

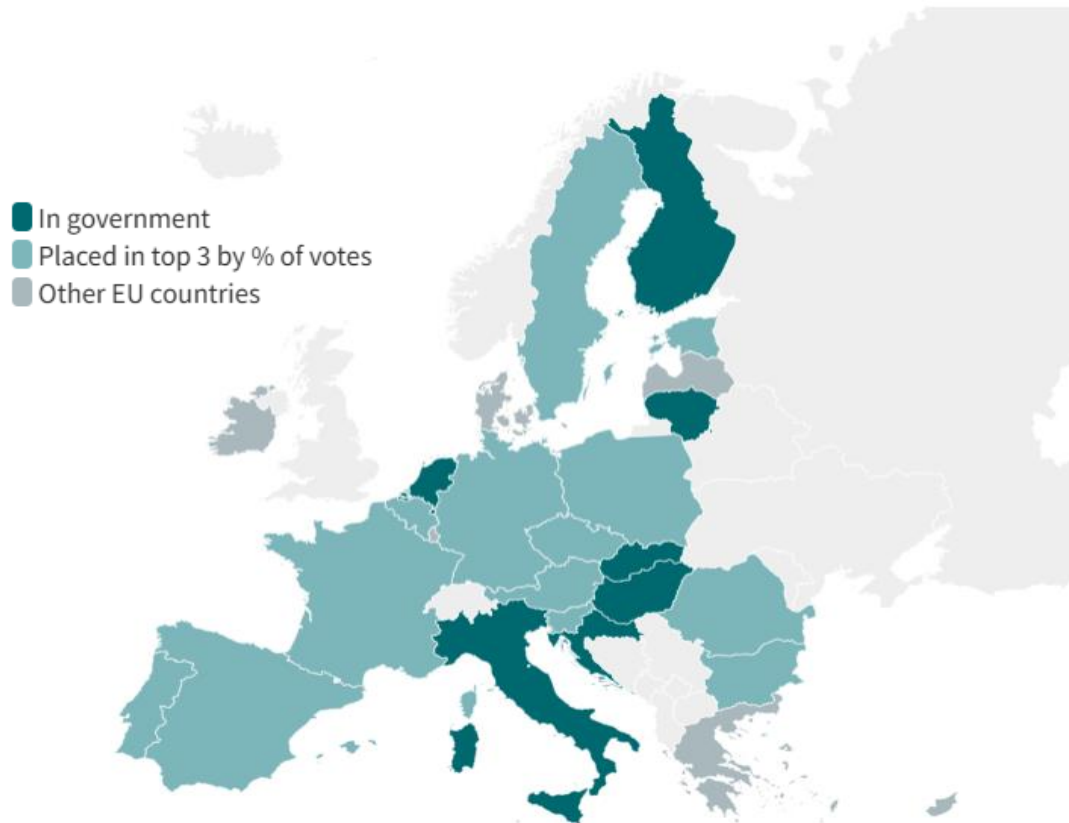
# Development Cooperation at a Geopolitical Crossroads

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Managing Director & Senior Fellow

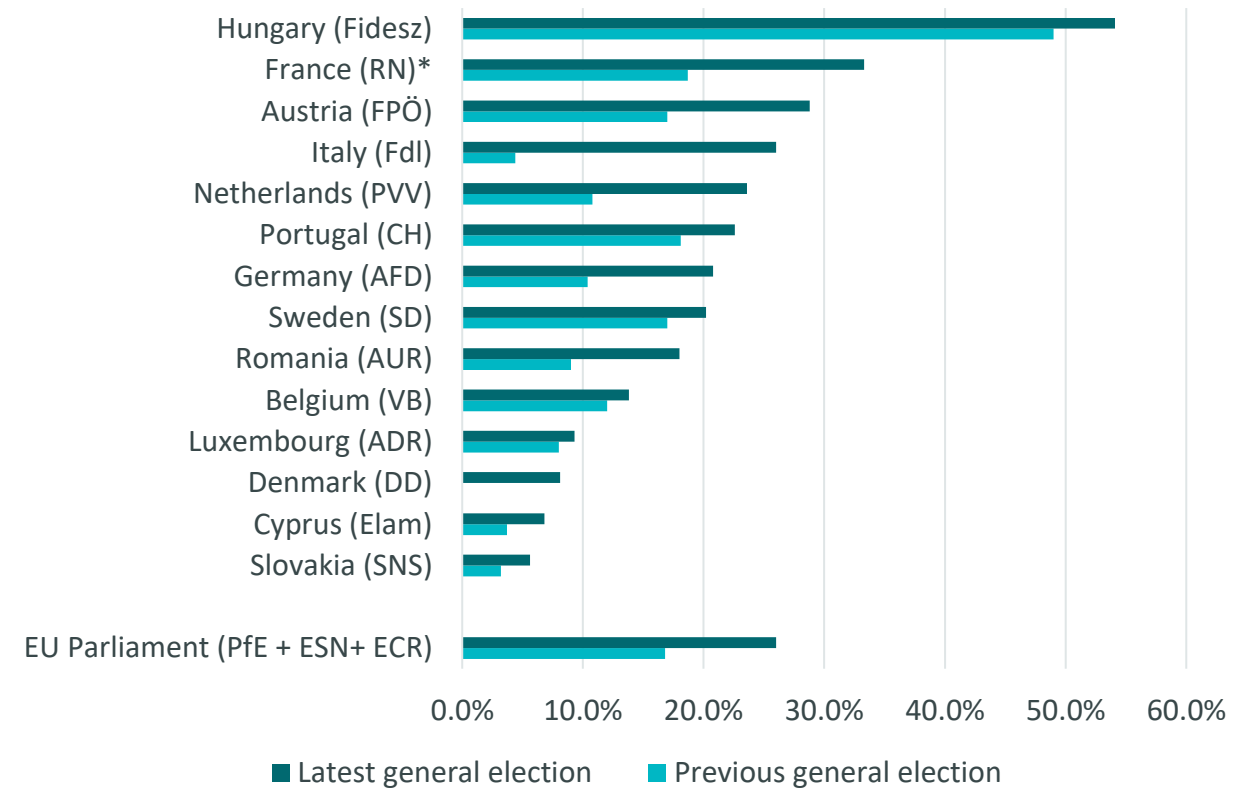
# The contours of the geoeconomic landscape

# Resurgent populism is challenging liberal democratic values and international cooperation

Far-right parties in government or among top three parties by vote share (EU countries)



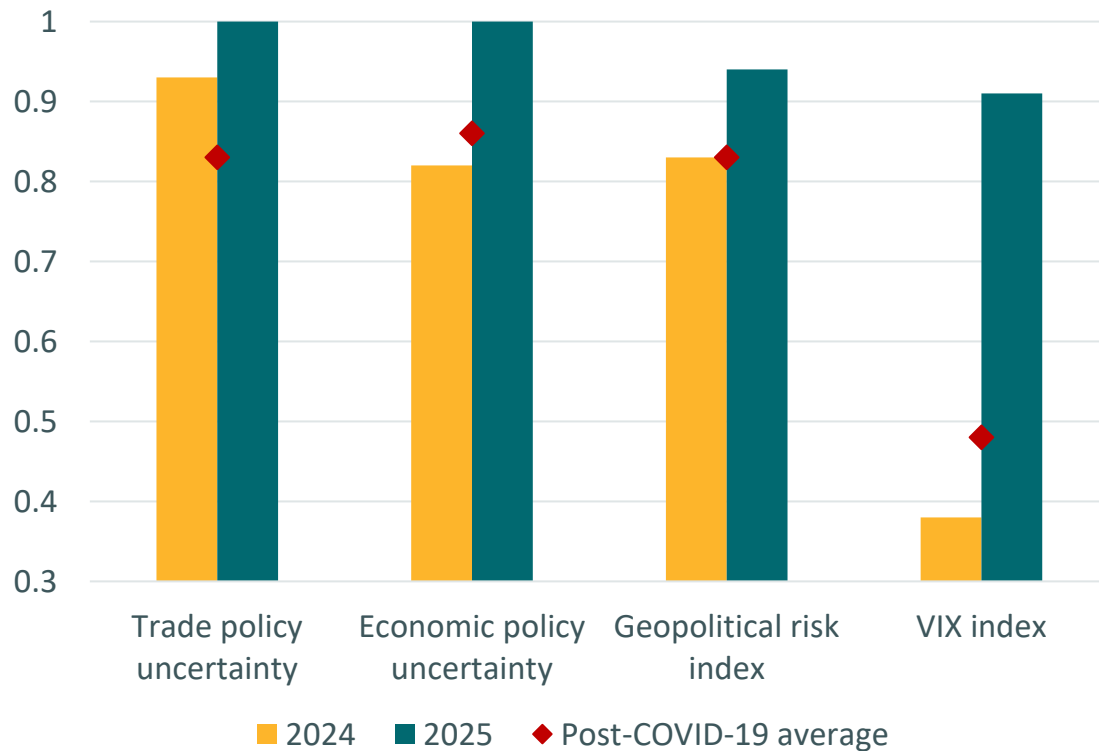
Change in vote share for far-right parties between the last two general elections



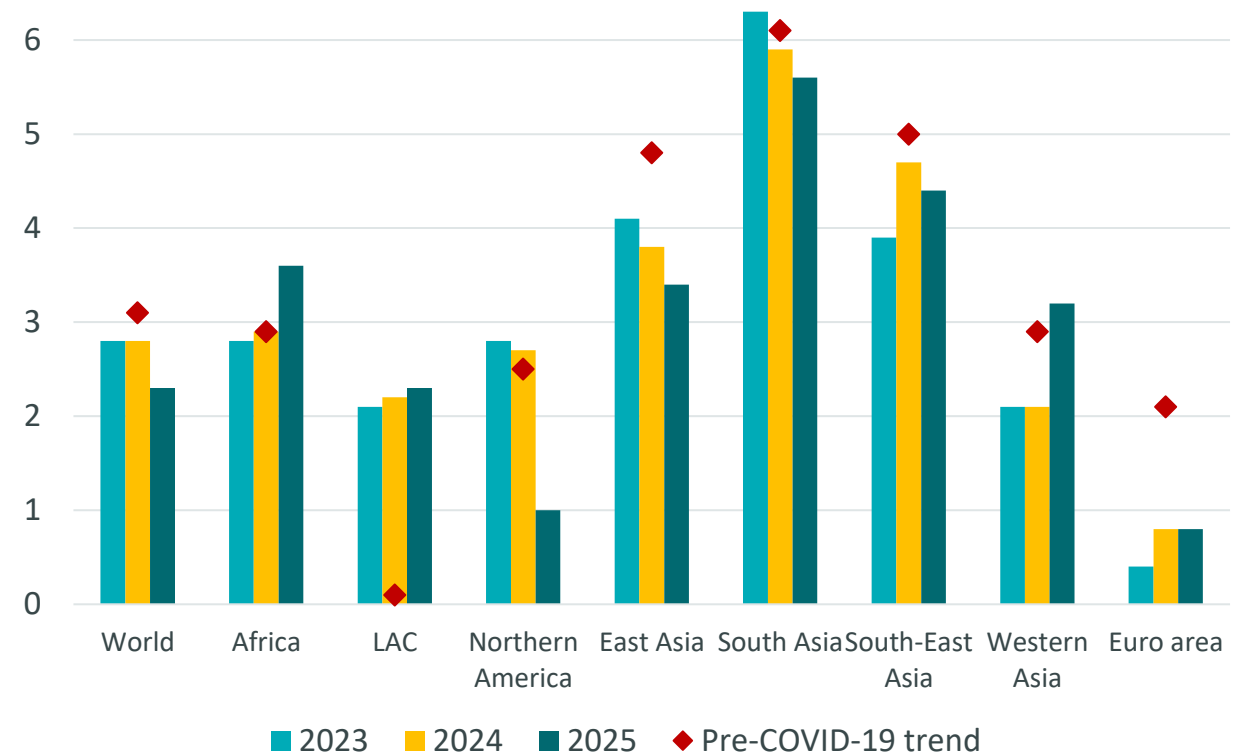
\* Vote share comparing the first rounds of votes

# Geopolitical tensions and trade policy shifts are heightening uncertainty and disrupting the global economy

Trade and economic policy uncertainty, geopolitical risk and financial volatility indices (Oct 2024 to Apr 2025)

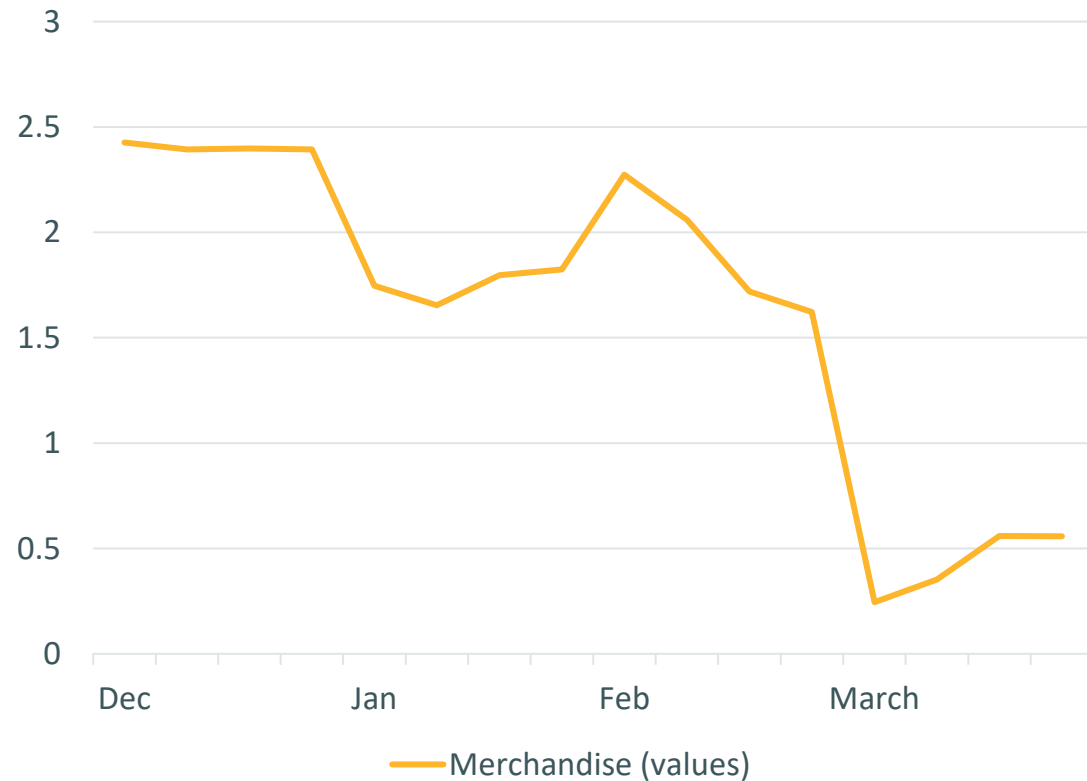


Real GDP growth (2023 actual, 2024 estimate, 2025 projected, %)

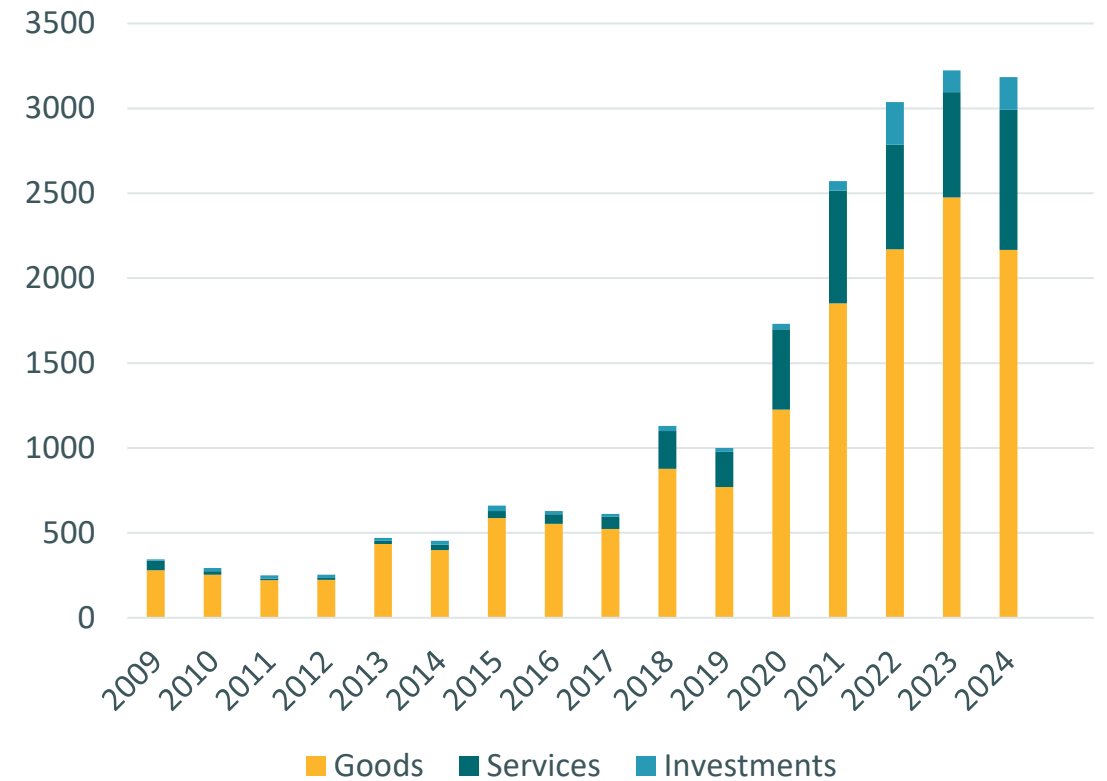


# World merchandise trade is shrinking; the number of trade restrictions has skyrocketed over the last five years

Weekly growth estimates for the first quarter of 2025 (%)

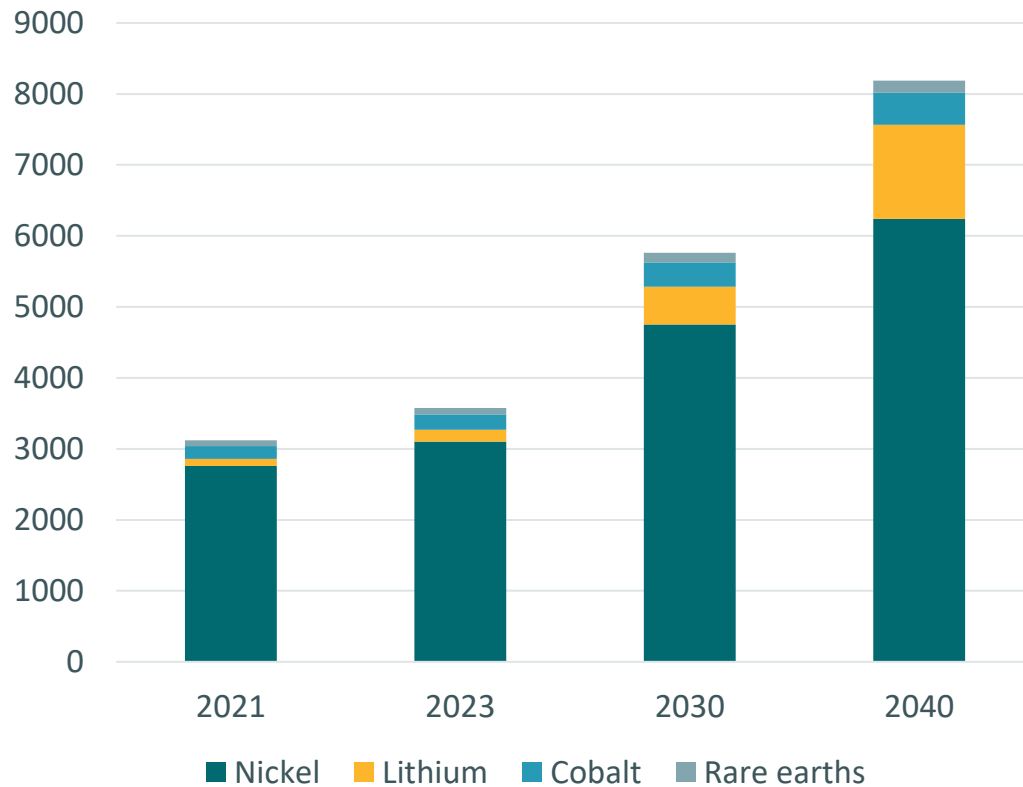


Number of trade restrictive measures

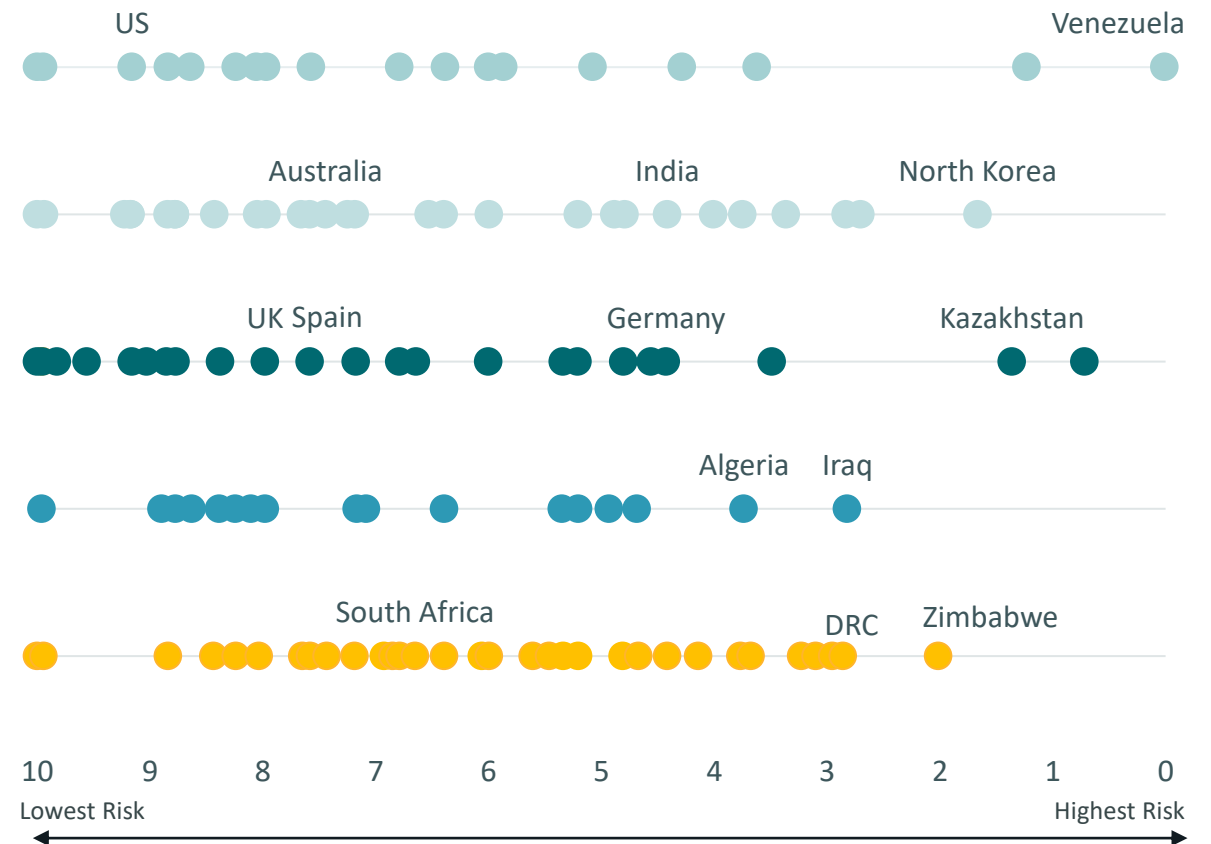


# Resource nationalism is driving competition for critical minerals

Global demand for selected critical minerals and rare earths (thousands of tons)

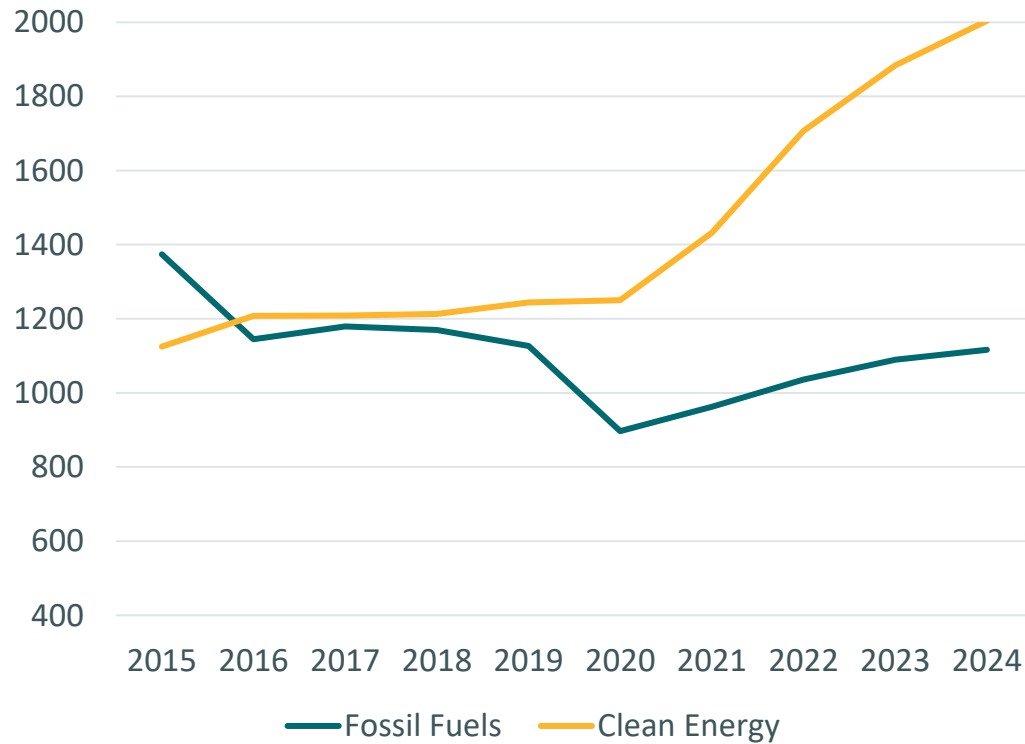


Resource nationalism index (2024-Q4 risk scores)

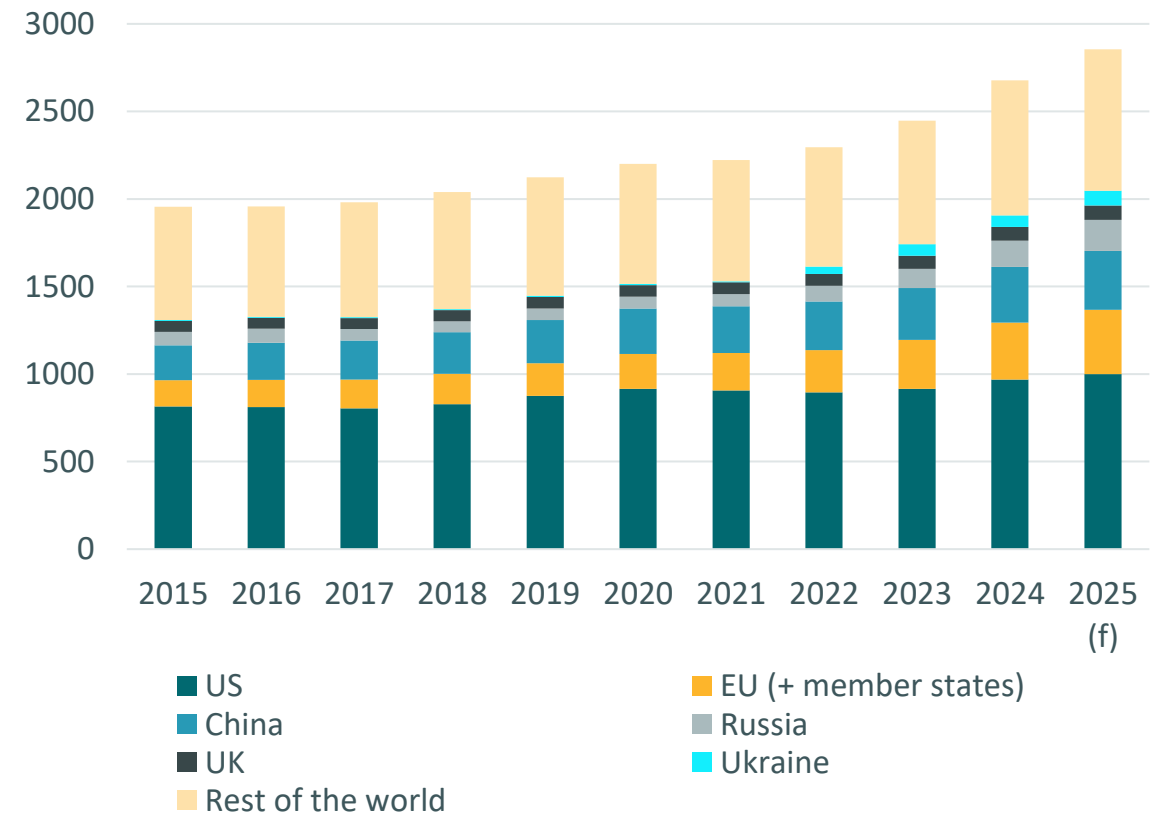


# While clean energy investment has grown, rising investment in fossil fuels and defence risk turning the tide

Investments in clean energy vs fossil fuels (USD billions)



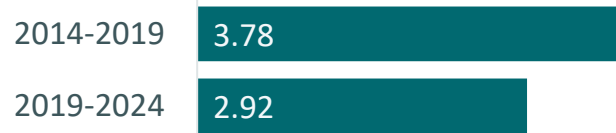
Military spending (USD billions)



# Developing countries in a challenging global context

# Prospects for economic transformation in low-income and vulnerable countries are bleak

Average annual GDP growth (%)



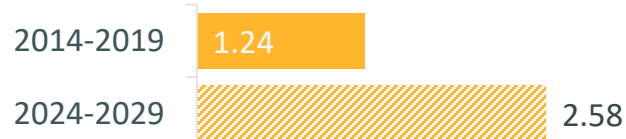
Capital-Labour (average annual growth rate, %)



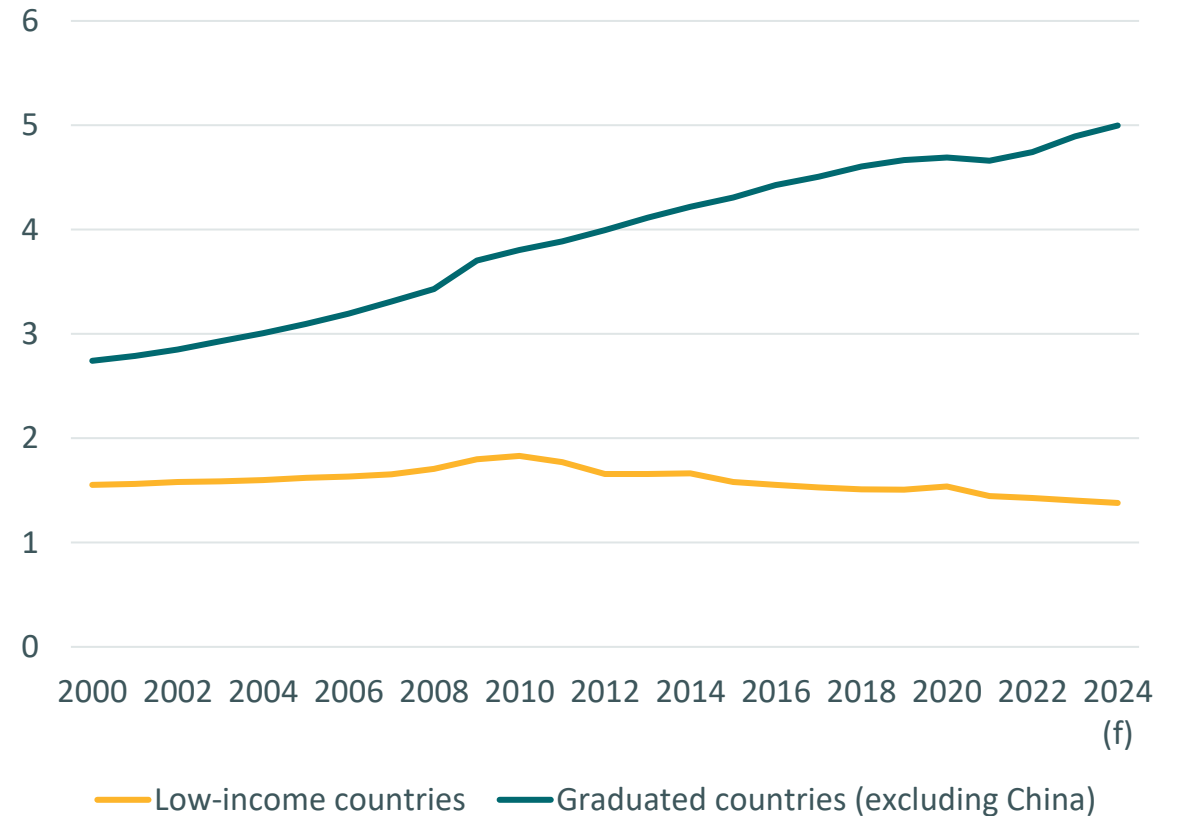
Country Programmable Aid (average annual growth rate, %)



Debt Service (average annual % of GDP)

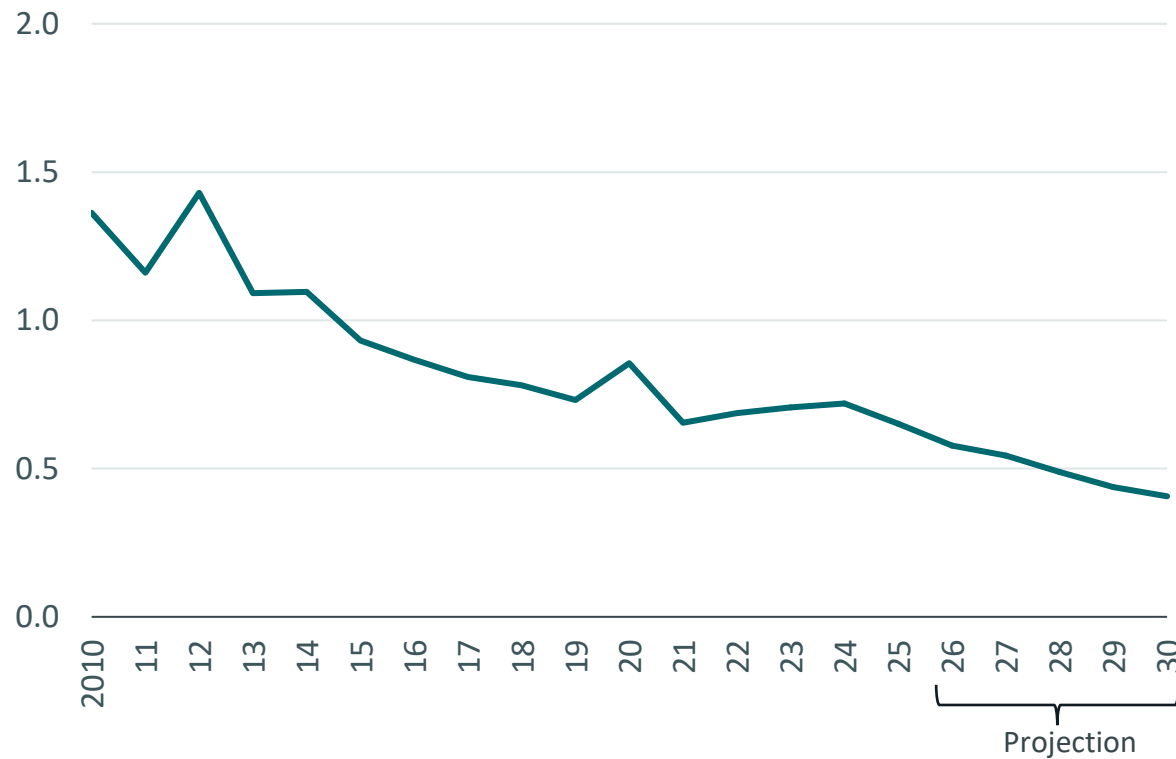


GDP per capita as a percentage of HICs

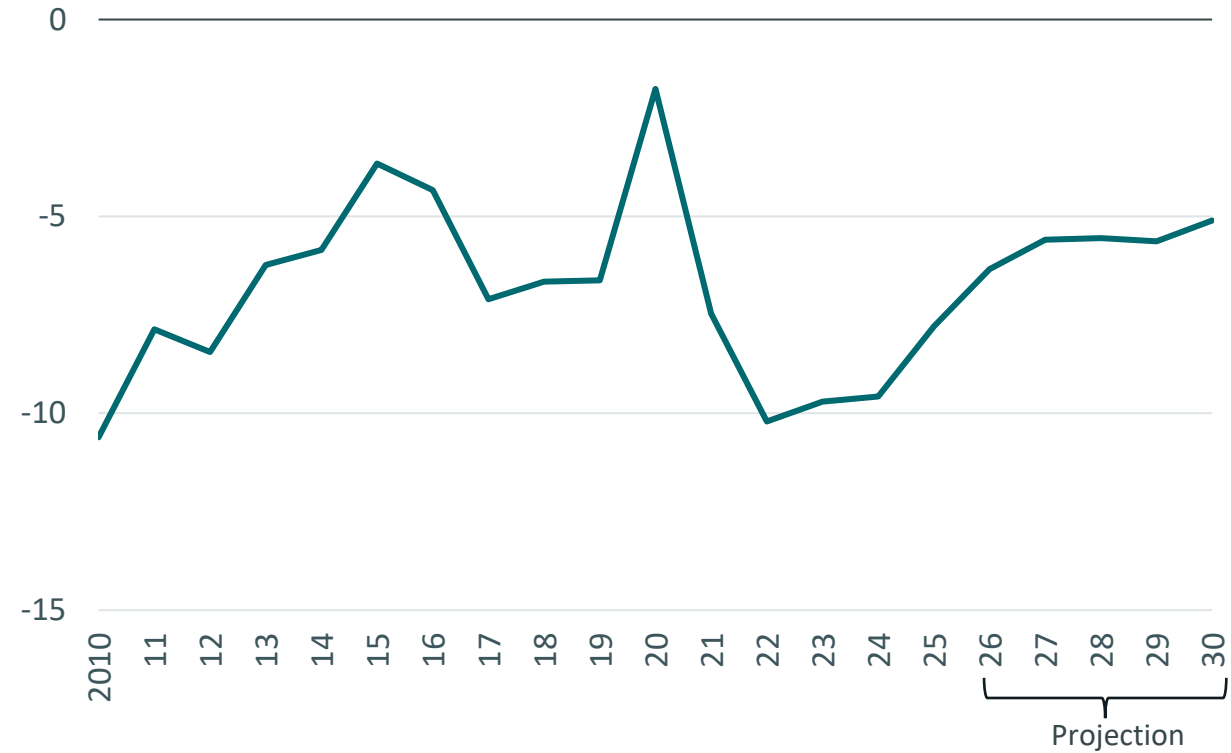


# Low-income countries are facing less grant finance and a challenging debt environment

Grants as a percentage of LICs GDP

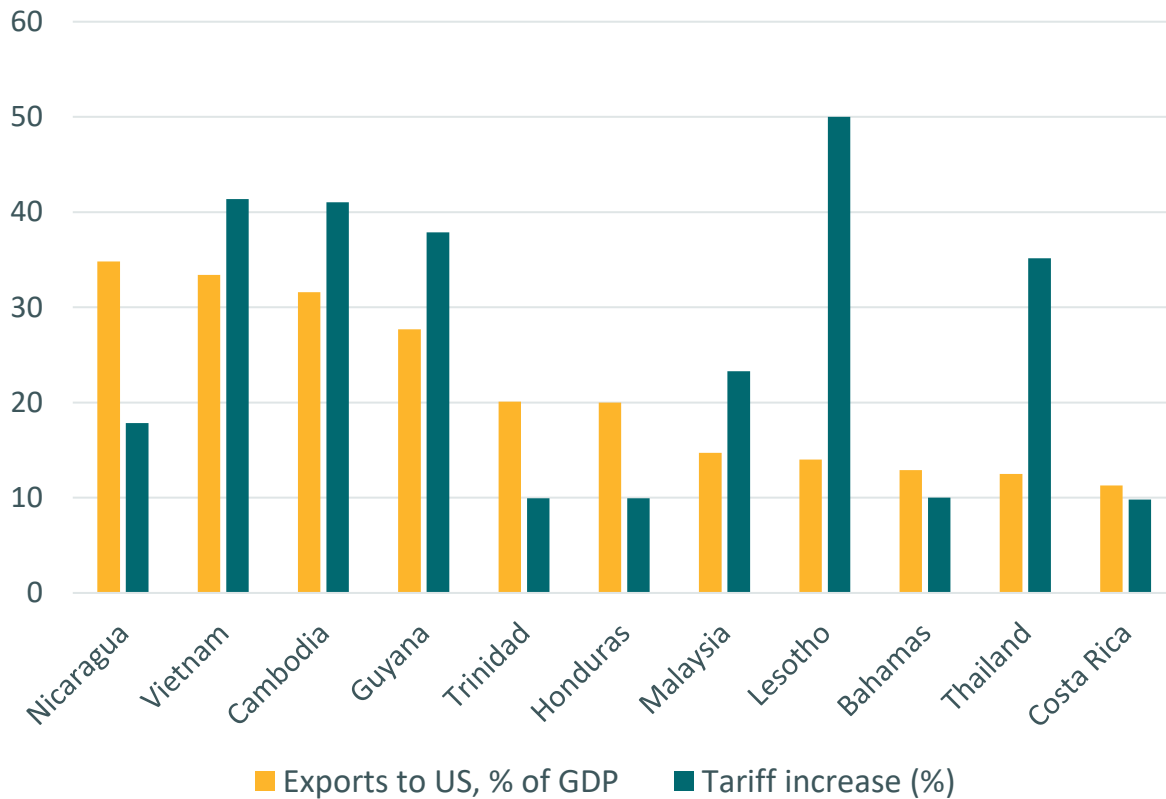


Interest-growth differentials in LICs (%)

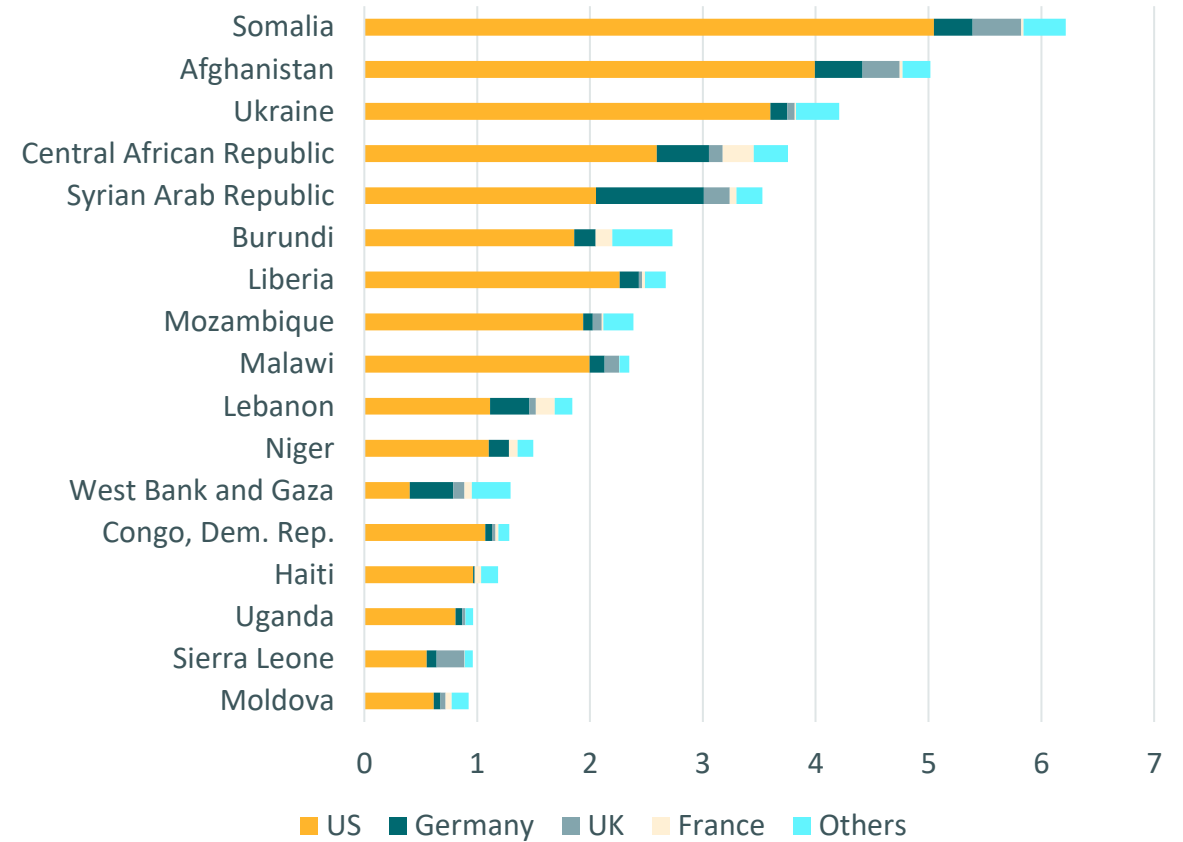


# The imposition of US tariffs and severe cuts in aid, will have a huge impact on developing countries' growth

Countries whose exports to the US represent > 10% of their GDP facing tariff increases on 2 April 2025



ODA cuts as a percentage of GNI (2023-2026)\*

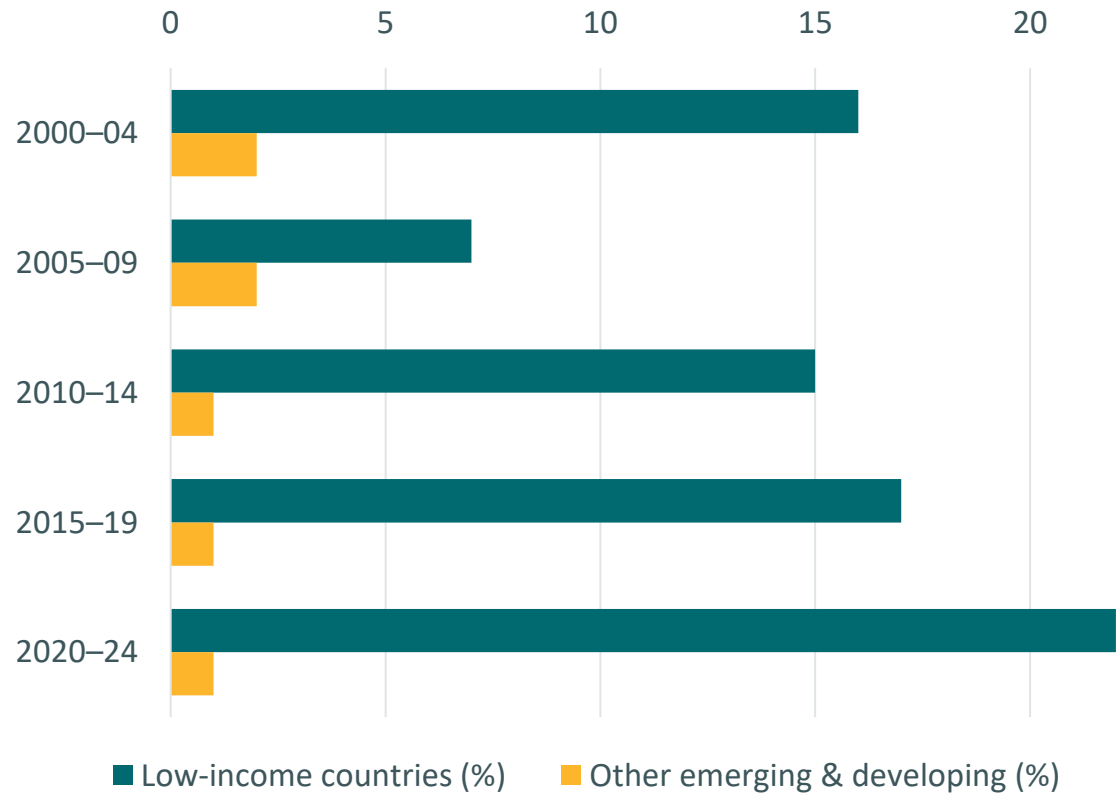


\*For Syria and Lebanon, the most recent GNI figures are for 2022. South Sudan and Yemen were not accounted for due to lack of recent GNI data

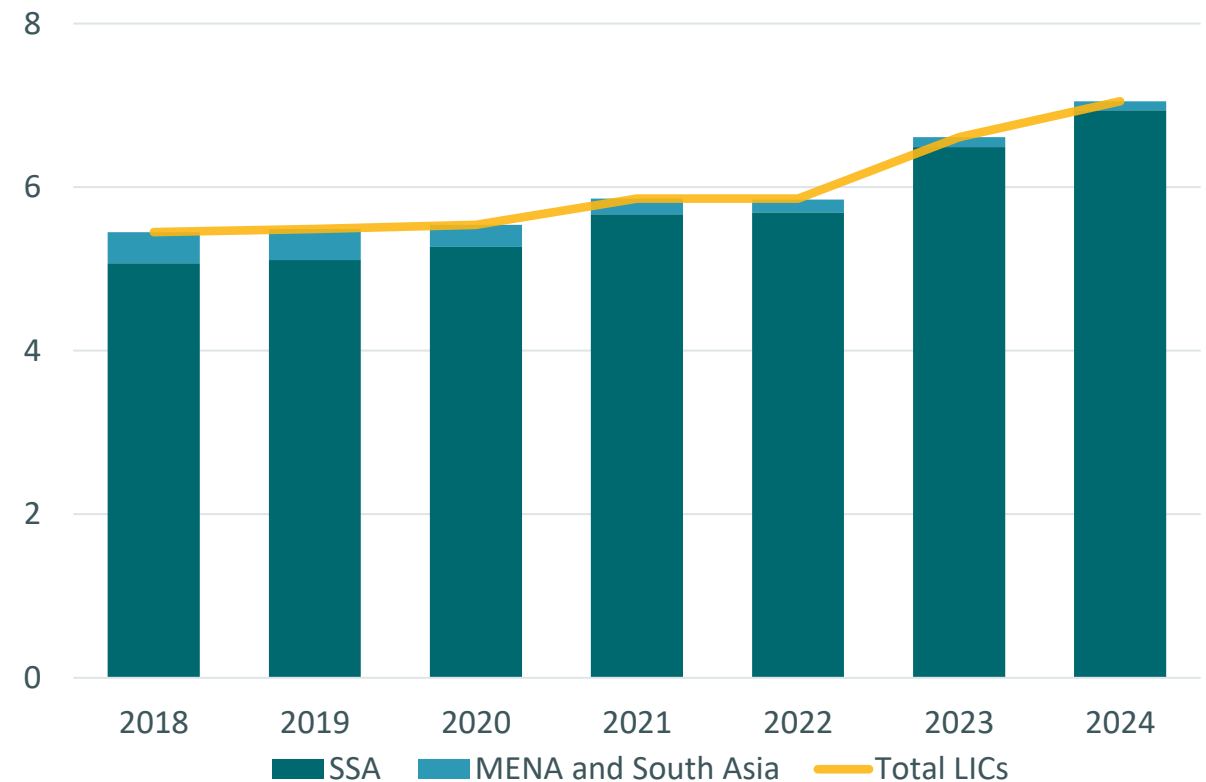
Source: Webster & Kenny, CGD; Donor Tracker; OECD CRS, UN

# More LICs are suffering from conflict resulting in increased displacement of populations

Percentage of developing countries experiencing intense conflict

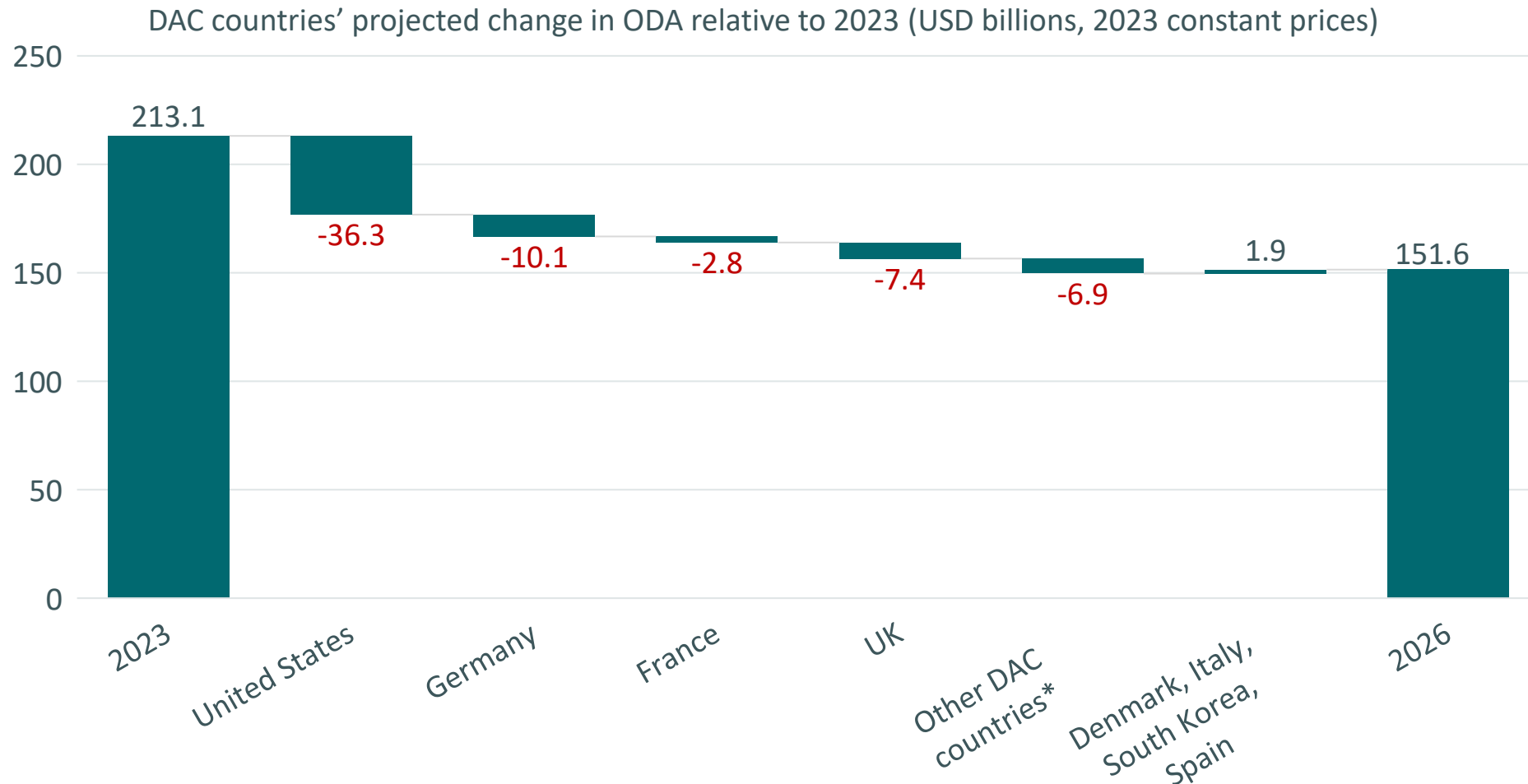


Number of displaced people in low-income countries (millions)



# Official development assistance and development agencies under increasing pressure

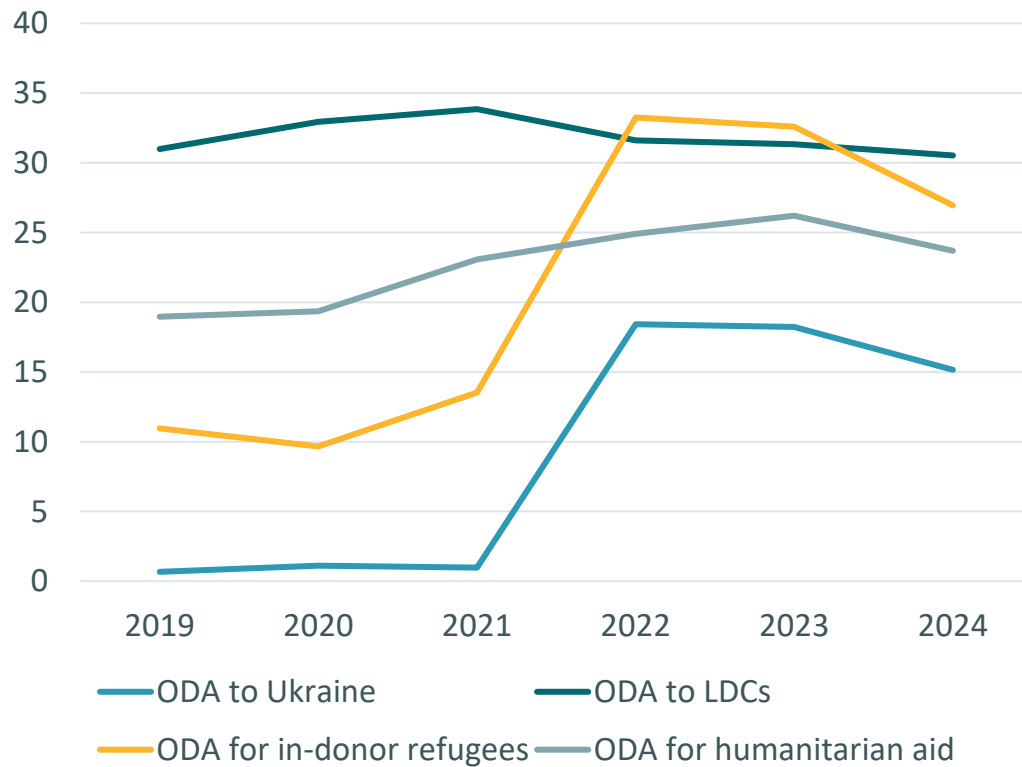
# Official Development Assistance is declining rapidly



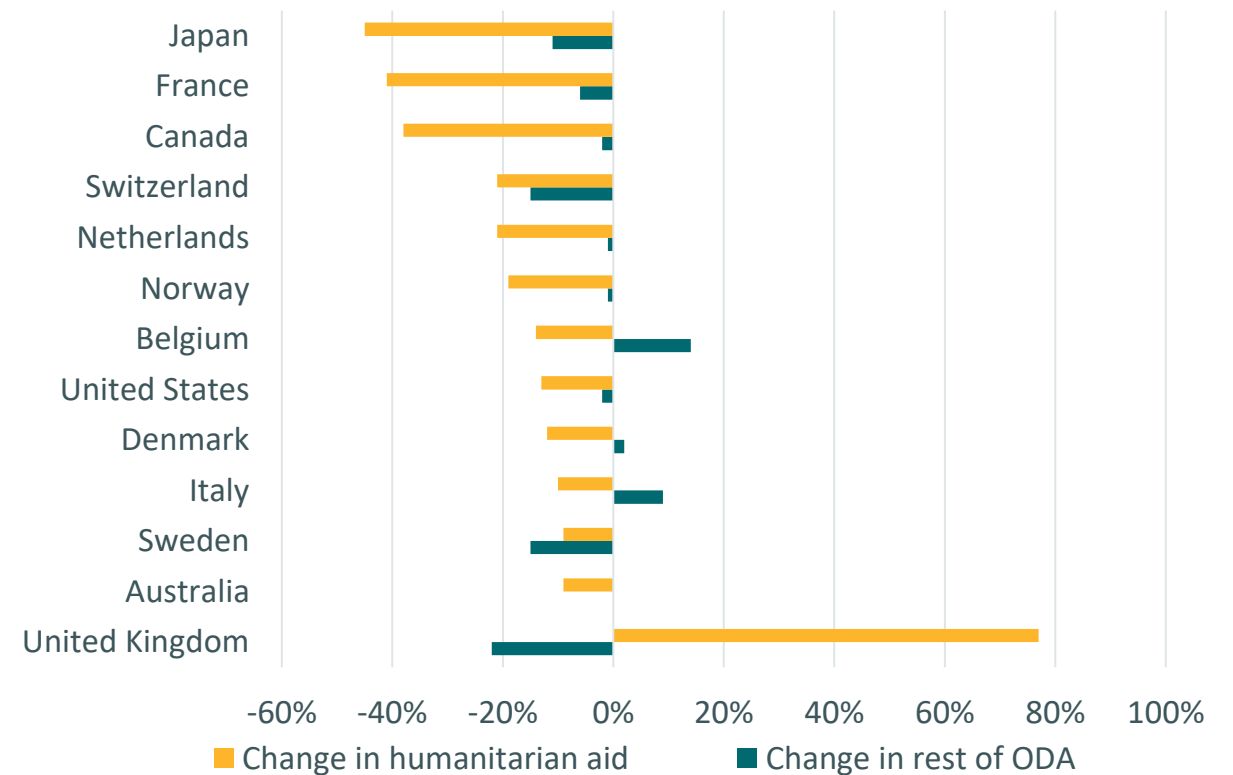
\* Australia, Belgium, Canada, Denmark, Ireland, Japan, Netherlands, Norway, Sweden, Switzerland

# ODA for Ukraine and refugees surged, but is now falling, while humanitarian aid was deprioritised in 2024

ODA provided by DAC countries to Ukraine and LDCs, and for in-donor refugee costs and humanitarian aid (USD billions)

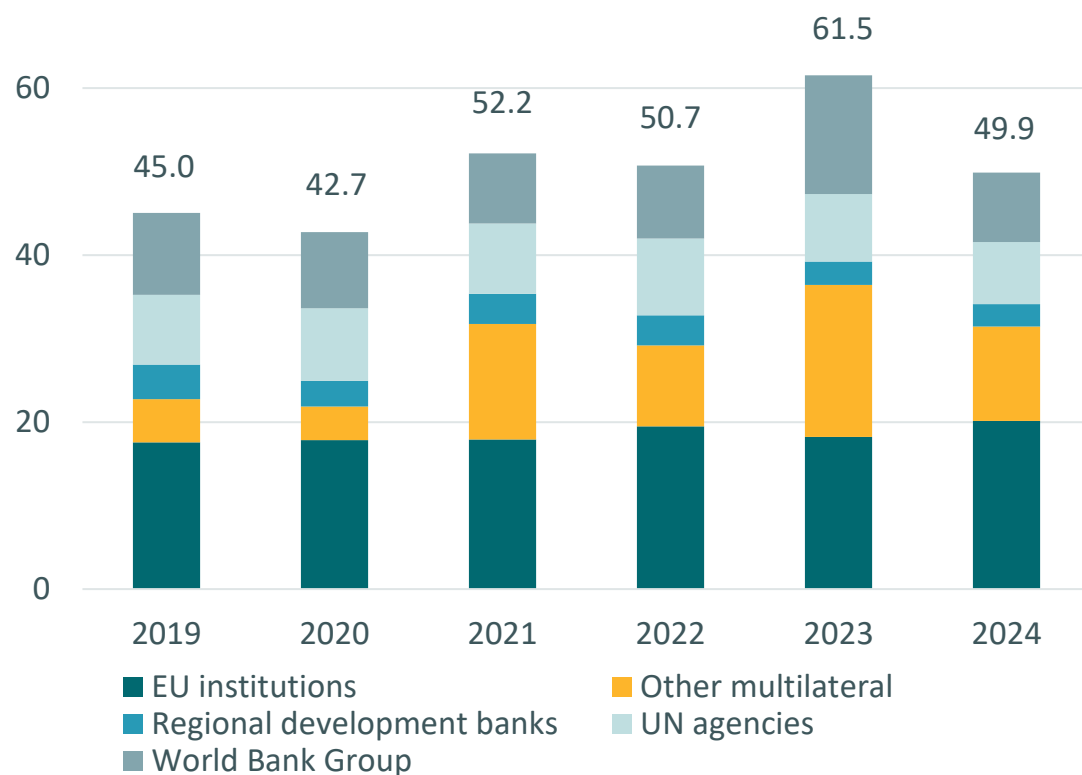


Percentage change in DAC humanitarian aid and all ODA from 2023 to 2024

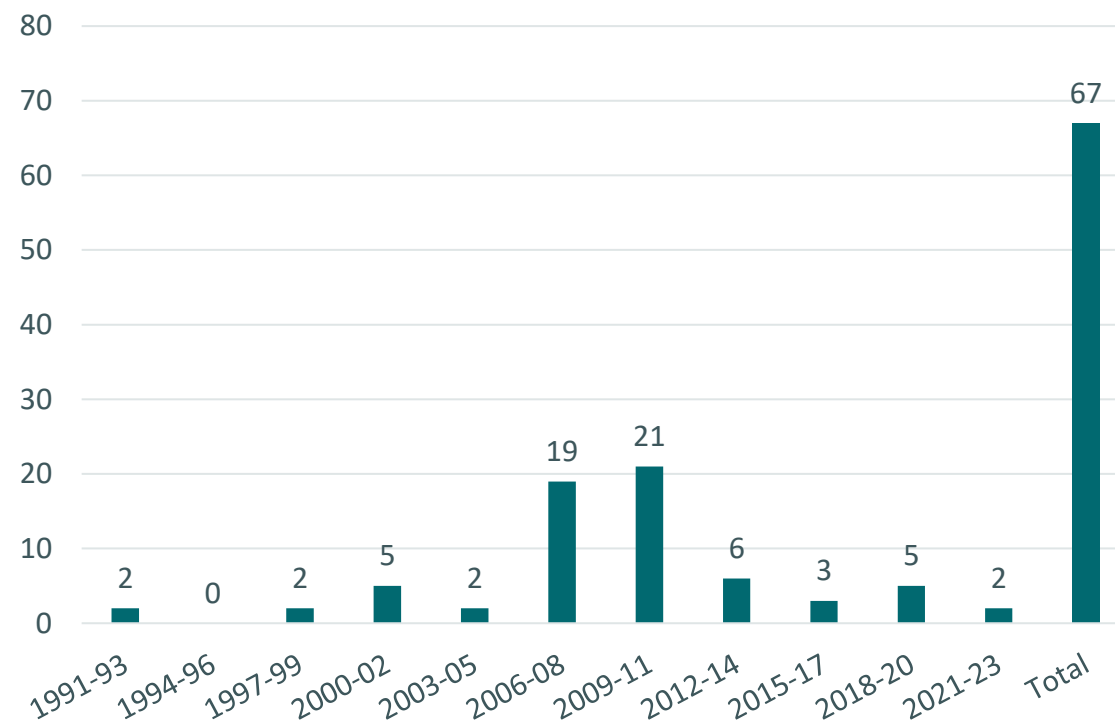


# Funding for multilateral organisations and funds is decreasing, and the system continues to fragment

DAC countries' core contributions to multilateral organisations (USD billions)

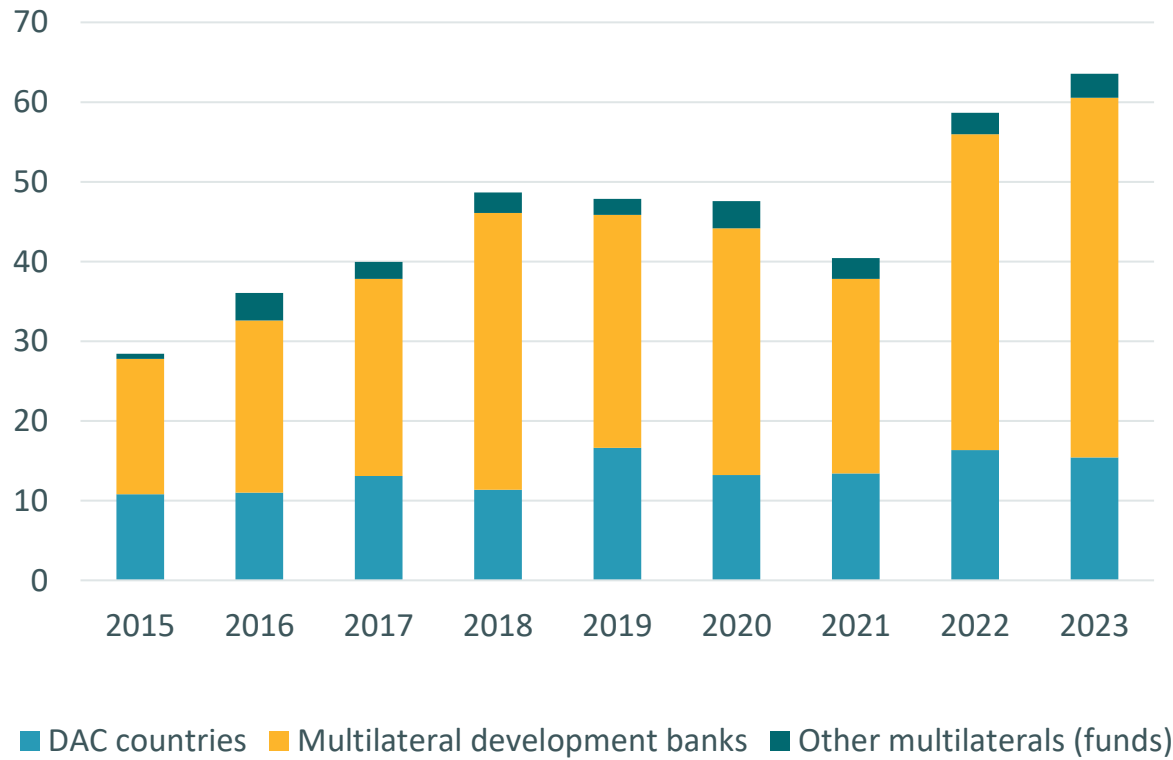


Number of multilateral climate funds, by year of establishment

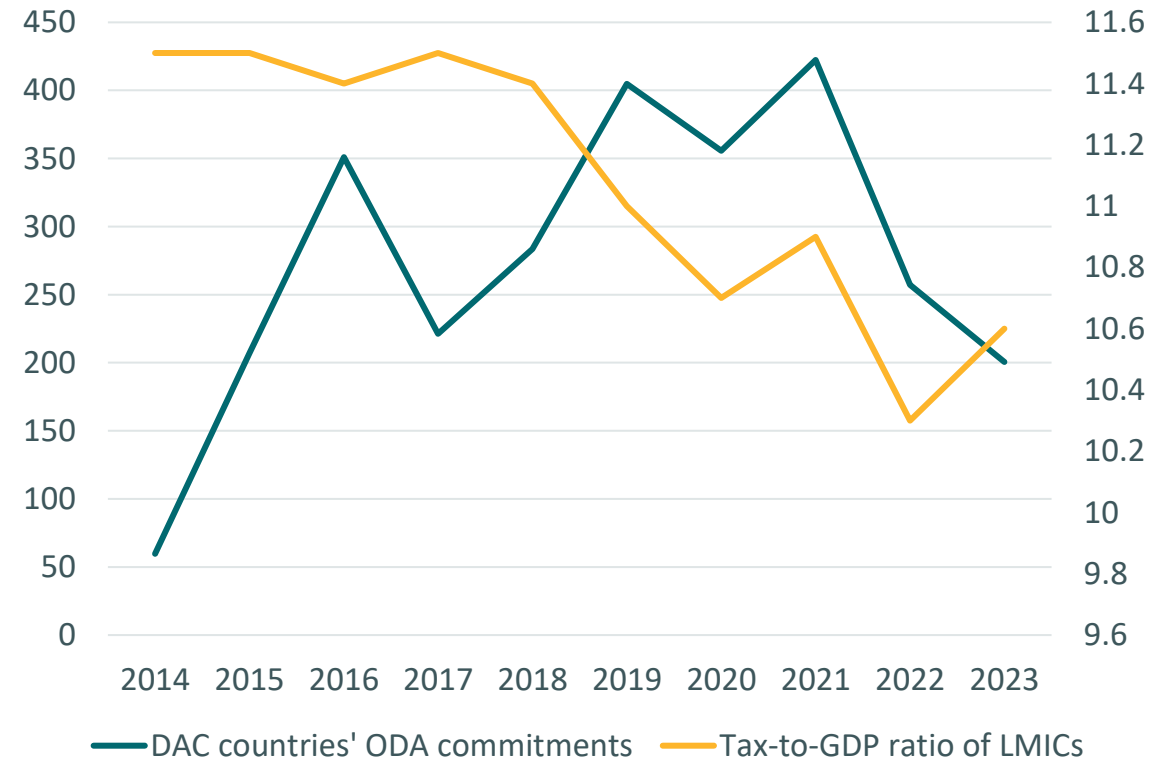


# Development agencies have struggled to mobilise private finance, and commitments to DRM have fallen

Mobilised private finance for development (USD billions)

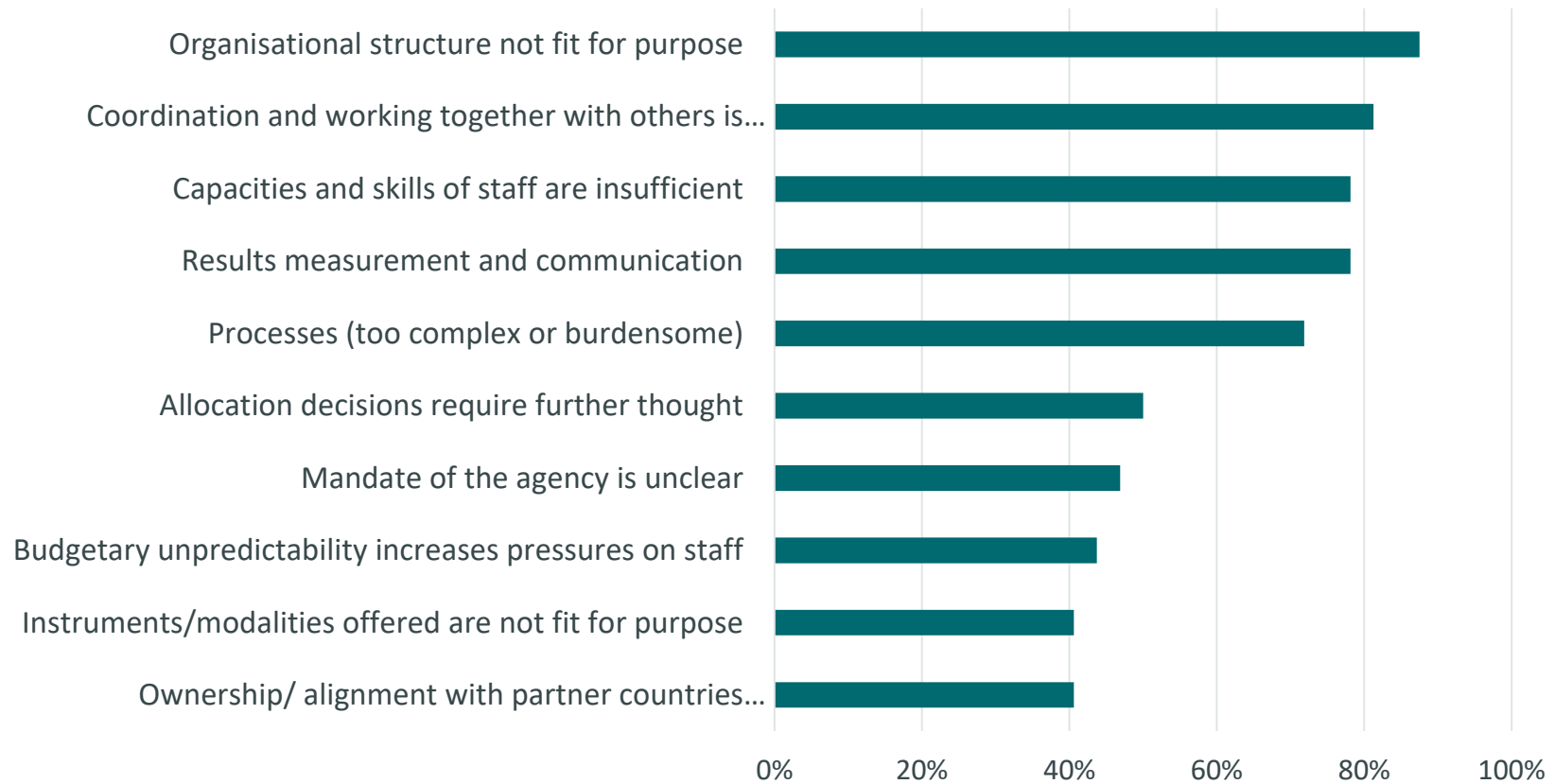


ODA commitments for domestic revenue mobilisation (USD millions) and tax-to-GDP ratio of LMICs (%)



# Development agencies face multiple obstacles inhibiting their effectiveness

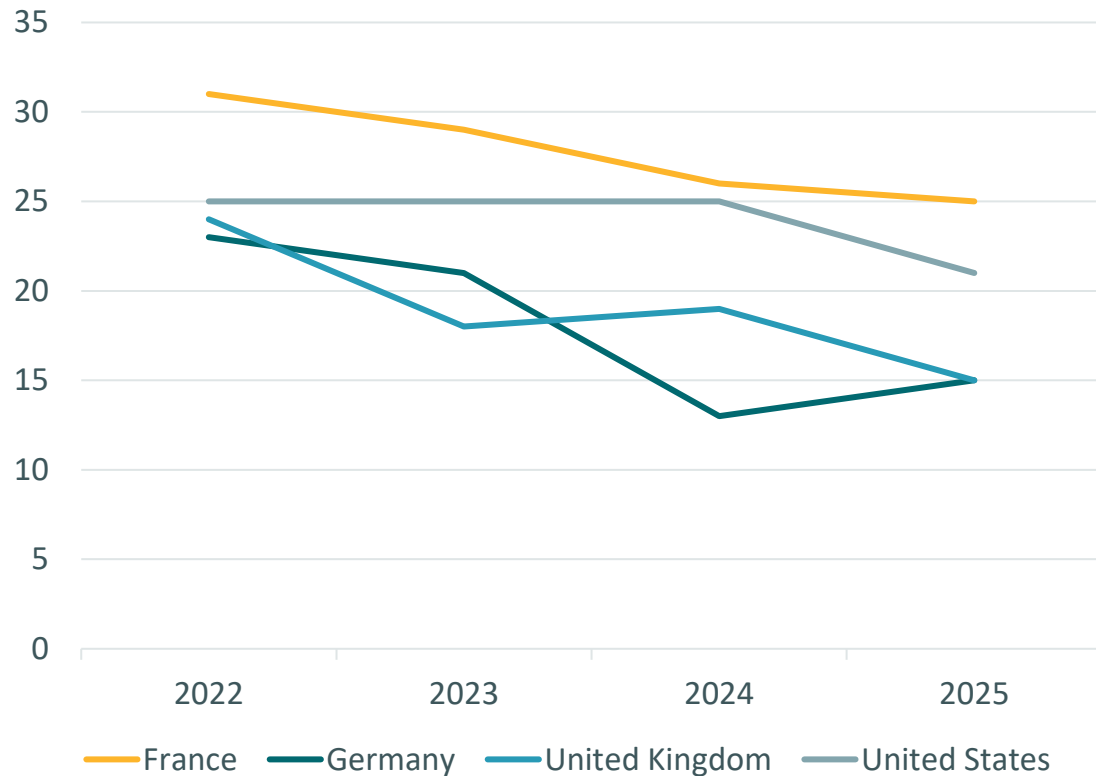
Percentage of staff who mention each effectiveness challenge



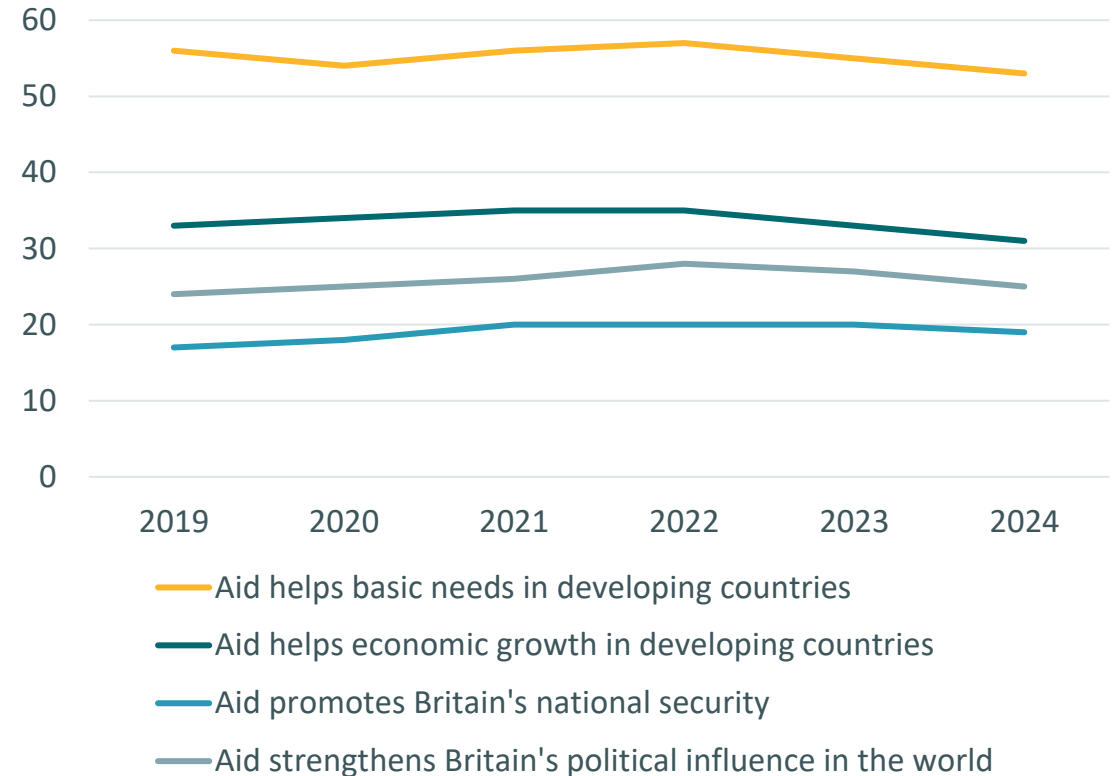
# What future for development?

# Public support for aid is in decline and the 'national interest' argument does not resonate with the public

### Percentage of people in favour of increasing ODA



### Percentage of people who agree with the statement in the UK



# There are two dominant perspectives on the future of development: Improvers and Re-imaginers

	Improvers	Re-imaginers
<b>View</b>	<b>Disruptive crisis</b>	<b>Game changing</b>
<b>Diagnosis</b>	Funding gaps caused by budget cuts; inefficient system; loss of public support for aid	<b>Illegitimate system</b> built on structural inequalities, rooted in dependency and disempowerment
<b>Core argument</b>	<b>Reform to adapt</b> Improve system by making it more effective and accountable: simplifying, prioritising, leveraging other sources; better coordination; more mutual accountability and better results.	<b>Dismantle and replace</b> Post-aid future led by local actors and recipients rather than donors, sovereignty and epistemic justice. A universal approach - all benefitting, all contributing and all deciding.
<b>Time perspective</b>	<b>Short to medium-term fixes</b> aimed at mitigating harm and maintaining essential systems	<b>Long-term structural transformation</b> needed to ensure future justice, autonomy, and sustainability

# Conclusions

- Populism, economic security and protectionism are lethal for any cooperative global order. Developing countries, and particularly the poorest, are bearing the brunt.
- Aid is shrinking and will likely continue to do so, despite growing needs.
- Multilateral cooperation is under threat and the system is fragmented.
- Leverage and domestic resource mobilisation are seen as the ‘silver bullets’ but catalysing private sector capital has been a struggle and commitments to DRM have plummeted.
- Development agencies are facing challenges with organisation, coordination, collaboration, lack of skills/capacity, and with measuring and communicating results.
- The current aid model is not fit for purpose and short-term fixes will not suffice. It is time for radical change to the model.