

Shape the Future of Aid, May 2025

In 2024, international aid fell for the first time in six years and will likely fall further once the implications of the recent UK and US foreign aid cuts are felt. It is expected that more countries, including Norway, will announce reductions in their aid budgets this year, which will devastate the lives of those living in the midst of humanitarian crises.

The world's major donors contributed \$212.1 billion in 2024, down 7.1% in real terms compared to 2023, according to the Organisation for Economic Co-operation and Development (OECD). OECD officials warned that aid could plummet by between 9% and 17% in 2025 - the latter figure would represent the biggest drop in global aid on record.

Who are the biggest donors?

Non-governmental institutions including Oxfam and The ONE Campaign have already warned that the cuts will put millions of lives at risk around the world. Carsten Staur, who heads up the Development Assistance Committee (DAC) at the OECD has said that the downward trend in aid budgets was worrying and the focus should be kept on the poorest, most fragile countries. Staur has called for funding to be protected for sub-Saharan Africa, which is home to two-thirds of the world's 700 million people living in extreme poverty. Bilateral aid to the region fell 2% in real terms in 2024. Oxfam has been vocal in suggesting that governments taxing the super-rich to help reverse the cutbacks.

In 2024, the United States topped the list of biggest aid donors, contributing over \$60 billion, with Germany in second place, contributing just over \$30 billion and, the UK, in third place contributing nearly \$20 billion.

Last year's fall in aid contributions was largely due to lower contributions to international organisations, decreased aid for Ukraine and reduced humanitarian assistance. The amount of aid spent by donors on hosting refugees and asylum seekers in their own countries, which can be classed as overseas aid for a limited time under OECD rules, also decreased.

Aid cuts take centre-stage

In January 2025, upon taking office as President of the United States, Donald Trump dismantled the US Agency for International Development (USAID), declaring that it was did not align with his 'America First' agenda. The US spent 0.22% of its Gross National Income (GNI) on aid last year, which is significantly below the 0.7% target set by the United Nations. Denmark, Luxembourg, Norway and Sweden were the only countries who exceeded the UN target in 2024.

The OECD has said that support from donor countries has weakened, in part, due to shifting political dynamics. More countries in the EU, for example, have increased their defence spending, whilst cutting critical aid programmes to finance it. The UK government made a surprise announcement in February by announcing that it was going to reduce its aid budget to just 0.3% of GNI in 2027 to boost defence spending. The cuts follow a pattern of aid increases between 2019 and 2023 as donors responded to the COVID-19 pandemic, Russia's invasion of Ukraine, several humanitarian crises, refugee flows and the threats of climate change. Now, all the

progress is being undone. The Overseas Development Institute has pointed out other 'ripple effects' of this decision: – including how it will weaken UK's agenda-setting power, create different security threats, and set a global precedent that sinks international cooperation, tipping today's rules-based system closer to collapse.

Write to your MP

In June, the UN will convene countries in June to shape the future of financing development aid at a landmark conference in Spain. The UK is expected to attend at a time where they are under significant pressure by charities and politicians to reverse the recent aid cuts. Write to your MP and help us to call for a renewed global development finance agenda that will ensure that no one is left behind.

1. Introduce a wealth tax: there should be increase to the agreed minimum tax rate from 15% to 25% and a ban on tax incentives for natural resource exploitation as well as an introduction of a tax on the very wealthy. The wealth tax would be used to contribute to foreign aid budgets.
2. Embed the UN target for ODA into law: the International Commission of Experts for the Fourth Conference on Financing for Development have called for the embedding of the 0.7% of GNI ODA target into national laws or binding frameworks for donor countries as well as commitments to increase country-programmable aid.
3. Increase the role of multilateral and national development banks: these institutions can play a significant role in plugging the aid gap left by donor countries. However, there needs to be an urgent revision on how they are structured so that they can support the most vulnerable in an efficient way.
4. Enhance the voices of developing countries: the voices of the countries most at risk of facing aid cuts should be heard more in the Bretton Woods Institutions through measures such as eliminating veto power and adopting open election systems for leadership positions.

The foreign aid crisis is a crucial issue and needs urgent attention. As the world grapples with this challenge, it is essential for governments, humanitarian organisations and the international community to work together to find sustainable solutions. The future of millions of people depends on it.