

# Burden-shedding: the unravelling of the OECD aid consensus

by Robin Davies

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Prime Minister Keir Starmer meets President Donald Trump at the White House  
*Photo Credit: Simon Dawson / No 10 Downing Street*

The end of foreign aid as we know has regularly been predicted: for example, in response to **the dissolution of the Soviet Union**, the emergence of **increasingly insistent global challenges** such as climate change, pandemic risk and cross-border population displacement, and the appearance of **the first Trump administration** in 2016. Yet it has continued to flow and grow. Now, as the US seemingly readies to leave the foreign aid arena entirely, it's reasonable to wonder how many of the countries that followed it into that arena, starting 65 years ago, will follow it out again.

Once upon a time, the US was concerned that Europe wasn't pulling its weight. Not, though, in connection with defence spending. The issue in those days was the US's dominance in the field of assistance to under-developed countries. The US was providing around 40% of all such assistance at the beginning of the 1960s (compared with an average of 27% over recent years) and wanted European countries to increase their contributions.

The strategy adopted by the Eisenhower administration in 1960 and continued by the new Kennedy administration in 1961 was to initiate the establishment of, and then lead, what eventually became the OECD Development Assistance Committee (DAC) — the sovereign donors' club that wrote **the rules of Official Development Assistance** (ODA). The proto-DAC, the Development Assistance Group, was created almost two years before the OECD itself. From late 1961, when the OECD began, this group became the DAC, whose membership slowly grew to include most OECD member countries. (Australia joined in 1966.)

The DAC membership has mostly busied itself with shaping and **rubberising** the definition of ODA, defining good aid practice and mutually appraising members' aid efforts. However, the US, as the provider of a plurality of the world's aid, was largely

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uninterested in the intricacies of the ODA concept and pieties about good practice, such as untying aid procurement — and not in the least embarrassed about its rock-bottom ODA/GNI ratio. Its main interest in the body was to spread the aid burden. For this reason, it held and paid for the role of a full-time, Paris-resident DAC Chair for several decades.

This thing that the US wrought — ODA from the DAC group of countries — **reached its highest level ever in 2023**, thanks in large part to humanitarian and economic assistance to Ukraine (US\$20 billion or 9% of total ODA) and the inclusion of substantial costs associated with the hosting of refugees and asylum-seekers in donor countries (US\$31 billion or 14% of total ODA).

But, through 2024, a number of donors announced intentions to reduce future ODA — the significant donors **Germany, the UK, France and Canada**, along with smaller donors **the Netherlands, Sweden, Switzerland, Belgium and Finland** (the linked reports or documents specify the cuts). The reasons given were various: a mix of budget stress, partly Ukraine-related, and ideology (read for example **this Dutch policy document**). As momentum built, it began to look like a contagious idea was on the move: aid, or most of it, was becoming old-hat.

The contagion reached pandemic proportions when two of the world's four largest donors, the US and the UK, announced brutal cuts. The Trump administration has made it clear **with theatrical cruelty** that US aid will be reduced to an unknown but probably very small fraction of its pre-Trump level. The Starmer government has **decided to redirect** what will in time amount to one-third of its aid budget to its disappointingly small defence budget.

This avalanche of developments makes it incontrovertible that global ODA will fall from 2024 to 2025 and further thereafter (the OECD will release the preliminary total for 2024 in April). But by how much will it fall? It's of course a guessing game but a set of very conservative sub-guesses leads me to this very conservative overall guess: we might see a fall in ODA, by 2027, of at least 25% relative to 2023 levels. And that's very much a best-case scenario.

Here's how I approached the question.

First, let's look at the aid cutters: the ten countries mentioned above who have articulated clear policy intentions to reduce future aid, and who account for three-quarters of total ODA. In each case, assume they make the specific cuts they have announced in the 2024-2027 period and, where those cuts have not been attributed to specific years in that period, assume the reduction from 2024-2027 is linear. Wherever a year in that period is not known to be a cutting year, allow aid to grow in

line with inflation.

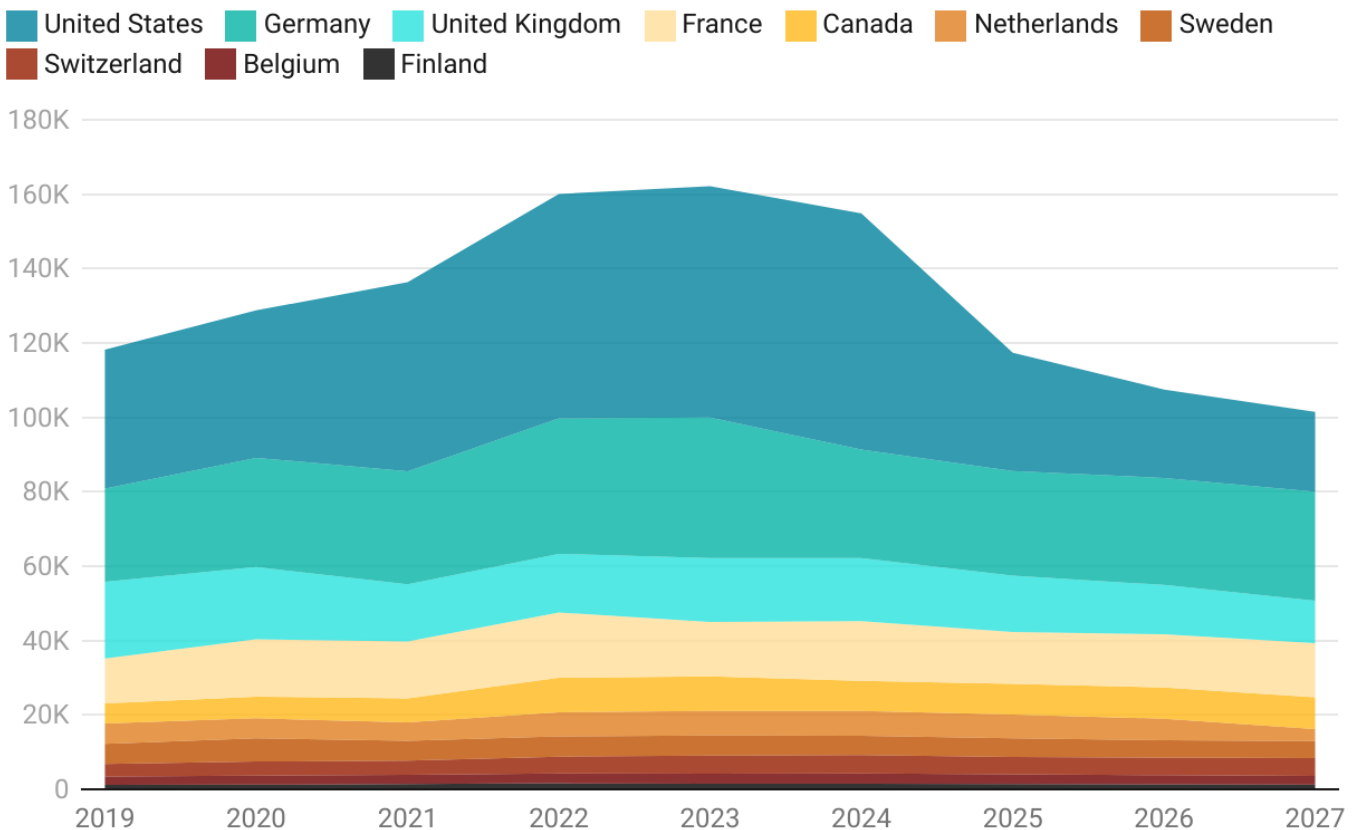
The case of the US requires special treatment as the Trump administration has given no indication where the floor under its cuts might be. All we have at the time of writing are reports that **the multi-year aid contract and grant portfolio will take a hit of almost \$60 billion** and that **this represents about 78% of the combined USAID and State Department portfolios** (USAID loses US\$54 billion of \$58.2 billion and State loses US\$4.4 billion of US\$15.9 billion). However, it cannot be assumed that this will translate into a reduction of 78% in annual spending; the annualised impact of this and other decisions by the administration might be more or less than this.

Accordingly, I have assumed a (mere) halving of US aid in 2025, a further 25% cut in 2026 and a further 10% cut in 2027, which amounts to a two-thirds reduction overall between 2025 and 2027. It seems clear, from everything we are seeing, that these are extremely conservative assumptions.

Figure 1 shows the result of all this: the cutters' collective ODA would decline by 37% from 2023 to 2027.

## Figure 1: OECD donors - Cutters

All amounts in constant 2022 USD millions

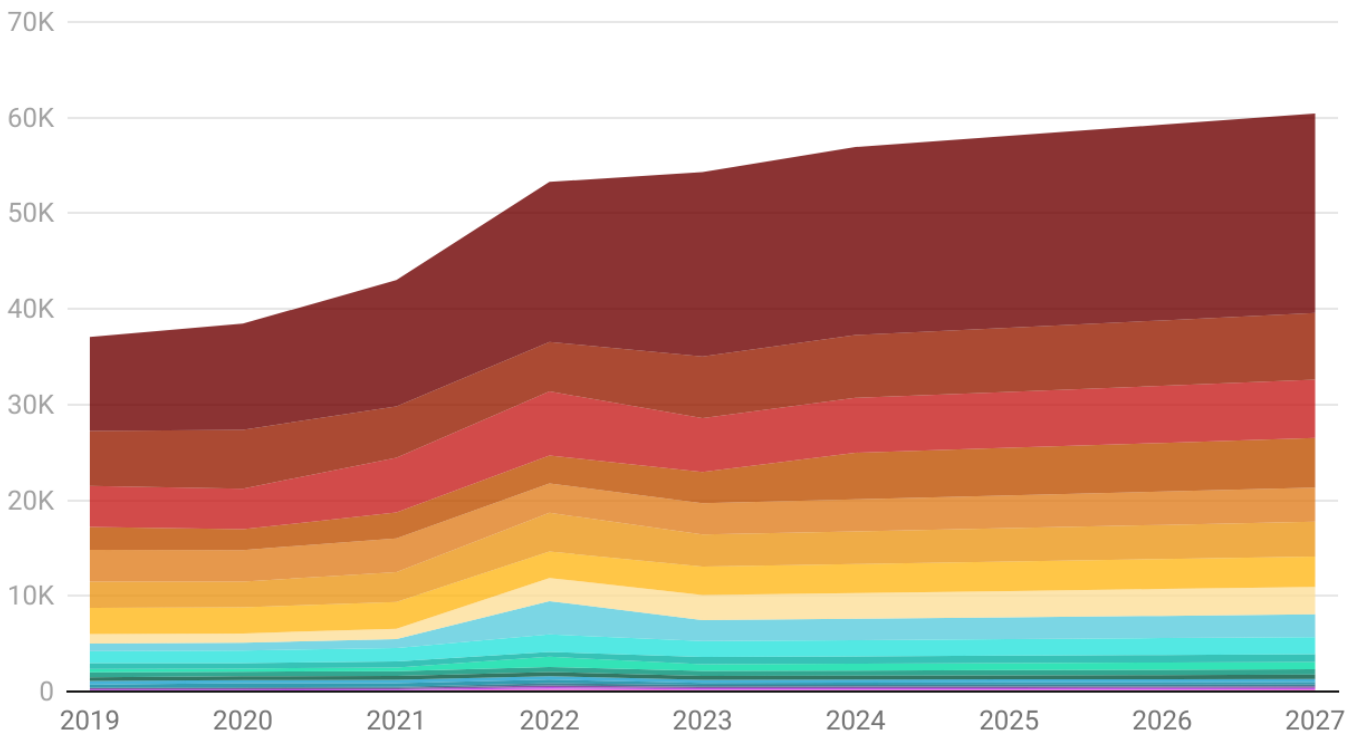


Source: OECD aid statistics and author calculations • Created with Datawrapper

Now consider the other 21 DAC member countries, the non-cutters. As a caveat, I should note that some countries are only in this category because their intentions are unclear. Italy, for example, is in it, though one can hardly expect the Meloni government to be a staunch proponent of sustained ODA spending. For all the countries in this category, I have simply assumed that aid grows in line with inflation, noting that a couple of them, Ireland and the Republic of Korea, have recently taken big steps up in their aid volume. Figure 2 shows the outcome for these countries: an 11% increase in their collective ODA from 2023 to 2027.

## Figure 2: OECD donors - Non-cutters

All amounts in constant 2022 USD millions

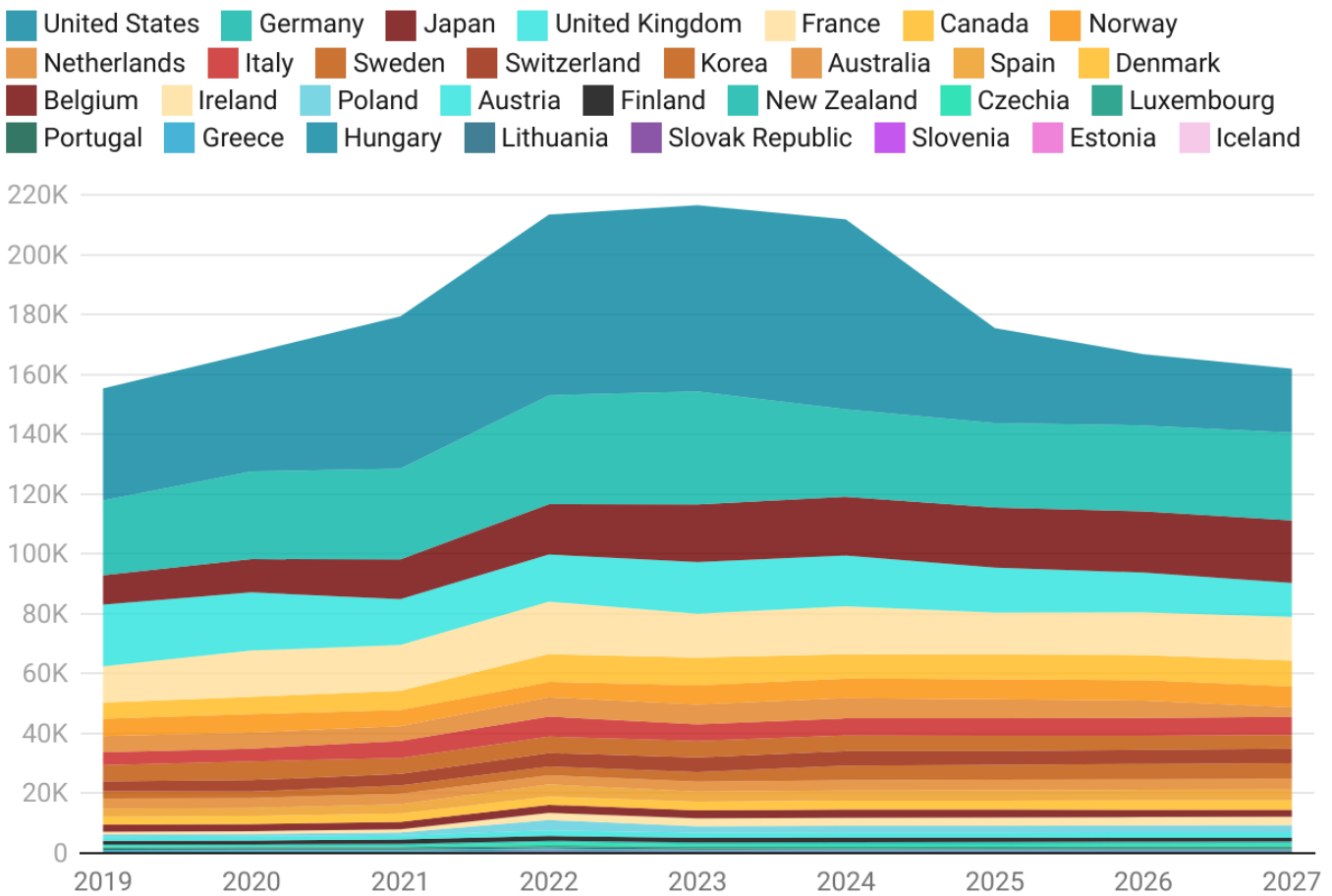


Source: OECD aid statistics and author calculations • Created with Datawrapper

Figure 3 puts the two groups together and clearly shows the peak of Mount ODA in 2023 before the downward slope to what, on these timid assumptions, would be a 25% lower level in 2027.

### Figure 3: OECD donors - All

All amounts in constant 2022 USD millions



Source: OECD aid statistics and author calculations • Created with Datawrapper

In reality, it seems very likely that the downward slope after the peak will be much steeper and reach a much lower level than here indicated. Other European donors could and probably will follow the UK’s lead in siphoning off aid funds for defence. Europe’s largest donor, Germany, has elected a conservative government that appears likely to deepen the former government’s cuts. Conservative extremism could and probably will increase its hold on electorates across Europe. And my assumption above that the US will, after due consideration, continue to provide any non-negligible level of aid might prove to be wildly wrong. On more pessimistic assumptions, anywhere between a third and a half of global aid from OECD sources might well go missing within several years.

When that much of a thing goes missing, it’s clearly at risk of collapse. Whatever happens will not be the end of aid, as there will always be humanitarian and diplomatic reasons for countries to provide various forms of international assistance, and recent years have seen a modest growth in aid from non-OECD and private providers. Aid from the latter sources is hardly monumental through — it is currently

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equivalent to about 7% and 5% of OECD aid, respectively, excluding China whose level of ODA-like spending is opaque but **roughly estimated** to be comparable to Norway's, or around 2-3% of total OECD spending. And concessional aid from multilateral sources (as distinct from capital-backed, non-concessional development finance) will only continue to flow as long as those sources continue to be replenished by donors.

This time, we could well be seeing the beginning of the often-predicted end of organised OECD aid.

*Aid statistics up to 2023 are drawn from [this OECD Data Explorer query](#), supplemented by [this query](#) for private donors. For assessments of most OECD donors' budget outlooks, see [Donor Tracker](#) (the currency of information varies). Where available I have used Donor Tracker estimates of donors' 2025 and 2026 expenditure. For a history of the early years of the OECD Development Assistance Committee, see [The Story of Official Development Assistance](#) by Helmut Führer, who led the OECD's Development Co-operation Directorate from 1975 to 1993.*

### **Disclosures:**

The author was Australia's representative on the OECD Development Assistance Committee from 1999 to 2002.

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Link:

<https://devpolicy.org/burden-shedding-the-unravelling-of-the-oecd-aid-consensus-20250307/>