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Rethinking Aid in a Contested World

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Abstract

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Development aid faces a crisis of budgets, legitimacy, and political alignment. Framed in recent decades as technocratic and benevolent, aid has always been political, shaped by donor and recipient incentives. Its post–Cold War expansion reflected a permissive era of unipolarity and globalization, when Western foreign policy, business, and security establishments provided broad support. That equilibrium has now collapsed. Multipolar rivalry, protectionism, and fragmented domestic coalitions have left aid vulnerable, shallowly supported, and increasingly driven by narrow donor interests. The paper calls for recognition of the need for a globalization 2.0 that enables poorer countries to grow, warning that without such a framework, remaining aid will become more fragmented and ineffective. It also cautions against a euphemistic reliance on "mutual interest," as evidence of genuine donor–recipient benefits is limited; trade facilitation and post-conflict stabilization are rare exceptions. Finally, the paper advances four propositions: aid must be selective, avoid entrenching dependency, balance short-term results with long-term system building, and support reformers willing to challenge the status quo. Only by acknowledging its political nature and aligning incentives within a reconfigured global order can aid remain relevant to development.

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Summary

This paper argues that international development aid faces a structural crisis—one not only of budgets, but of purpose, legitimacy, and political alignment. While aid has for decades positioned itself as a technocratic tool for poverty reduction and institutional reform, its survival and effectiveness now depend on confronting its political nature. Aid is a political instrument, shaped by the incentives of donors and recipients alike. For too long, its practice has been obscured by idealized interpretations of concepts like "country ownership" and "effectiveness," often disconnected from the realities of how decisions are made and coalitions for change are formed.

Today's aid system emerged during a highly permissive geopolitical environment of the late 1990s to mid-2010s. Aid in this period appeared quite different from its Cold War uses, but it was no less political. Its increasingly technocratic character aligned closely with prevailing Western foreign policy objectives, in a context of unipolarity, globalization, and a broad elite consensus in donor countries on the relevance of aid. Aid flourished in this period, justified as a complement to trade, security, post-conflict stabilization, and global public goods. That political equilibrium has now collapsed. With the return of multipolarity, growing protectionism, and strategic competition—especially with China—aid is increasingly redirected toward narrow donor interests. Simultaneously, the political foundations of aid within donor countries are eroding. Public support remains broad but shallow; when trade-offs are made explicit, aid is often the first item to be cut. In many OECD countries, elite coalitions that once supported aid as part of a broader foreign policy vision have fragmented, leaving aid politically vulnerable.

In this context, three areas of realignment are needed for aid to be relevant again.

First, aid can only ever be complementary to the broader environment in which countries' economies operate; it cannot substitute for it. The global system therefore needs to move beyond nostalgia for the unipolar liberalism of recent decades and the relatively benign opportunities it created for growth and catch-up—opportunities that many countries, especially in Asia, were able to exploit. What is now required by aid actors is not only a recognition of multipolarity, but also active engagement on recreating space for trade,

capital, and mobility to support domestic growth; a globalization 2.0, with norms, values and commitments relevant for current realities. For this to be credible, willing development actors—not least the G7 and the leading international institutions such as the IMF and World Bank—must engage in dialogue with emerging powers, including China, to reimagine and rebuild realistic global structures that underpin the economic and social development of poorer countries.

Second, within donor countries, elite coalitions for development cooperation must be rebuilt—not just around moral imperatives, but around credible shared interest. This will require more than rhetorical alignment—mutual interest cannot just be a slogan. It demands coherent design and political ownership across security, business, and foreign policy actors. It will require that donor interests are explicitly aligned with the developmental interests of recipient countries—the latter cannot just be taken for granted. Without this, donor-interest-driven aid will simply be ineffective and self-defeating. Stabilization in fragile and conflict-affected areas, global health, and especially trade facilitation and other measures supporting recipients' exports and growth may offer entry points for effective bilateral engagement.

Third, the aid establishment itself must be more honest about the role of aid. Its stated objectives still revolve around development, as in lasting change in countries' economic paths and the quality of life of their citizens, not least of those currently poor and marginalized. In practice, it may often at best do "good" and not development—but even then, aid actors should recognize that they may end up undermining longer-term trajectories.

This paper advances four propositions for how aid must adapt. First, aid must be more selective, prioritizing countries that demonstrate real political commitment to development. Second, allocation based solely on need may entrench dependency and delay reform. Third, the drive for short-term, measurable results must be balanced against the risks of undermining long-term institutional development. Fourth, aid should be used to empower domestic reformers and coalitions—not as a substitute for local politics, but as a tool to lower the cost of real change to them and their societies.

This is not a call to reinvent the failed conditionality regimes of the past. It is a call for a politically intelligent, incentive-compatible approach to aid—one that recognizes the logic of both donors and recipients and seeks alignment where developmental and strategic interests genuinely converge. Without such a reckoning, aid risks becoming not a lever for development, but a mechanism for the status quo, and part of the problem.

1. Introduction

It is hard to shake the feeling that the foundations of international development cooperation are cracking. Aid budgets, once growing steadily for decades, are now being slashed across OECD countries with minimal resistance. It is a sign that their political and public legitimacy may be thinner than imagined. Rather than serving as a stabilizing force within a broadly cooperative global order, aid is increasingly evolving as a tool of messy geopolitics, shaped by strategic rivalries and shifting domestic imperatives. The question is whether it can still be made relevant amid this upheaval.

The OECD (2025) projects that Official Development Assistance (ODA) from its member states will fall by between 17 percent and 25 percent from its 2023 peak. This contraction excludes around USD 30 billion in donor-country migration-related expenditures, meaning the remaining global ODA budget will fall to between USD 138 billion and USD 155 billion, levels of a decade ago in real terms. More strikingly, accounting for the population in eligible countries, inflation-adjusted aid is returning to around USD 21 per capita—levels not seen since 1990. There is little prospect of any reversal in coming years. What's being lost is not only volume, but the politics that once sustained aid's trajectory.

This paper aims to unpack these mounting pressures on aid—not simply as a matter of budgets, but as a crisis of purpose and incentives. I focus specifically on ODA—public resources targeted at eligible countries—rather than broader public or private flows on commercial terms. The central argument is that aid must be rethought to survive politically at home and to be more effective abroad. That means moving away from technocratic assumptions and instead acknowledging that aid is not just charity or a projection of generosity, but also a political instrument. One whose effectiveness hinges on whether incentives are aligned among those who give and those who receive it.

It leads to seeking answers to questions such as can aid be salvaged by reframing aid in terms of donor interests within a newly contested global order? Will there be a recalibration between donor self-interest, and the needs and aspirations of developing countries, or will one displace the other? Is there still space for aid to catalyze genuine developmental progress, beyond merely fulfilling diplomatic optics?

Answering these questions demands more than restating aid's good intentions. It requires a fundamental rethink of what aid is for. Yes, aid has contributed to measurable progress in health, education, and poverty reduction. But its record on supporting structural change that is sustained through growing economies and stronger local service delivery systems is far more mixed—as Sections 3 and 4 will revisit. Deferring to "country ownership" is often a fig leaf. Who owns the country, after all? Too often, aid props up systems where there is no serious domestic commitment to reform and drive progress. That means confronting the political reality: that local elite bargains—not simply technical fixes—determine whether aid has lasting impacts. If these incentives aren't aligned, aid risks becoming indispensable and impotent. Aid must move beyond naïve do-goodery. If aid is to remain relevant in today's shifting global landscape, it must rebuild its credibility not as moral symbolism, but as a tool that can support genuine, long-term transformation.

To chart a path forward, it first helps to understand how the contemporary aid architecture evolved. Aid has always been entangled with foreign policy, but in recent decades, it appeared to be allowed to drift toward a more technocratic and less transactional model—one more ostensibly driven by development goals (Section 2). The turn of the century provided a permissive environment for this evolution. Aid increasingly aligned with support for unipolarity, globalization, and military interventions—from Iraq to Afghanistan. This allowed aid to grow in volume and scope, while becoming more performance-oriented. Objectives like migration control and trade facilitation became integrated with broader development aims. Technocrats flourished under this political cover, but as discussed in Section 5, the underlying bargain within foreign policy and defense circles was always fragile.

In retrospect, the cuts were predictable. First, political leaders found it expedient to sacrifice foreign spending before making unpopular domestic cuts—even though polling data suggested only modest changes in public sentiment (Section 6). This pattern is not new; historically, aid budgets have been trimmed during perceived economic downturns. Second, and more fundamentally, the elite coalitions that once defended aid—from Washington to Whitehall and Brussels—collapsed. As discussed in Section 7, the loss of this elite consensus is perhaps more consequential than declining public support.

Today, aid will risk being increasingly judged by its immediate political utility to donor governments (Section 8). As research by Dreher et al. (2024), Heidland et al. (2025), and Qian (2015) suggests, the challenge is to distinguish between aid that advances narrow donor objectives and that which also generates developmentally useful outcomes. In many donor contexts, being seen to "do something" may be valued more than whether that something works. Rebuilding elite coalitions—across development, security, business, and foreign policy—is vital if aid is to recover strategic relevance.

In light of all this, in the concluding Section 9, the paper argues for a more selective, politically informed, and incentive-aware role for aid. One that recognizes that effectiveness depends not just on technical design, but on whether it reinforces or challenges the elite bargains that shape development outcomes. Its success will be shaped by how global governance evolves and the space it leaves for the developmental and growth ambitions of poorer nations, and whether in donor countries a new support base can be built, including among the security, foreign policy and business establishments. This holds lessons for traditional donors and multilaterals, as well as for philanthropists and other development actors who seek to make a lasting difference.

2. The Evolving Space for Aid as a Foreign Policy Tool

While Official Development Assistance (ODA) emerged as a formal category in the 1960s, its political roots run far deeper. Modern aid was never born of pure altruism—it was shaped from the outset by foreign policy imperatives. The United States used the Marshall Plan not just to rebuild Europe, but to shore up post-war influence (Leffler 1988); the Roman Empire offered grain and support to restive provinces to maintain control and stability.[1] In the 1950s and 1960s, former colonial powers continued this logic—using aid to preserve leverage in newly independent states. These origins left behind institutional habits that persist, often subtly, in the way aid is still deployed (Mawdsley 2012). Economic stability was rarely the goal in isolation—it was a means to sustain a favorable geopolitical balance.

The strategic nature of aid wasn't just an assumption—it was borne out in the data. During the Cold War, aid allocations followed the contours of alliance politics and colonial legacy far more than they tracked poverty or governance. Alesina and Dollar (2000) showed that bilateral aid overwhelmingly served donor interests, with political alignment routinely outweighing developmental need. Even multilateral institutions, ostensibly designed to dilute these distortions, weren't immune. Neumayer (2003) found that while agencies like the UN and regional banks responded more to poverty, historical ties and political loyalty still shaped allocations. The system's architecture might have changed—but its incentives rarely did.

Seen in this light, the past two decades appear—at first glance—to mark a shift. The Millennium Development Goals (from 2000) and the later Sustainable Development Goals (from 2015) introduced a new narrative: aid framed not as a tool of national interest, but as a shared response to global and local challenges like poverty, health, and education. This wasn't just rhetorical. Hoeffler and Sterck (2022) provide suggestive evidence that since the early 2000s, major donors such as Germany, the UK, and the U.S. began directing a larger share of bilateral aid toward poorer countries. Strategic interests didn't disappear, but they were tempered. Need began to play a more visible role in allocation decisions (Berthélemy 2006; Fuchs et al. 2014). The shift is visible in the numbers: In 2000, just 17 percent of total aid—across both bilateral and multilateral channels—was directed to low-income countries. By 2020, that share had risen to 39 percent (World Bank 2025).

[1] As Garnsey (1988) documents, the *Cura Annonae* and related grain shipments were regularly directed toward frontier provinces and neighboring territories to secure loyalty, stabilize volatile regions, and sustain local elites in times of crisis.

In parallel, aid became more tightly focused on delivering against specific, measurable objectives. As Dreher et al. (2024) argue, donors increasingly judged effectiveness by whether aid achieved outcomes they themselves prioritized, such as reducing migration, strengthening state capacity, or improving health. Some programs still served clear strategic functions, particularly in fragile states, where security and migration concerns dominated. But other interventions became harder to explain through a purely geopolitical lens (Woods 2005). Expanding support for cash transfers, public health systems, smallholder agriculture, and humanitarian relief reflected a broader shift: outcomes framed around people, not just politics.

These shifts had far-reaching consequences. First, they underpinned a major expansion in aid volumes: Between 1997 and 2023, total ODA nearly tripled in real terms (in 2022 prices). Second, multilateral institutions gained ground. Seen as more focused on development priorities, their share of total aid rose from around one-third to 45 percent by 2022 (OECD 2024). Third, the embrace of global goals, such as the MDGs, SDGs, and the World Bank's "ending poverty" mission, pushed aid further toward results-based logic. And fourth, this era saw the emergence of high-profile, focused delivery mechanisms: the US's PEPFAR for HIV/AIDS, the Millennium Challenge Corporation with its compact-style partnerships, and new multilaterals like GAVI, the Global Fund, and a range of climate finance vehicles. Each aimed to deliver tangible results at scale.

The outcome was a larger, more technocratic aid system. It remained donor-driven in many respects, but became more explicitly focused on measurable outcomes, poorer populations, and operational delivery. Technical expertise took center stage, and apolitical implementation was often the preferred framing. Compared to earlier, more overtly strategic or transactional models, this marked a genuine shift—less about ideology, more about demonstrable performance.

This shift should not be mistaken for a late awakening of altruism. It was, in large part, a political recalibration. From the late 1990s onward, coalitions in donor countries began to see development and humanitarian spending as aligned with their own domestic and foreign policy interests. As Overton et al. (2017) argue, aid was reframed not just as moral action, but as a performance—signaling legitimacy to domestic constituencies. But this was more than signaling. It coincided with a unique international moment: a convergence of economic, security, and development agendas under relatively stable global conditions. The technocratic turn in aid was made possible by this political equilibrium. Understanding that period for what it was—not the norm, but a moment—helps explain why that alignment has since fractured. How it might be rebuilt is a question Section 5 will take up.

Before looking ahead, I will revisit a question often sidestepped in the current push to defend or revive aid: Has it actually delivered on its promises? And if not, what would it take to reshape aid, so it supports more durable developmental change? Sections 3 and 4 turn directly to that challenge.

3. What Are They Fighting For? Effectiveness of Aid Revisited

"Does aid work?" is the wrong question. It is no more useful than asking whether all government spending works—something no policymaker in Germany or the United States would ask without specifying the sector, the context, or the purpose. The answer, inevitably, is: It depends. Yet aid is routinely judged as a monolith. Take economic growth, for instance. It is only one of many objectives an aid program may pursue. But the literature has fixated on it, repeatedly asking whether aid causes growth. The best answer remains modest: "on average, plausibly, but not very much" (Clemens et al. 2012; Qian 2015). That's not a failure; more a reflection of how crude the question is. Especially now, with shrinking budgets, a central real task is to understand when and how aid is most effective, disaggregating by where, on what, and how it is spent. In this section, I revisit very briefly what we know about this, but also question how effectiveness tends to be assessed.

More is known about narrowly defined interventions than about complex, system-wide programs and that's not surprising. As with domestic public spending, it's extremely difficult to build a comprehensive picture of whether, taken together, the many interventions funded by aid are making a difference. Most large aid programs are bundles—multiple policies and delivery channels layered through governments or intermediaries. Whether they shift outcomes like learning or private investment is hard to pin down. As a result, the evidence base is skewed: clearer on simple, discrete interventions like cash transfers or targeted health programs, and thinner on infrastructure or sector reforms. Some of these simple interventions show high returns; others don't. At scale, strong examples exist. PEPFAR, with its focused approach to HIV treatment, has clear evidence of lives saved (Bendavid et al. 2010). GAVI, focused on vaccines, also shows measurable success (Shastry et al. 2025). The absence of evidence for more complex interventions, for example, supporting a central bank, or overhauling an education system, doesn't imply they fail. It simply reflects a deeper challenge common to all public spending: Attribution is hard, and allocation decisions are rarely straightforward.

With aid, the challenge is even more complicated, because it is financed by taxpayers in other countries. So, whose objectives should guide what aid is spent on? And whose standards should define effectiveness? In recent decades, the prevailing answer has been to appeal to "country ownership:" the idea that recipient governments should lead their own development agendas. The Paris Declaration (2005) and the Busan Partnership (2011) enshrined this principle. But as with many good intentions, the practice has often fallen short of the rhetoric.

In principle, country ownership means that governments set their own development priorities, and aid is assessed by how well it supports those priorities. Aid, in this view, expands the fiscal space available to governments, allowing them to finance activities they value but cannot yet afford. In theory, governments allocate domestic resources toward projects with the highest expected returns, constrained by the cost and availability of finance. Aid, including concessional lending from multilaterals, lowers the marginal cost of capital. That, in turn, allows more projects—those with still-positive returns but previously unaffordable—to go ahead. This logic is not new. It underpinned the creation of the World Bank after Bretton Woods, framed the rationale for aid in the 1960s, and still guides the World Bank Group's International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD) today: to ease fiscal constraints so that countries can accelerate development by investing earlier, rather than waiting for domestic revenue to catch up.

In reality, this logic is rarely followed. The fact that “country ownership” had to be reaffirmed in Paris (2005) and Busan (2011) only underscores how often it is ignored. Across the aid system—whether through bilateral channels or vertical funds—donors still tend to choose where and on what they will spend. Instead of supplementing government budgets for lower return but still worthwhile investments, donors often prioritize the very interventions with the highest estimated returns. GAVI funds vaccines. DFID focused on girls' education. USAID invested heavily in health care. These may be justifiable priorities, but the process inverts the ownership principle entirely. Donors pick first; governments adapt after.

None of this is to say that these programs did no good; on the contrary. Vaccines were delivered, girls were educated, and primary health systems expanded—the evidence base is strong. In many cases, investing in high-return activities may even have helped sustain political support for aid in donor countries. And by taking on these high-yield interventions, donors may have freed up space for domestic resources to be spent elsewhere. There's some evidence for this creation of space to spend on other areas. Dykstra et al. (2019) show that GAVI's vaccine funding in middle-income countries near graduation thresholds crowded out domestic vaccine spending. Seim et al. (2020) find that in Malawi, when policymakers know donor projects are coming, they shift their own budgets elsewhere. These are examples of fungibility—not inherently problematic if governments reallocate wisely. But that's the crux: it depends on what they do instead. And when those reallocations undermine state accountability or allow governments to sidestep their own responsibilities, they can quietly erode the very ambitions that aid claims to serve.

The core issue is this: When donors take responsibility for the most essential services, they may unintentionally entrench poor incentives for development. As Van de Walle (2005) reminded us, the act of giving aid creates a negative incentive from the outset—one that must be offset by a significant positive impact just to break even. The problem is twofold. First, governments no longer need to raise taxes from their citizens for those services. Second, they can afford to care less about delivering them—because donors have stepped in. In effect, aid begins with a deficit: It must climb uphill before it can credibly claim to deliver a net developmental benefit.

This is not a theoretical concern—it plays out visibly in some settings (see also Dercon 2022). Take Nigeria. Despite a similar GDP per capita to Ghana, Nigeria spends significantly less per person on health, and its infant mortality rate is more than twice as high. Yet 40 percent of Nigeria's public health spending per capita comes from aid; in Ghana, it's closer to 20 percent. The signal is clear: in Nigeria, aid substitutes where domestic effort falls short. I recall a South Sudanese finance minister once thanking UK and other donors for handling education and health—because, in his words, "we don't have to worry about it." By contrast, only once in my time at DFID did I hear the opposite—from a senior Ethiopian policymaker who rejected a well-designed program because, he argued, it was too important to be left to donors and should be financed directly by the government. That instinct is rare—and revealing.

Donors' insistence on funding only the highest-return activities of their choosing—often justified under the banner of "aid effectiveness"—has real consequences. Doing good can easily become doing too much, crowding out local systems and making aid indispensable. The risks became tangible when the USAID cuts were announced: In many countries, critical health services saving lives disappeared almost overnight. It was a stark reminder that when donors prioritize short-run, visible results, there's little room left for the harder—but more durable—work of building sustainable systems on the government's budgets. The trade-off is rarely explicit, but it is fundamental: delivery today versus resilience tomorrow.

Consider Malawi—a country where aid dependence in core sectors remains striking. Baker et al. (2025) report that U.S. spending on health care in Malawi exceeded the Malawian government's total health budget by more than twofold, covering many of the most essential services. That's not just generosity; it points to a design failure. Why should the U.S., rather than Malawi's own government, be the primary provider of such services? This isn't a post-conflict state newly emerging from crisis. Malawi is peaceful, politically stable, and has received large-scale aid for over 65 years. Yet billions in assistance have still not yielded robust domestic systems. If aid were truly working as a catalyst for development, this level of dependence should have long since receded.

In sum, for aid to be truly transformational and guiding development, its recent technocratic incarnation needs to overcome its inherent contradictions and failings. The next section proposes stepping stones towards an alternative approach to aid.

4. Rethinking Aid Within the Local Political Economy

At its core, development is not just a technical puzzle; it also is a political choice. “Country ownership” sounds appealing, but the real question is: Who owns the country? What are the incentives of those with power—the domestic elite? In Dercon (2022), a simple framework is offered to explain why, over the past few decades, some countries—China, Vietnam, Indonesia, India, Bangladesh, Ghana, Ethiopia—managed to grow and reduce poverty. These countries share little in terms of political systems, state capacity, or colonial legacies. Most did not have the inclusive institutions celebrated by Acemoglu and Robinson (2012). In fact, many looked institutionally similar to others where growth stalled—like Pakistan, Malawi, Nigeria, or South Sudan. What made the difference was not the market or political system on paper, but what domestic elites were trying to achieve.

Drawing on case studies, Dercon (2022) argues that what distinguished more successful countries was not their formal institutions, but the presence of a relatively stable elite coalition committed to development. This commitment wasn’t just rhetorical—it was reflected in policy choices and behaviors. These coalitions backed broadly sensible economic policies, ensured that public spending had a developmental tilt, and were willing to learn and adjust when things went off track. In less successful countries, this kind of coalition either never formed—leading to persistent fragility, as in South Sudan—or it did form, but with priorities centered on preserving power and the status quo, as seen in Nigeria or Malawi. The core proposition is that growth and development are politically disruptive—they threaten existing rents and power structures. For many elites, choosing development is a gamble. Some coalitions have been willing to take that risk and sustain it. Others prefer the safety of stasis.

Once aid enters this kind of political context, it cannot be neutral—it becomes part of the domestic political economy. In countries where elites are broadly committed to development, aid can work as intended: accelerating progress in ways that align with national priorities. In such cases, donor preferences over specific sectors or modalities matter less—fungibility allows recipient governments to adjust around them. This has been the lived experience of many practitioners working in countries like Vietnam, large parts of India, Ethiopia, Ghana, or Bangladesh—at least during key periods of reform and change. In these settings, aid didn't just deliver services; it helped strengthen underlying systems. The broader data support this view. Even if some of these countries now face economic headwinds, their developmental trajectory is significantly stronger than it was a generation ago.

But what happens when governments don't allocate their own budgets toward high-return development priorities? When bureaucracies function more as vehicles of patronage than delivery? When elites fail to build even the most basic coalitions for peace or stability? In those contexts, delivering visible results—getting vaccines in arms, children into classrooms—can feel like the only viable option, not least to maintain legitimacy with donor-country taxpayers. This is closer to the experience of countries like South Sudan, Nigeria, or Malawi over recent decades. The need remains urgent, but the path out of aid dependency—towards sustainability and self-reliance—remains elusive under the current logic of the aid system. It also challenges the continued use of terms like "country ownership" or "effectiveness" as if they were universally applicable. At worst, attempts to support locally owned systems amount to little, because the domestic political commitment to make them function is simply absent. At best, aid delivers short-run gains while tolerating long-run distortions—reinforcing the very incentives that make real development difficult. That only works if one assumes aid will always be there. The recent cuts suggest otherwise.

There are no easy fixes—but a few principles could help bring aid closer to its original, long-term ambition: to accelerate the development goals of countries themselves, rather than substitute for them.

First, donors need to make aid more responsive to countries that show real political commitment to growth and development. Without a domestic coalition that owns and drives the reform agenda, large-scale, sustainable progress simply won't happen. Aid should reinforce such commitment—helping to accelerate momentum where it exists, not manufacture it from the outside. This is easier said than done: Identifying credible commitment and building in flexibility is difficult. But the current system is ill-equipped for this task. Multilateral banks, for instance, function as cooperative banks—providing broadly equal access to finance regardless of political incentives. In 2019–20, among IDA's top borrowers were countries like Nigeria, Pakistan, and the DRC—cases where neither sound economic policy nor elite commitment to development was obvious.

Second, aid should not respond to need alone. While morally compelling, need-based aid can inadvertently reinforce the very conditions that undermine development. Aid is not neutral—it creates incentives. Prioritizing lives saved today, however well-intentioned, can weaken the political incentives for building the systems that save far more lives tomorrow—creating difficult dilemmas for aid policy. Even humanitarian aid is not immune. Nunn and Qian (2014) find that U.S. food aid increased conflict in recipient countries. Dercon (2022) documents such patterns in South Sudan. The point is not to abandon life-saving support, but to recognize the long-term risks when aid displaces domestic responsibility and entrenches dysfunctional politics. It has to mean that the case for much of the aid to countries like Nigeria or Malawi was absent for long periods in recent decades.

Third, the aid industry needs to think more carefully about how it defines and measures effectiveness. Donors frequently stress the importance of focusing aid on what "works"—and as budgets shrink, that pressure will only grow. Some now argue for a sharper pivot toward interventions backed by strong evidence, often simpler programs with measurable short-term outcomes (Glennerster and Haria, 2025). This is not a case for funding ineffective programs. But it is a reminder that favoring interventions with clean evidence risks crowding out investments in longer-term system building—where impact is harder to measure, slower to show, and full of ambiguity. That trade-off matters. What looks effective on a spreadsheet may, over time, deepen aid dependency and make future progress harder to sustain.

Fourth, if political commitment is essential for progress, then aid should be used to support and strengthen those within countries who are genuinely trying to drive change. That means backing reformers with resources, ideas, and expertise—but also helping to build broad-based coalitions for development. These may span politics, bureaucracy, business, civil society, media, and even the military. This returns us to the idea of country ownership—but not as a donor-imposed political and economic templates. Instead, aid should help create space for local processes to take root and evolve. One of aid's most useful roles may be in de-risking reform. All real change creates winners and losers—and entrenched interests will push back. Aid can lower the cost of commitment, for example by crowding in other finance or helping stabilize fragile transitions. The goal is not to dictate, but to enable.

This is a far cry from the old model of aid conditionality, where donors imposed economic or even political reform conditions as a prerequisite for disbursement—a hallmark of the 1980s and 1990s. That model sought to impose commitment rather than support it, and the evidence is clear: It often failed to deliver meaningful reform and instead undermined genuine domestic accountability and ownership (Collier and Gunning 1999; Devarajan et al. 2001; Easterly 2001; Svensson 2003; Bräutigam and Knack 2004). And in those cases where the temptation arose to make the conditionality linked to political reform, its credibility and lasting impact was also limited unless domestic commitment to them was already present (Dunning 2004; Wright 2009).

One likely objection to these four principles is that they render aid explicitly political. For some, particularly within multilateral institutions, this may be difficult to accept—even though, in practice, multilaterals are not neutral actors. They operate within specific political economies and inevitably shape incentives through their engagement. This opens up an important role for bilateral aid—not as a substitute for multilateralism, but as a complement—able to take on the politically sensitive functions that multilaterals, bound by mandate and consensus, often cannot.

The call to be more selective is often dismissed on the grounds that genuine commitment by political elites to growth and development cannot be measured. This is too easy a criticism. Commitment should not be reduced to statements of intent but reflected in actions and behaviors that *can* be observed and assessed, even if context-specific. One way forward is to think in terms of scorecards: How is a country performing against a set of reforms that signal genuine commitment, especially in areas with entrenched vested interests? Local and international observers may disagree on the precise list, but there is likely broad agreement on some priorities. In Malawi, for example, serious reform of the Agricultural Development and Marketing Corporation (ADMARC) or the Farm Input Subsidy Programme (FISP) is likely to be included; in Nigeria, governance reform of the Nigerian National Petroleum Company (NNPC) would count amongst others. Commitment can then be judged by whether change begins to materialize in a few of these difficult areas, even if many others remain untouched—providing a trigger for further support.

Stepping away from the comfortable, if illusory, notion that technocratic approaches constitute "non-interference" will not be straightforward. Effective engagement requires identifying reformers and the coalitions that sustain them, which in turn demands contextual understanding that cannot be reduced to indicators. Reformers are those with the political and administrative authority or influence to push for long-term progress, often against entrenched interests committed to rent-seeking and the status quo. Examples across developing countries show that such actors—when equipped with political acumen and a commitment to growth and development—can make difficult choices not simply in response to external conditions or donor milestones, but in pursuit of sustained transformation (Dominguez 1997, Dercon 2022a). Supporting them may involve a range of interventions: technical assistance, resources to help build coalitions with business and civil society, and political cover to lower the costs of reform. Such support requires tolerance for mistakes and an emphasis on behavior and outcomes rather than on externally imposed blueprints or the rhetorical commitments of political leaders. Recognizing and supporting reformers in this way sets the stage for reconsidering how aid is designed and allocated: The challenge is not only to identify where developmental coalitions exist, but also to ensure that aid instruments reinforce rather than undermine them. Of course, aid always has been political. In the next few sections, I will return to this. Its relatively more technocratic incarnation in the last few decades was the result of a global and donor country internal political equilibrium that allowed aid to play the role it increasingly played. And this equilibrium has changed. Trying to realign incentives offered by aid to contribute more to progress in development will have to consider the incentives for donor countries to provide aid, and in what forms or modalities.

5. The Global Context of Aid in Recent Decades

As the historical record makes clear, aid has always served as a foreign policy tool—a balancing act between projecting goodwill and pursuing strategic interests. Its function, however, depends on the global context in which foreign policy is made. Aid doesn't operate in a vacuum. When the international order changes, so too does the role aid is expected to play. It is worth revisiting the geopolitical conditions of the recent past—as well as the Cold War era—to understand how they shaped aid, and what lessons they hold for the emerging world.

From the late 1990s through the mid-2010s, the global environment was unusually permissive for Western donors. This was the age of unipolarity. The Cold War had ended, and the West—particularly the United States—faced no serious geopolitical rival. The Western liberal model of organizing society and markets appeared dominant (Ikenberry 2002). In many developing countries, the ascendancy of global capitalism lent credence to Fukuyama's idea of an "end of history," even if the democratic part of the formula never fully materialized (Fukuyama 1992). Western power was not unchallenged and interventionist responses in Afghanistan, Iraq, and Libya often reflected a confidence rooted in the naïve belief that it was.

This was also the high watermark of globalization. Trade, capital flows, and economic interdependence were not just tolerated—they were actively promoted. Growth in developing countries was welcomed, even if it occurred under governments that didn't embrace liberal democracy. Market reform and export-led strategies were seen as win-win. OECD consumers gained from cheaper and more diverse goods (Broda and Weinstein 2004; Amiti et al. 2020), while countries like China, India, Indonesia, and Bangladesh used global integration to lift hundreds of millions out of poverty and into the global middle class (Milanović 2013). The benefits were unevenly distributed, but the dominant narrative held: Trade-led globalization was broadly positive (Rodrik 2011; Autor et al. 2013).

In this context, aid aligned neatly with broader economic and political goals. It was no longer seen as charity, but as an investment in the global liberal order. Aid helped build the infrastructure, institutions, and capabilities that allowed poorer countries to participate in global markets. In that sense, it mirrored domestic public investment strategies: Just as governments in Europe used fiscal tools to make market economies more inclusive, aid became a tool to make globalization more palatable and sustainable in the Global South—especially in the post-Soviet neighborhood.

Aid also took on a security dimension. From the early 2000s, especially after 9/11, fragile and conflict-affected states came under sharper focus. In places affected by Islamist insurgencies or broader instability, aid was increasingly seen as a stabilization tool—used alongside, or just behind, military intervention (Woods 2005). This "securitization" of aid didn't replace development goals but added a parallel logic: Aid was to improve lives, yes—but also to reduce threats.

These overlapping dynamics—unipolar dominance, globalization, and security imperatives—created a rare moment of alignment. Economic, military, and development interests converged. Aid budgets rose, and so did ambition. Aid was no longer just a diplomatic instrument; it had to deliver. This increased pressure for outcomes helped institutionalize a more technocratic approach. More was expected of aid, and the technical apparatus for delivering it expanded.

So, what changed?

Today, the elite consensus that once held together this architecture—across ministries, foreign policy circles, military leadership, and even business—has unraveled. In many OECD countries, including the most powerful ones, political leaders have walked away from aid commitments that just a few years ago they would have defended as strategic. Why? One explanation is declining public support. But a more fundamental driver is the shifting global context—the loss of the political conditions that once held the coalition together.

6. Support for Aid is a "Mile Wide and an Inch Deep"?

For some, the priority now must be to rebuild political support for aid within donor countries—if not to reverse the cuts, then at least to halt further erosion. Public opinion surveys are often cited as evidence that the foundation is still there. In Europe, for example, the 2022 Eurobarometer survey reported that 74 percent of EU citizens believed tackling global poverty should be a main EU priority—a finding consistent with earlier surveys since 2010 (European Commission 2022). Broader surveys across the EU and OECD between 1990 and 2007 also showed upwards of 70 percent support for aid in response to questions on the importance to give it.

But this kind of data demands caution. As Hudson and vanHeerde-Hudson (2012) noted, such surveys are vulnerable to social desirability bias. Respondents are rarely asked to make real trade-offs—only to endorse broad moral principles. When questions become more concrete—about budgets, trade-offs, or relative priorities—support weakens quickly. In recent years, support for aid as a spending priority has dropped to the mid-50s in the U.S., France, and Germany, and below 50 percent in the UK, down roughly 10 percentage points over the past five years (Torres-Raposo et al. 2025).

The shift becomes starker when respondents are asked to rank aid against other fiscal needs. In Germany, an INSA-Consulere poll (2024) found that 56 percent supported cutting aid to reallocate spending domestically. In the UK, a 2021 survey found that while

83 percent backed the idea of aid in principle, 72 percent supported cuts to manage public finances (BFPG 2021). Since 2019, YouGov polling has consistently shown that when asked what should be cut first, about 60 percent of respondents select foreign aid. In the U.S., AP–NORC (2025) found 71 percent favoring cuts to foreign aid—more than any other budget item.

This pattern is not new. Aid has long been an easy target during economic downturns. Dabla-Norris et al. (2015) and Heinrich et al. (2015) documented how donor governments use periods of crisis to justify cuts. Milner and Tingley (2010) and Kobayashi et al. (2015) show how public sentiment is reshaped in these moments—real or perceived shifts that give political cover for retrenchment. The phrase coined by Smillie (1999, p. 73) still rings true: "public support for development assistance is a mile wide and an inch deep."

In this light, the recent cuts across OECD donors should not be surprising. Economic stagnation—especially in median incomes—has created the conditions for retrenchment. In the U.S., GDP per capita has grown at 3.9 percent annually since 2020, but median household income has barely moved—just 0.2 percent (Federal Reserve Bank of St. Louis, 2025). This is part of a longer pattern: Over the post-2007 period, median incomes grew by less than one percent annually, far below historical norms. In Europe, the post-financial crisis period also brought prolonged stagnation in both GDP and median income (Nolan et al. 2017; Grabka and Goebel 2017).

All of this suggests that lower aid budgets may not be temporary. Unless donor countries can rekindle stronger, more inclusive economic growth, the political and fiscal space for aid will remain constrained. That said, the bigger driver may now lie elsewhere: not just in domestic pressures, but in how the global context for aid has fundamentally changed. That is the focus of the next section.

7. Donor Interests First

By the early 2010s, it was already clear that the world of unipolarity and globalization was under pressure. The 2009 *Global Trends 2025* report from the U.S. National Intelligence

Council captured this early, predicting a shift towards multipolarity driven by the rise of China, India, and other emerging economies, and a significant rebalancing of global wealth from West to East (Fingar and Thomas 2009). What it did not foresee was the scale of the backlash against globalization within Western countries themselves.

The warning signs were already visible. Since 2000, limited growth in median incomes and job losses in blue-collar sectors across many OECD countries fed growing discontent. Globalization—particularly trade with China—was quickly blamed. Autor et al. (2013) demonstrated that Chinese import competition had tangible effects on manufacturing jobs and wages in the U.S., fueling the perception that China was directly responsible for declining economic conditions. Yet the broader picture was more complex. In Germany, trade with Eastern Europe expanded manufacturing (Dauth et al. 2014), and even in the U.S., job and wage effects from trade with China and other lower cost economies were far smaller than those from technological change, such as automation (Acemoglu et al. 2016; Caliendo and Parro 2019).

Still, perceptions tend to outrun evidence. The shift in public sentiment—framing China not as an economic opportunity but a threat—helped reshape Western foreign policy. Under the Trump administration, and later with renewed vigor under Biden, the U.S. foreign policy establishment shifted decisively toward strategic competition. China was no longer treated as a partner in global integration, but a rival challenging the Western-led order (White House 2017). Europe and the UK followed with more nuanced but directionally similar assessments (European Commission and High Representative 2019; HM Government 2021). China's role in the COVID-19 pandemic only deepened the skepticism towards global integration, adding momentum to protectionist trends.

This emerging multipolarity, combined with anti-globalization sentiment and an explicitly anti-China posture, has undermined the political foundations that once positioned aid as complementary to broader foreign policy goals. Making matters more complicated, China began to play a larger role in development finance, stepping into spaces once dominated by traditional donors. It offered infrastructure loans to low- and middle-income countries on competitive terms—often with fewer conditions and less bureaucracy.

While Chinese finance is difficult to compare directly with OECD definitions, the numbers were significant. Between 2000 and 2014, China provided an estimated USD 680 billion in finance to developing countries—more than double the U.S. (USD 319 billion), though still behind the combined USD 892 billion from the top five Western donors (Japan, France, Germany, the UK, and the U.S.). However, only nine percent of China's flows met ODA concessionality standards, compared to 83 percent for the U.S. (Morris et al. 2020). From 2008 to 2019, China's two main policy banks—the Export-Import Bank and the China Development Bank—lent USD 462 billion, nearly matching total World Bank lending over the same period (USD 467 billion) (Ray and Simmons 2020). These loans typically carried higher rates than the World Bank but remained well below commercial market rates for many developing countries. The result: a sense of direct competition, not only in trade or security, but now within the aid architecture itself.

Two additional pressures have further complicated the political consensus behind aid in donor countries. The first is migration. The post-2015 refugee crisis, triggered by Syrian conflict, sparked growing concerns in Europe about the link between migration and stagnating living standards. While the evidence suggests migration has had some but only modest effects on jobs and wages in lower-skill segments (Dustmann et al. 2013; Edo and Özgüzel 2023), public perception of massive impacts has been harder to shift. The political backlash fed broader isolationist sentiment—and changed how aid budgets were used. Since 2021, around USD 30 billion annually in ODA has been diverted to cover domestic asylum-related costs rather than being spent in developing countries, with remaining aid more often projected as linked to reducing migration pressures.

The second is climate change. While most OECD countries (excluding the U.S. at times) have recognized its importance, the domestic costs—economic and political—of implementing climate agendas are high. This has created pressure to use aid budgets for global emissions reductions abroad, rather than adding new funds for climate alongside existing development and humanitarian objectives. For example, the Biden administration's use of the World Bank to scale up climate finance reflected both a commitment to climate goals and the political limits of acting solely through domestic spending.

What this adds up to is not a clear trajectory but a fragmented and unstable landscape. The consensus that once underpinned aid—as a benign, complementary instrument aligned with foreign policy—has frayed. Multilateralism, too, has come under strain, particularly as the U.S. retreats further from even its historically lukewarm support for global institutions (Milner and Tingley 2012).

Many of the trends that defined aid in recent decades were already beginning to fray—and today, that reversal is accelerating. By 2025, aid per capita to developing countries will, in real terms, be back to 1990 levels. The share going to low-income countries has already fallen—from a peak of 39 percent in 2020 to 30 percent in 2022, in part due to large flows to Ukraine, a middle-income country. And with declining U.S. support for multilateralism, the share of aid channeled through multilaterals is also expected to shrink. And with what remains, donor interests are likely to take even greater precedence.

8. Reshaping Aid for Donor and "Mutual" Interests

There is little doubt that pressures will increase to spend more aid in ways that serve narrow donor interests—both through bilateral programs and via influence over the boards of multilateral institutions. Is it possible to do this well? In this section, I draw on overviews from Dreher et al. (2024), Heidland et al. (2025), Qian (2015), and other studies that ask whether aid serving donor interests actually delivers on those objectives, and whether such aid can also support recipients' development. The aim is to define the scope for so-called "mutual interest" aid: assistance that benefits donors while also advancing the interests of recipient countries and their citizens.

The temptation to pursue this route is strong, particularly in today's geopolitical context. The growing presence of China, the Gulf states, and Russia across the developing world reinforces the impulse to use aid as an instrument of strategic competition—an extension of donor power and influence. At the same time, rising domestic skepticism about aid in donor countries strengthens demands for visible returns from spending abroad.

Together, these pressures drive an ever sharper focus on aligning aid with donor interests on the ground.

The past offers useful clues on the use of aid for donor interests and its effectiveness for them —not only from recent decades, but also from the Cold War era. As discussed earlier, during the Cold War, aid was often directed by foreign policy priorities. Strategic objectives—such as ties to former colonies, access to natural resources, military alliances, or vote alignment in multilateral institutions—played a defining role (Alesina and Dollar 2000; Dreher et al. 2009, 2013). These patterns are well documented. Countries occupying rotating UN Security Council seats receive more aid (Kuziemko and Werker 2006). In U.S. election years, politically aligned countries receive more support (Faye and Niehaus 2012). Food aid volumes rise in years of domestic agricultural surplus—serving farm lobbies as much as humanitarian goals (Nunn and Qian 2014). Aid was also tied to political conditionality aimed at fostering liberal democracy in the image of the West, at times in service of Cold War objectives, and with limited success (Dunning 2004). The approach was highly selective: During the same period, Western governments also used aid and military support to prop up authoritarian regimes such as Mobutu's Zaire and Bokassa's Central African Republic. The evidence shows that attempts to use aid for narrow, short-term donor interests do not tend to benefit recipients; it rarely even delivers for the donors themselves.

None of this ever fully disappeared. Even in the recent more technocratic decades, donor-interest aid persisted, more recently often rebranded as "mutual interest" support. This umbrella covers a broad range of instruments and motives, varying by donor country depending on domestic politics and prevailing policy agendas. But the pressure to prioritize national interest remains systemic—even in multilateral institutions.

Recent work has expanded the evidence base on donor-interests in aid. Dreher et al. (2024) and Heidland et al. (2025) explore how deeply donor interests shape program design. In economic terms, the clearest example is tied aid: funds that must be spent on goods and services from the donor country. While China is frequently criticized for this approach, traditional donors are no different. Japan, the United States, and many European countries continue to use tied aid extensively. While such aid benefits domestic firms, it imposes significant efficiency costs on recipients (Kim and Kim 2016). Other studies show links between aid and voting patterns at the UN Security Council (Dreher et al. 2009) or between aid and perceptions of the donor country (Kim and Lim 2023; Blair et al. 2022). In some cases, as discussed in Sections 3 and 4, this kind of transactional aid reinforces incentives that sideline growth and development—by rewarding influence rather than performance. As Heidland et al. (2025) suggest, these benefits to donors are modest, and the developmental value to recipients is typically limited.

Some donor-interest instruments operate through more indirect channels, where the evidence is thinner or more context-dependent. Trade facilitation, for example, can increase donor exports (Nishitateno and Umetani 2023), though the resulting gains often spill over to other trading partners as well. Still, because export-led growth has a strong historical track record, trade-oriented aid—if well designed—may offer one of the clearest examples of genuine mutual benefit. It can expand global trade opportunities (Costinot and Rodríguez-Clare 2014) and, by supporting growth, reduce the risk of conflict (Miguel et al. 2004). It also contributes directly to what many countries need most in developmental terms: economic growth that creates jobs, raises fiscal revenues, and reduces poverty (Ravallion 2001; Dollar and Kraay 2002). That said, the overall evidence on whether aid can systematically accelerate growth remains limited (Clemens et al. 2012; Qian 2015).

Stabilization and post-conflict reconstruction represent another potential area of mutual gain. As seen from donors, reducing violence can ease migration pressures and enhance global security. But evidence here is mixed. During conflict in Iraq and post-conflict in Liberia, targeted programs have reduced violence (Bahney et al. 2013; Blattman et al. 2017, 2023). Yet broader "hearts and minds" initiatives have delivered uneven results: For example, during conflict in Afghanistan, U.S. health spending improved outcomes, while education outcomes declined (Childs 2019). And some programs—like large-scale U.S. food aid—may have exacerbated conflict (Nunn and Qian 2014). In such fragile contexts, whether aid contributes to stabilization depends on whether it aligns with local political incentives. As discussed in Sections 3 and 4, persistent conflict often signals the absence of a viable elite bargain. Effective aid must do more than manage symptoms—it must support those pushing for a durable coalition for stability and progress. But that is a deeply political challenge, and one aid alone cannot solve. If designed well, aid could play a role, but it needs deep contextual knowledge to avoid failure.

Migration control has also become a prominent donor interest. Yet as Clemens and Postel (2018) document, the evidence that aid reduces migration is, at best, mixed. Timing, targeting, and modality all matter. If anything, aid's impact on migration reductions appears modest and highly context-specific. The benefits for recipients are similarly ambiguous.

Pandemic preparedness is another frequently cited priority. The costs of pandemics are high, and the returns to prevention should be obvious (Glennerster et al. 2022). But even here, the record is uneven. Investments made after the 2014–16 Ebola crisis offered limited and uneven value when COVID-19 struck. In high-income countries, preparedness plans were often built around an influenza scenario, leaving governments poorly positioned for a novel coronavirus. The UK's National Audit Office found that stockpiles and plans were influenza-specific (NAO 2021), and the UK Covid-19 Inquiry concluded that this focus created critical blind spots in the early response (UK Covid-19 Inquiry 2024). In low- and middle-income countries, the picture was also mixed. Some Ebola-era investments—in emergency operations centers, surveillance systems, and contact-tracing capacity—were activated early and provided initial advantages in parts of West Africa (El-Sadr and Justman 2020). Yet broader system capacities, such as oxygen supply and critical care infrastructure, remained insufficient, limiting their impact (Adepoju 2020). Financing instruments built using considerable aid resources also underperformed. The World Bank's Pandemic Emergency Financing Facility (PEF), created in response to Ebola, was widely criticized for delayed disbursements and complex triggers; funds for COVID-19 were not released until late April 2020, well after the crisis had escalated (World Bank 2021; Pattnaik, Basu, and Kesarwani 2020). PEF was closed in 2021. These experiences underscore the recurrent problem with preparedness: Systems are too often built for the last crisis, not the next one.

In summary, extending transactional diplomacy into highly transactional forms of aid—such as vote-buying or tied procurement—can deliver modest donor-side returns, but often at the expense of recipient outcomes. Other types—like trade, conflict prevention, or pandemic preparedness—offer more potential for mutual benefit, but only if carefully designed. And too often, confidence in these instruments outpaces the evidence. To succeed, they must be aligned not only with donor objectives but also with credible developmental incentives for recipient countries. As Sections 3 and 4 show, that means understanding local political economies—not just declaring shared values and wishful thinking by implementers. Mutual interest aid, consistent with long-term strategic interests of donors, can have its place, as long as its limits and boundaries are recognized.

9. Conclusion: Re-aligning Incentives for Donors and Recipients

Can incentives between donors and recipients be re-aligned so that aid once again contributes meaningfully to development? Could this be the basis for rebuilding support for aid itself?

Let's be frank, as much of this paper has implied: The outlook is not encouraging. Yet aid will not vanish. Total volumes, while shrinking, remain roughly at the levels of a decade ago in real terms—and, per capita, back to around 1990 across low- and middle-income countries. What matters now is whether the experience of the past two decades—when there was space for more ambitious, technically informed aid—can be learned from, as well as the lessons in earlier periods of aid. Three areas stand out as critical for re-aligning incentives.

First, sustained development progress will be impossible without a new form of global cooperation—in trade, investment, and climate. This is not only a challenge for dominant global powers. As Sections 5 and 7 argued, globalization created the conditions for many countries to grow rapidly and a basis to reduce poverty levels. That path is closing. Today's unstructured multipolarity offers little of the minimal order needed to support growth models. What's needed is not a return to unipolarity, but a more functional multipolar system: a globalization 2.0 that enables flows of goods, services, capital, people, and ideas, within new structures, norms and behaviors—not just disordered strategic rivalry. This doesn't require perfection. The globalization of the early 2000s did much of the job, at least from a growth with development perspective. It provided the context in which aid could complement domestic growth efforts, particularly across Asia.

The emergence of a globalization 2.0 will not be easy. The political space in richer economies to re-invigorate some form of globalism is limited, given the backlash on perceived job losses due to rising powers such China and dissatisfaction around migration driving increased isolationism. One reaction for global aid actors is to simply take this as given, and try to make the best given the constraints. However, this will be a dramatic scuppering of ambition for aid. Without a credible way for poorer countries to grow through exports, more foreign investment and broader engagement with world, economic and social development will become increasingly difficult. The potential impact of aid will always be highest when it is complementary to broader growth opportunities for developing countries. Development actors not least from the G7 and the main international organizations such as the World Bank and IMF have a role to play. Not in terms of trying to recreate unipolar liberalism, but within a recognition of multipolarity, and with deep engagement at a global level.

The first step will likely need to be a deeper reflection within the G7 and other major donor countries, not only among development agencies, but also within the foreign policy and security establishment, to create the space to move beyond naïve strategic competition toward genuine global cooperation. Stronger dialogue now with China and other emerging powers will be required, even if the United States may well be missing in action for the near future. Global cooperation not just on climate but also on trade, debt, investment and mobility offers scope for win-win. However hard it may seem at the moment, there is a role for development actors to encourage the dialogue and new ideas within sensible political bounds now, focusing especially on the poorest countries, even if it may take time to bring to fruition.

Second, support within donor countries must be rebuilt—not necessarily through public campaigns, but through reconstituting elite coalitions. Public support for aid remains broad but shallow (see Section 6), and development is difficult to explain to voters. The more promising route is to reconnect aid to the interests of foreign policy, security, and business establishments, as seemed possible in the post-2000 decade. Section 8 explored how this led to the rise of “mutual interest” aid. But that model will rapidly reach its limits if it is merely a rhetorical device and not built from self-critical foundations. The universe of aid that serves donor interests and sets good incentives for recipients is relatively small. It requires more than a narrative—it demands a coalition of powerful actors with a shared stake in well-designed, high-return engagements with partner countries. Trade facilitation, stabilization efforts, and strategic systems-building sectoral investments offer potential entry points. But these are hard to execute, and, crucially, success will still depend on the recipient-side incentives described in Section 4. There is no point offering these across the board; in some political economy contexts they may even do harm. This leads to a third and final critical lesson.

Third, the aid establishment must be willing to take a more honest, self-critical look at what it has achieved—and where it has fallen short. There is no doubt that aid has done good in many contexts. Beyond that, in countries like Vietnam, Ethiopia, or Bangladesh, aid has clearly complemented domestic commitment and helped accelerate development. But the same cannot be said everywhere. In countries such as Malawi or Nigeria, large aid flows have coincided with long periods of stagnation, with limited commitment to growth or development. If the case for aid is to remain credible, it needs new success stories—examples where aid played a meaningful role in supporting growth and institutional progress.

That requires facing a difficult truth. In many countries that have seen little movement in recent decades, the fundamental problem is political. There is no domestic coalition genuinely committed to development. Successful countries tend to have had such coalitions—at least at key moments. Where that commitment is absent, aid is unlikely to transform outcomes, no matter how well-designed.

As discussed in Section 4, this has direct implications for how aid is allocated. First, aid must become more selective. Rather than spreading resources thinly, it should prioritize countries that are clearly trying to make progress. Second, allocating aid purely based on need may not be the right moral choice—if it reinforces dependency, protects the status quo, or postpones hard reforms, it risks harming future generations. Third, the focus on short-term, measurable results—while politically attractive—must be weighed against the long-term risks: system fragility, dependency, and the erosion of domestic responsibility. Fourth, if progress depends on political commitment, then aid should be used to strengthen those actors within countries who are genuinely trying to lead change. That means supporting reformers, enabling coalitions, and creating space for domestic ownership—on their terms, no one else's. And don't succumb to the illusion again that political conditionality works.

So, can incentives be realigned? Can aid become a credible basis for renewed support and purpose?

It is not impossible. Aid hasn't disappeared, and there is still a window to act. Blaming global dysfunction or political drift in Washington is not enough. The aid system must get its own house in order. To deliver even a fraction of the promises it continues to make, it will require a serious, self-critical reckoning with the role it plays in countries that remain left behind. Otherwise, aid risks becoming less a force for progress, and more a part of the problem.

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