s new about the EU’s Global Gateway? Eurodad and Counter Balance, available at [https://www.eurodad.org/the\\_emperor\\_s\\_new\\_clothes\\_what\\_s\\_new\\_about\\_the\\_eu\\_s\\_global\\_gateway](https://www.eurodad.org/the_emperor_s_new_clothes_what_s_new_about_the_eu_s_global_gateway).

<sup>98</sup> European Commission (2021) Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. Available at [https://ec.europa.eu/info/sites/default/files/joint\\_communication\\_global\\_gateway.pdf](https://ec.europa.eu/info/sites/default/files/joint_communication_global_gateway.pdf).

The Gateway's added value is said to rest on the delivery of projects that are rooted in democratic values, operating through high standards and conforming to the principles of good governance and transparency. However, Eurodad's recent research<sup>99</sup> has thrown into question many of these bold claims and instead raises many questions about the real story behind the rhetoric. It shows that the Gateway does not come with new financial allocations from the EU and its Member States, but is instead an attempt to rebrand existing plans, which raises concerns about diverting scarce development resources. Its proposed policies

also primarily serve private sector interests, alongside EU's foreign affairs and energy security considerations.

As the next section will present in more detail, EU development funds are scarce and play a unique role in supporting the countries and peoples most in need. Yet, the current EU development finance architecture shows a clear turn towards private finance, and a reorientation of its international development agenda to merge with geopolitical and commercial interests. This is a risky endeavour which could impact the EU's credibility as a global development actor.

## EU Members' ODA is not up to the current challenges

The EU is a key actor in the field of development finance and mobilises half of the available ODA resources. In line with the global trends,<sup>100</sup> EU DAC members increased their ODA flows (in absolute terms) in 2022. Yet, the reality behind these headline figures is that there was a significant inflation in EU DAC member ODA figures – that is the difference between the ODA reported by EU donors and the amount that actually reaches developing countries.

In 2022, excluding the reported costs of hosting refugees in donor countries – 17.3% of total EU ODA – not only did aid not rise, but also decreased by 4.3% compared to 2021. Support to Ukraine contributed to this, amounting to an increase in EU ODA, which amounted to 11% of total levels (equivalent to USD 13.2 billion). Adding recycled COVID-19 vaccine donations, and net debt relief reported, EU donor countries have inflated their ODA figures by USD 16.5 billion (equivalent to 18% of the total EU ODA).

Moreover, EU DAC members are also still falling short on their international commitment to dedicate 0.7% of their GNI to ODA. And at the same time, EU ODA levels to Least Developed Countries (LDCs) are falling. The analysis of latest data for which disaggregated ODA figures are available,<sup>101</sup> shows that aid targeting LDCs<sup>102</sup> fell by 9.38% between 2021 to 2022.

Regarding the types of EU ODA flows<sup>103</sup>, in 2022, grants remain the main channel for EU donors, representing 86.8% of total bilateral EU ODA. However, while the share of grants has been decreasing from 91% in 2018 to 86.8% in 2022, the share of loans in the total bilateral EU ODA has been increasing since 2018, from 7% in 2018 to 11.35% in 2022. Worryingly, sovereign lending by EU institutions more than doubled (compared to 2021) and represented 24% of its bilateral ODA (equivalent to USD 6 billion). ODA channelled through multilaterals fell from the previous year to 27.7% of total ODA in 2022 (from 30% in 2021).

Regarding EU ODA invested in private sector instruments, between 2018 and 2022<sup>104</sup>, the amount of ODA reported as PSIs grew from USD 1.3 billion in 2018 to USD 1.6 billion in 2022.

<sup>99</sup> Sial, F. et Sol, X. (2022), The Emperor's New Clothes: What's new about the EU's Global Gateway? By Eurodad and Counter Balance, available at [https://www.eurodad.org/the\\_emperor\\_s\\_new\\_clothes\\_what\\_s\\_new\\_about\\_the\\_eu\\_s\\_global\\_gateway](https://www.eurodad.org/the_emperor_s_new_clothes_what_s_new_about_the_eu_s_global_gateway).

<sup>100</sup> Craviotto, N. (2022), Little to celebrate: An assessment of Official Development Assistance in 2022, Eurodad, available at [https://www.eurodad.org/little\\_to\\_celebrate](https://www.eurodad.org/little_to_celebrate).

<sup>101</sup> ODA disbursements by countries and regions [DAC2a], OECD Statistics, available at the OECD Data Explorer.

<sup>102</sup> The group of low-income countries that are lagging the most behind the achievement of the SDGs by 2030.

<sup>103</sup> Total flows by donor (ODA+OOF+Private) [DAC1], OECD Statistics, available at <https://stats.oecd.org/#>.

<sup>104</sup> Source: Creditor Reporting System: <https://stats.oecd.org/#>.

This picture has repeatedly raised CSOs' concerns, notably around the EU's inflated aid figures, which is part of the increasing role of geopolitical and commercial interests in the field of aid to the detriment of development priorities. As a result, CSOs have called for the EU institutions and Member States to channel their ODA where it is most needed,<sup>105</sup> and to prioritize instruments like budget support, which have a proven track record of contributing to strengthen country systems.

Considering the reconstruction of Ukraine will take at least 10 years<sup>106</sup> and the EU and its Member States will

be key partners in its reconstruction, it is likely that EU aid levels to Ukraine will be at least maintained or even increased. However, funds for the reconstruction of Ukraine cannot come at the cost of diverting resources that are as much needed across the global south. Ambitious ODA increases will be needed to ensure the EU can provide adequate support to Ukraine, while also continuing to support development priorities in the rest of the world. Yet, the mid-term review of the EU budget that happened in 2023 sustained financial support to Ukraine, rather than expanding development funds to support countries in the global south.



<sup>105</sup> CONCORD (2023), EU Member States received at least 15 billion of their own development <https://aidwatch.concordeurope.org/eu-member-states-received-at-least-15-billion-of-their-own-development-assistance-in-2022-concord-calls-on-member-states-for-urgent-reform-to-system/>

<sup>106</sup> World Bank (2023), Updated Ukraine Recovery and Reconstruction Needs Assessment, available at <https://www.worldbank.org/en/news/press-release/2023/03/23/updated-ukraine-recovery-and-reconstruction-needs-assessment>

## The Way Forward

In May 2023, the World Health Organisation (WHO) announced “with great hope” an end to COVID-19 as a public health emergency. However, it also stressed that this does not mean the disease is no longer a global threat.<sup>107</sup> The current confluence of crises is far from over. Yet, the support from the international community to the most fragile countries has not been sufficient to tackle the challenges they face.

Since the adoption of the SDGs, there has been an increasing focus on leveraging private finance for development, including through aid flows. The modernization of the ODA statistics at the OECD DAC is part of the same trend. At the EU level, this trend translated into a reform of its development finance architecture that materialized in a single instrument, the NDICI-Global Europe; the launch of the EIB Global; and the recent launch of the Global Gateway. This marked a profound transformation of EU development policy and raised concerns about conflating foreign affairs, commercial and development objectives.

As this article shows, the most recent EU ODA figures corroborate this trend, with decreasing levels of grants and increasing levels of loans and private sector instruments. There is a real risk that the use of private sector instruments will increase in the years to come, with the imminent expansion of the existing agreement to report new instruments such as guarantees and mezzanines. Added to this is the high levels of inflated ODA USD 16.5 billion (equivalent to 18% of the total EU ODA) and the expected increased development finance flow going to Ukraine.

There is an urgent need for civil society to monitor these processes and protect the quantity and quality of EU ODA, to ensure that ODA responds to its core mandate of eradicating poverty and inequalities, including agreed international commitments to ‘leave no one behind’ – as stated in article 208 of the EU’s Lisbon Treaty.<sup>108</sup> They can do so by:

- Maintaining the spotlight on the need for non-PSI ODA and reminding the EU donor community about the longstanding commitment to provide 0.7% of GNI as ODA, on concessional terms.
- Ensuring EU ODA is allocated to its most effective use. Public investment in social services and in strengthening democratic governance is a fundamental precondition for private sector development and must be in place before turning to private investment.
- Counteracting the “catalyzing private finance” narrative, by continuing to develop evidence and analysis that contributes to more informed discussions on the impact of these strategies in eradicating poverty and inequalities.

The current multiple crises call for a development strategy that centers on the welfare of the people and the sustainability of the environment. EU development funds are scarce, and play a unique role in the support of countries and peoples most in need. Thus, it is imperative to stop diverting these scarce resources to serve competing self-interested priorities. The EU’s credibility as a development actor depends on it.

<sup>107</sup> WHO, ‘WHO chief declares end to COVID-19 as a global health emergency’, 5 May 2023. Available at <https://news.un.org/en/story/2023/05/1136367>.

<sup>108</sup> Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12007L%2FTXT>.



# Non-European Union Members of the OECD DAC

by Akio Takayanagi, Japan NGO Center for International Cooperation (JANIC)

Non-European Union (EU) DAC countries consist of non-EU European, North American and Western Pacific countries. Except for Australia and New Zealand, ODA by non-EU DAC members increased in 2022. A significant increase was brought about by rapidly increasing in-donor refugee costs (IDRC) and aid for Ukraine. Some countries showed a decline in aid volume if IDRC was excluded. While non-EU European and North American DAC members' allocation to Sub-Saharan Africa is high, Western Pacific donors emphasized aid for Asia-Pacific. Japan and Korea stand out in the distribution of economic infrastructure. Australia, Japan and the United Kingdom revised their aid policy frameworks, strengthening alignment with their foreign policy and commercial objectives.

This chapter is on the aid trends of the DAC non-EU country members. The countries are grouped into the following three sub-regions:

- Non-EU European: Iceland, Norway, Switzerland, United Kingdom
- North America/Eastern Pacific: Canada, United States
- Western Pacific: Australia, Japan, Korea, New Zealand

In the early days of The Reality of Aid Network, Japan and the United States were the two largest DAC donors. Japan was the largest donor for most of the 1990s, but its aid volume declined after the government started to

cut the aid budget in 2001 as one of the measures to deal with the country's budget deficit. As a result, Japan's ranking in the aid volume once went down to fifth among the DAC members. Since the start of the century, the United States has always been the top donor among the DAC.

The United Kingdom, as the result of the United Kingdom European Union Membership Referendum in June 2016, officially left the EU in January 2020. Due to the referendums in 1972 and 1994, Norway is not an EU member but a member of the European Economic Area (EEA). With its solid neutral policy, Switzerland is not a member of the EU and EEA. The country has various bilateral treaties to join the European Single Market and the Schengen Treaty but has withdrawn its application for EU membership. Iceland joined the DAC in 2013.

A critical change in the aid landscape is the emergence of new donors, significantly affecting the aid policies of the North American and Western Pacific countries. Korea became a DAC member in 2010, and Taiwan (Chinese Taipei in OECD publications) and Thailand now report their aid activities to the DAC. China and India are among the major emerging donors, but they reject the norms and rules of the DAC and have not reported their aid figures to the DAC. With the emergence of China as a military and economic superpower, aid has become a tool for competing influence between Western countries and China.

## Recent Trends of ODA by Non-EU DAC Members

### Aid Volume and ODA/GNI Ratio

The preliminary aid volume and the ODA/GNI of non-EU DAC members in 2022<sup>109</sup> are shown in Table 1, based on the OECD press release on April 12, 2023.

Norway is the only non-EU DAC member country that met the global ODA/GNI ratio of 0.7%. The aid volume of two Western Pacific donors significantly decreased, while other donors increased their aid volume. The United Kingdom's policy to meet the 0.7% target was abandoned and reduced to 0.5% in 2020.<sup>110</sup> As a result, the UK's ODA significantly decreased, and as mentioned earlier, if IDRC was excluded, ODA again significantly decreased in 2022.

Table 1: Aid Volume and ODA/GNI Ratio of Non-EU DAC Members

	Aid Volume (US \$ million)	Increase/decrease compared to 2021	Aid Volume Ranking among DAC Country Members	ODA/GNI ratio (%)
United States	55,277	+8.2%	1	0.22
Japan	17,475	+19.0%	3	0.39
United Kingdom	15,748	+6.7%	5	0.51
Canada	7,832	+19.2%	6	0.37
Norway	5,161	+2.4%	10	0.86
Switzerland	4,477	+16.1%	11	0.56
Australia	3,040	-13.1%	14	0.19
Korea	2,786	+7.2%	16	0.17
New Zealand	538	-17.2%	22	0.23
Iceland	93	+31.8%	30	0.34
<b>DAC TOTAL</b>	<b>203,995</b>	<b>+13.6%</b>		<b>0.36</b>

Source: Sial, F. and Sol, X. (2022) adapted from Tagliapietra, S. (2021), Bruegel

### IDRC and Supporting Ukraine

According to an OECD press release, the total DAC ODA in 2022 increased by 13.6%. The increase was primarily brought about by the 14.4% increase of IDRC mainly due to the Russian invasion of Ukraine, although even if IDRC was excluded, ODA still increased by 4.6%. Table 2 shows the IDRC of the ten donor countries. IDRC increased significantly in some countries in non-EU European and North American countries. On the other hand, the increase of IDRC in Western Pacific countries was little (Australia did not report IDRC). Nearly 30% of the ODA of Switzerland and the United Kingdom was IDRC. If IDRC were excluded, the ODA of

Norway, Switzerland and the United Kingdom would fall significantly.

The war in Ukraine has led to increased ODA for the country. Until 2021, the annual DAC members' aid to Ukraine was always around US \$1 billion. However, it skyrocketed to US\$16 in 2022. The United States, Canada, Japan and Norway were the top four providers of ODA for Ukraine among the DAC country members. Table 2 shows that the United States' and Canada's ODAs were significant regarding both the amount and the share of ODA for Ukraine. On the other hand, the Western Pacific countries' share of ODA for Ukraine was small.

<sup>109</sup> OECD, "ODA Levels in 2022 – preliminary data: Detailed summary note," April 12, 2023.

<sup>110</sup> Abigael Baldoumas, and Helen Rumford, "United Kingdom: Covid as Seismic Shift in UK Aid," The Reality of Aid 2020-21: Aid in the Context of Conflict, Fragility and Climate Emergency, 2021.

Table 2: IDRC and ODA for Ukraine of Non-EU DAC Countries in 2022

	IDRC			ODA for Ukraine	
	Amount (US \$ million)	% of ODA	Percent change of ODA excluding IDRC	Amount (US \$ million)	% of ODA
<b>Non-EU European</b>					
Iceland	8	8.5	28.5	10	10.7
Norway	485	9.4	-6.2	582	11.3
Switzerland	1,264	28.2	-8.0	216	4.8
United Kingdom	4,544	28.9	-16.4	397	2.5
<b>North American</b>					
Canada	944	12.1	13.2	2,448	26.4
United States	6,646	12.0	5.6	8,980	16.3
<b>Western Pacific</b>					
Australia	did not report	-13.1	46	1.5	
Japan	51	0.3	18.6	711	4.3
Korea	11	0.4	6.8	90	3.1
New Zealand	12	2.3	-17.7	6	1.0
<b>Total DAC</b>	<b>29,297</b>	<b>14.4</b>	<b>4.6</b>	<b>16,121</b>	<b>7.8</b>

Source: OECD, ODA Levels in 2022 – preliminary data: Detailed summary note, April 12, 2023.

### COVID-19 Responses

COVID-19-related aid of DAC members decreased by 40% in 2022. All non-EU DAC members decreased

COVID-19-related ODA in terms of the amount and the share of ODA. However, the United Kingdom's share doubled, while Canada and New Zealand increased their donations of excess vaccines reported as ODA.<sup>111</sup>

Table 3: IDRC and ODA for Ukraine of Non-EU DAC Countries in 2022

	Covid-19 Related ODA				of which Excess Vaccine Donation		of which Excess Vaccine Donation
	Amount (US \$ million)		% of ODA		Amount (US \$ million)		
	2021	2022	2021	2022	2021	2022	2022
<b>Non-EU European</b>							
Iceland	10	3	14.1	3.2	3	-	-
Norway	274	46	5.9	0.9	44	2	2
Switzerland	444	127	11.3	2.8	-	19	19
United Kingdom	842	327	5.4	2.1	142	281	281
<b>North American</b>							
Canada	1,626	743	25.8	9.5	84	108	108
United States	4,896	2,571	10.2	4.7	4,000	-	-
<b>Western Pacific</b>							
Australia	1,706	-	48.1	-	-	-	-
Japan	3,922	3,288	22.2	18.8	206	61	61
Korea	582	257	20.3	9.2	74	43	42
New Zealand	160	49	23.4	9.1	7	18	-
<b>Total DAC</b>	<b>21,879</b>	<b>11,236</b>	<b>11.8</b>	<b>5.5</b>	<b>6,361</b>	<b>1,535</b>	<b>1,515</b>

Source: OECD, ODA Levels in 2022 – preliminary data: Detailed summary note, April 12, 2023.

<sup>111</sup> Since 2021, DAC members have been split as to whether vaccine donation should be counted as ODA. Some countries opposed counting it. Some donors said only donation of non-excess vaccine should be counted. Some donors insisted that all vaccine donation should be counted. After debates at the DAC's Working Party on Development Finance Statistics (WP-STAT), in the statistics for 2021 and 2022, vaccine donation was counted. See, for example, the Summary Record of the WP-STAT meeting of 28-30 September 2022. [https://one.oecd.org/document/DCD/DAC/STAT/M\(2022\)3/FINAL/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT/M(2022)3/FINAL/en/pdf). CSOs have opposed counting vaccine donations as ODA.

## Loans

In 2022, DAC members, in total, provided USD 14.2 billion of loans on a grant equivalent basis,<sup>112</sup> USD 9 billion of which was provided by Japan alone.<sup>113</sup> Among other major providers of loans are Korea (USD 0.7 billion) and Canada (USD 0.6 billion).

## Geographical Distribution<sup>114</sup>

At the time of writing, data on the detailed allocation of DAC members are available only until 2020-2021.

Table 4 shows the regional distribution of ODA of the non-EU DAC members in 2020-2021 and, for

comparison, 2010-2011. While non-EU European and North American countries' allocation for Sub-Saharan Africa has been large, Western Pacific countries have emphasized ODA to Asia Pacific. Australia and New Zealand have intensively focused on Eastern Asia and the Pacific. Japan shifted its focus from East Asia to South Asia. Korea is less focused on the Asia Pacific, allocating more to Sub-Saharan Africa and the Americas. All countries except Australia have increased distribution to the Middle East and North Africa (MENA) sub-region, perhaps due to the Syrian crisis.

Table 4: Regional Distribution of ODA of non-EU DAC Members (Gross Disbursement)

	Sub-Saharan Africa		South and Central Asia		Other Asia and Oceania		Middle East and North Africa		Europe		Latin America and Caribbean	
	2010-11	2020-21	2010-11	2020-21	2010-11	2020-21	2010-11	2020-21	2010-11	2020-21	2010-11	2020-21
<b>Non-EU European</b>												
Iceland	71.7	77.0	10.0	5.9	-	0.3	6.9	13.9	3.7	2.0	7.7	1.0
Norway	47.2	47.5	19.3	13.2	6.8	4.8	8.8	21.7	5.9	4.2	12.0	8.6
Switzerland	36.1	35.1	18.6	17.7	9.8	7.8	7.5	13.8	14.4	12.1	13.7	13.5
United Kingdom	55.5	46.8	31.7	21.9	4.4	4.2	4.6	16.8	0.8	4.2	3.0	6.0
<b>North American</b>												
Canada	49.3	42.3	17.0	11.5	4.8	5.5	5.1	19.5	2.0	4.0	21.8	17.3
United States	40.7	52.8	25.2	12.0	5.0	5.0	15.3	17.8	2.4	2.9	11.4	9.5
<b>Western Pacific</b>												
Australia	7.9	2.4	16.0	13.0	70.7	80.8	4.1	3.6	0.0	0.1	1.3	0.1
Japan	17.6	10.1	27.9	44.1	37.0	28.9	6.3	11.5	4.5	1.1	6.7	4.4
Korea	15.2	24.1	30.6	22.9	36.7	32.0	6.4	6.8	3.5	0.6	7.5	13.7
New Zealand	4.7	2.7	4.5	5.1	88.0	89.4	1.1	1.9	0.0	0.0	1.7	0.9
<b>Total DAC</b>	<b>41.3</b>	<b>41.2</b>	<b>19.1</b>	<b>19.2</b>	<b>13.1</b>	<b>10.3</b>	<b>10.3</b>	<b>14.3</b>	<b>6.8</b>	<b>6.8</b>	<b>9.3</b>	<b>8.2</b>

Source: OECD, ODA Levels in 2022 – preliminary data: Detailed summary note, April 12, 2023.

The major recipients of ODA (Table 4) of non-EU European and North American countries were in Sub-Saharan Africa or countries/sub-regions in conflict/fragile contexts. In contrast, countries in the Asia Pacific

were the major recipients of ODA of Western Pacific DAC members. New Zealand's ODA was intensely focused on the Pacific.

<sup>112</sup> Readers should be aware that the figures do not represent the real or gross amount of loans provided to partner countries.

<sup>113</sup> 62% of Japan's bilateral aid was provided as loans. No other DAC member provided more than 50% of ODA in loans.

<sup>114</sup> The data in the following two sections are taken from Development Co-operation Profiles [https://www.oecd-ilibrary.org/development/development-co-operation-profiles\\_2dcf1367-en](https://www.oecd-ilibrary.org/development/development-co-operation-profiles_2dcf1367-en) and Development Finance Data <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/> of OECD.

Table 5: Regional Distribution of ODA of non-EU DAC Members (Gross Disbursement)

	Top five recipients					Share of ODA for Top Ten Recipients (%)	Share of ODA for LDCs (%)
	1	2	3	4	5		
<b>Non-EU European</b>							
Iceland	Malawi	Uganda	Sierra Leone	Syria	Mozambique	43.5	40.5
Norway	Syria	Ethiopia	Afghanistan	South Sudan	West Bank and Gaza	21.6	24.2
Switzerland	Burkina Faso	Myanmar	Mali	Colombia	Syria	14.1	22.5
United Kingdom	Ethiopia	Nigeria	Somalia	Afghanistan	Yemen	21.3	23.8
<b>North American</b>							
Canada	Afghanistan	Syria	Lebanon	South Sudan	Ethiopia	18.4	24.3
United States	Jordan	Afghanistan	Nigeria	Ethiopia	D.R. Congo	27.3	34.2
<b>Western Pacific</b>							
Australia	Papua New Guinea	Indonesia	Solomon Islands	Timor-Leste	Bangladesh	45.4	22.7
Japan	Bangladesh	India	Indonesia	Philippines	Myanmar	58.7	28.0
Korea	Philippines	Vietnam	Bangladesh	Myanmar	Ethiopia	51.6	39.8
New Zealand	Papua New Guinea	Solomon Islands	Vanuatu	Samoa	Niue	42.7	28.3
<b>Total DAC</b>							<b>24.4</b>

Source: OECD, ODA Levels in 2022 – preliminary data: Detailed summary note, April 12, 2023.

### Sectoral Distribution

Table 6 shows the sectoral distribution of ODA of the non-EU DAC members. Japan and Korea differ from others because the allocation for economic

infrastructure is significant; humanitarian assistance is small; and IDRC is little. Japan has often been the only DAC country that allocates more to economic infrastructure than social infrastructure.

Table 6: Sectoral Distribution of ODA of Non-EU DAC Members (2021, % Commitments)

	Australia	Canada	Iceland	Japan	Korea	New Zealand	Norway	Switzerland	UK	US	Total DAC
Social and Administrative Infrastructure	54.7	54.4	48.9	27.8	45.8	34.6	53.3	46.6	34.3	39.5	40.3
of which Health	21.9	21.8	20.6	11.4	14.9	13.6	24.7	14.0	10.9	11.5	11.7
Economic Infrastructure	8.0	5.0	7.5	35.8	31.5	9.3	7.2	7.8	11.7	3.1	13.0
Production	6.5	6.3	5.9	8.4	9.0	11.8	5.8	7.6	6.9	2.5	5.8
Multisector	9.1	4.0	6.3	8.3	5.1	8.4	14.7	5.3	11.1	2.2	8.2
Programme assistance	3.7	0.5	-	8.3	-	21.3	0.5	0.6	0.3	2.1	2.0
Action relating to debt	-	-	1.0	-	-	-	-	-	-	0.0	0.5
Humanitarian aid	10.9	15.7	13.8	6.2	3.7	4.6	12.5	12.7	10.3	36.6	16.4
Refugees in donor countries	-	5.5	7.5	0.0	0.0	1.8	1.1	11.6	14.5	6.9	7.2
Administrative expenses and others	7.0	5.9	9.1	5.2	4.9	8.4	5.7	7.7	11.0	11.1	6.5
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: OECD, ODA Levels in 2022 – preliminary data: Detailed summary note, April 12, 2023.

### Climate Financing

Table 7 shows the percentage of climate-related aid as a percentage of bilateral ODA of non-EU DAC members. As some projects and programmes are related to both mitigation and adaptation, the total of the two

is bigger than the numbers in “climate total”. It is hard to find any commonalities across non-EU DAC members. The only trends evident in Table 7 are that North American DAC members’ share of climate financing is low and that Western Pacific DAC members tend to spend more on adaptation than mitigation.

**Table 7: Climate-Related Aid as Percentage of Bilateral ODA**

	Climate Total	Mitigation	Adaptation
<b>Non-EU European</b>			
Iceland	37	20	26
Norway	19	14	7
Switzerland	24	14	18
United Kingdom	28	22	8
<b>North American</b>			
Canada	16	11	11
United States	3	2	2
<b>Western Pacific</b>			
Australia	34	17	33
Japan	72	29	46
Korea	23	8	24
New Zealand	28	12	20

Source: *Ibid.*

### Different Directions in Policies and Policy Frameworks

An example of positive development in the aid policy framework is Canada's Feminist International Assistance Policy (FIAP), which was announced in June 2017.<sup>115</sup> FIAP has six action areas: 1) Gender equality and the empowerment of women and girls; 2) Human dignity; 3) Growth that works for everyone; 4) Environment and climate action; 5) Inclusive governance; and 6) Peace and security. FIAP also committed that Canada would, by 2020-2021, target or integrate gender equality and the empowerment of women and girls no less than 95% of bilateral ODA and dedicate USD 150 million over five years to support local women's organizations and movements. Canada's aid for gender equality and women's empowerment

kept rising until 2019 but dropped in 2020, perhaps because of COVID-19-related aid.<sup>116</sup> Also, Canada had programs to support local women's rights organizations. FIAP, on the other hand, mentioned the role of a new “Development Finance Institute” to enhance partnerships with the private sector<sup>117</sup> – FinDev Canada was officially launched in 2018. The government's capital provision and other measures are reported to the OECD as part of ODA.<sup>118</sup>

Since its beginning, The Reality of Aid has consistently criticized the instrumentalization of ODA for diplomatic/strategic and commercial objectives. A recent trend we find in several non-EU DAC members is enhanced instrumentalization of ODA.

<sup>115</sup> Global Affairs Canada, Canada's Feminist International Assistance Policy, 2017. Accessible at: <https://www.international.gc.ca/world-monde/assets/pdfs>.

<sup>116</sup> OECD, Aid in Support of Gender Equality and Women's Empowerment; Donor Charts, Annual.

<sup>117</sup> Global Affairs Canada, *op.cit.*, p.66.

<sup>118</sup> Brian Tomlinson, Canadian Official Development Assistance and the International Assistance Envelope: Trends in Canadian ODA, 2015/16 to 2021/22, AidWatch Canada and Cooperation Canada, 2023. Accessible at <https://cooperation.ca/2023-canadian-aid-trends>.

A typical example is the amendment of Japan's Development Cooperation Charter, the government's aid policy framework. On September 9, 2022, the Ministry of Foreign Affairs (MoFA) announced that it would start the amendment process to strengthen the alignment of its aid policy with its foreign policy and strategic goals.<sup>119</sup> After four meetings of an expert panel and a public comment process, the Cabinet approved the revised Charter on June 9, 2023.<sup>120</sup> It explicitly states that “development cooperation is one of the most important tools of foreign policy”. While mentioning global development and climate challenges, it also states that development cooperation is a tool for “creating a favorable international environment for Japan and the world”, as well as Japan's national interests. “Free and open international order” is a frequently used term in the document, but it actually means responding to the emerging influence of China and Russia. It also says that Japan will expand “offer-type” cooperation to leverage Japan's strengths.

In April 2023, MoFA announced that it would start Official Security Assistance (OSA) to “enhance the security and deterrence capabilities of like-minded countries in order to prevent unilateral attempts to change the status quo by force, ensure the peace and stability of the Indo-Pacific region in particular, and create a security environment desirable for Japan”.<sup>121</sup> In fiscal year 2023, OSA will be provided to the Philippines, Malaysia, Bangladesh and Fiji. MoFA has made it explicit that OSA is not part of ODA. However, from the CSO point of view, the revision of the Development Cooperation framework and establishment of OSA can be interpreted as reflecting the government's will to securitize external aid.

Another example of a country that emphasizes Indo-Pacific and prioritizes its national interests in aid policy is Australia. After the Australian Agency for International Development (AusAid) merger with the Department of Foreign Affairs and Trade (DFAT) in 2013, Australia's aid policy increasingly focused on pursuing foreign and trade policy goals.<sup>122</sup> For example, in its 2014 policy framework, DFAT stated, “The Australian Government's aid program will promote prosperity, reduce poverty and enhance stability with a strengthened focus on our region, the Indo-Pacific. The purpose of the aid program is to promote Australia's national interests by contributing to sustainable economic growth and poverty reduction.”<sup>123</sup> The updated policy framework (August 2023) repeatedly refers to national interests and states that “the objective of Australia's development program is to advance an Indo-Pacific that is peaceful, stable, and prosperous.”<sup>124</sup> Meanwhile, civil society in Australia has criticized how their government's foreign aid is being integrated with its security policy to counter China's growing influence.<sup>125</sup>

The United Kingdom's aid policy has aligned more with commercial and political interests after the Conservative Government came into power in 2010. The merger of the Department for International Development (DfID) and the Foreign and Commonwealth Office (FCO) into the new Foreign, Commonwealth and Development Office (FCDO) was evidently to align aid policy with its foreign policy priorities too.<sup>126</sup> In May 2022, the government presented “The UK government's strategy for international development”, which says, “Our International Development Strategy is a central part of a coherent UK foreign policy,” and sets out four

<sup>119</sup> <https://www.mofa.go.jp/mofaj/files/100390705.pdf>.

<sup>120</sup> [https://www.mofa.go.jp/press/release/press7e\\_000007.html](https://www.mofa.go.jp/press/release/press7e_000007.html). The full text of the revised Charter is accessible at <https://www.mofa.go.jp/files/100514368.pdf>.

<sup>121</sup> [https://www.mofa.go.jp/fp/ipc/page4e\\_001366.html](https://www.mofa.go.jp/fp/ipc/page4e_001366.html).

<sup>122</sup> Mara Bonacci, “Pacific Compact,” *The Reality of Aid 2020-21*, op.cit.

<sup>123</sup> Department of Foreign Affairs and Trade, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, 2014. Accessible at <https://www.dfat.gov.au/about-us/publications/Pages/australian-aid-promoting-prosperity-reducing-poverty-enhancing-stability>.

<sup>124</sup> Australian Government Department of Foreign Affairs and Trade, *Australia's International Development Policy for a Peaceful, Stable and Prosperous Indo-Pacific*, 2023. Accessible at <https://www.dfat.gov.au/sites/default/files/international-development-policy.pdf>.

<sup>125</sup> Natalie Lowrey, “ODA, the Military, and Escalating Dynamics of Containment: Aspects of the Recent Australian Experience in the Pacific,” *Aid Watch Australia*. Accessible at <https://aidwatch.org.au/wp-content/uploads/2022/05/ODA-the-Military-and-Escalating-Dynamics-of-Containment.pdf>.

<sup>126</sup> Abigael Baldoumas, and Helen Rumford, op.cit.

priorities: 1) British Investment Partnerships, 2) women and girls, 3) humanitarian assistance and 4) climate change, nature and global health.<sup>127</sup>

Meanwhile, Korea's Comprehensive Strategy for International Development Cooperation (2021-2025) aims to enhance “global social value and promote national interest through cooperation and solidarity” with four types of goals, “Inclusive, Mutual, Innovative,

and Collaborative ODA”. It also emphasizes expanding aid to “New Southern” (Southeast Asia and India) and “New Northern” (Mongolia and Central Asia) countries.<sup>128</sup> But it has been viewed that the Korean aid program has reflected domestic business interests, evident in high shares of economic infrastructure.<sup>129</sup>

<sup>127</sup> Accessible at <https://www.gov.uk/government/publications/uk-governments-strategy-for-international-development/the-uk-governments-strategy-for-international-development#chapter-1-a-new-international-development-strategy>. For CSO's critical analysis, see Abigael Baldoumas, Mustafa Al-Soufi and Helen Rumford, “ODA in 2022: leaving the most marginalised behind”. Accessible at <https://www.bond.org.uk/news/2022/12/oda-in-2022-leaving-the-most-marginalised-behind/>.

<sup>128</sup> [https://www.odakorea.go.kr/ODAPage\\_2022/eng/cate02/L02\\_S04\\_01.jsp](https://www.odakorea.go.kr/ODAPage_2022/eng/cate02/L02_S04_01.jsp).

<sup>129</sup> Eunju Kim “Balancing Universal Values and Economic Interests through Development Cooperation in Korea,” Huck-ju Kwon, Tatsufumi Yamagata, Eunju Kim and Hisahiro Kondoh eds., International Development Cooperation of Japan and South Korea: New Strategies for an Uncertain World, Singapore: Palgrave Macmillan, 2022.



## Conclusion

This chapter looked into the new trends of ODA and aid policy frameworks of the non-EU DAC members. Commonalities and differences in aid trends were described. In the context of the Ukraine crisis, the aid increase was brought mainly about by IDRC and aid for Ukraine. We must watch whether ODA will keep growing once the war in Ukraine is over, with the global target of 0.7% ODA/GNI in mind. We have to note that some countries have shown a decrease in ODA if IDRC was excluded.

Some countries covered in this chapter revised their aid policy frameworks to strengthen the alignment of their

aid policy with their foreign policy and commercial objectives. For example, the revised aid policy frameworks of Japan and Australia emphasize the role of aid in the Indo-Pacific, implying that countering China as an aid objective. The political leaders of North American donors, Canada and the United States, have also referred to the Indo-Pacific as a priority region, although they have not put forward revised aid policy frameworks. CSOs should monitor the extent to which ODA will be instrumentalized and securitized, both in aid policy frameworks and the actual allocation of ODA. Moreover, donors explicitly mentioning promoting “national interests” as an objective of aid is against civil society's view. Instead, the primary objective of aid must always be to pave the way toward sustainable development and poverty eradication.



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# The Reality of Aid Network

A Pre-eminent Southern-led North/South Network on Reforming Aid Policies and Practices