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Global development in crisis

Responding to America's retreat

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Summary

- A definitive shift in both resources and rhetoric has upended the global development sector. Nowhere is this more apparent than in the policies of the new US administration, although many European states had already started reducing foreign aid budgets earlier.
- Beyond its vicious rhetoric and wrecking-ball approach, the Trump administration's arguments echo three long-standing critiques that development professionals have made themselves.
- Development experts in the US and Europe argue that development goals have become too broad, aid has failed to reach local actors, and the sector is too technocratic and removed from the concerns of Northern publics.
- A renewed focus on poverty reduction, combined with power-sharing abroad and public engagement at home, may provide answers to these critiques. Achieving development outcomes may require focusing less on providing direct assistance and more on reducing the harms created by Western states in other arenas, including trade and finance.

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Introduction

Western governments have made substantial cuts to their foreign aid budgets in recent years. Development experts fear that this is "the end of the global aid industry" and "our industry's greatest extinction event."[1] In the humanitarian aid sector, the head of the United Nations' response efforts has called for a "humanitarian reset" in the face of a profound crisis of legitimacy and morale. This disruption is particularly severe for non-governmental organizations (NGOs), the civil society groups that use private and public funds to support their relief and development work.

Just a few years ago, analysts claimed that it was a widely accepted norm in global politics that developed states have an obligation to provide foreign aid. As evidence of this commitment, the annual level of development assistance tripled between 1997 and 2022, according to the OECD. At the time, experts argued that these aid levels were still insufficient for meeting basic needs in low-income countries. Nevertheless, the trend line of official development assistance (ODA) moved upward, and states repeatedly pledged their commitments to the Sustainable Development Goals (SDGs) as the organizing framework for that aid.

1 Mortimer, Michael and Alexander Puutio (2025) "Development in Retreat?" Stanford Social Innovation Review, 30 June; Usman, Zainab (2025) "The End of the Global Aid Industry". *Foreign Affairs*, 5 May; Kumar, Claire et al. (2025) "The Case for Development in 2025", ODI Europe Research Report, June 2025. https://media.odi.org/documents/Full_Report_The_Case_for_Development.pdf. Various terms are used in this Briefing Paper to discuss the concessional loans or grants offered to support the welfare of people in other countries. The official term for this aid is "official development assistance" (ODA). The paper also uses the terms "development assistance" or "foreign aid." While foreign aid can include other goals and partner countries, it is a term frequently used in public debates over development.

It is a very different story in 2025. In the United States, the tone of the Trump administration's rhetoric has been vicious and its wrecking-ball approach to institutions appears incomprehensible. Yet some of the justifications offered for the cuts to development echo critiques from *inside* the sector. This Briefing Paper lays out three of those critiques: that development has lost its core purpose, that aid has not empowered local actors, and that the sector has neglected domestic politics in donor countries.

At this critical juncture, it is essential to maintain a clear focus on the goal: enhancing the welfare of the world's poor. A frank assessment of both the successes and failures of the post-Cold War development sector is needed to develop effective strategies in this new landscape.

A devastated development sector: From reaction to reflection

The shift in the commitment of Western governments to development spending is most visible in the policy and rhetoric of the new US administration. Still, the process of cutting foreign aid budgets was already underway in many European states before the second Trump administration took office.

The Trump administration began to unwind foreign aid programs on its first day in office, arguing that the aid industry was not aligned with American interests and values. The US Agency for International Development (USAID) became the first target of the now infamous Department of Government Efficiency (DOGE) effort, which seeks to cut federal spending and regulations. Employees were told to stay away from the office, the website went dark, and many Americans who had never heard of USAID found themselves following the protests in Washington and national news coverage. Despite lobbying efforts

and litigation, USAID closed on July 1, 2025. Since then, both Congress and the president have used the rescission process – the ability to cancel previously appropriated funding – to cut development programs from the budget for the current year.

These were accompanied by drastic changes in rhetoric around US support for core development sector commitments. The US has explicitly rejected the SDGs, agreed upon in 2015 by all UN member states. The SDGs are used by donors like the European Union, Germany, Sweden, and Finland for policy planning and implementation, and the US had worked in alignment with SDG priorities. In March 2025, however, the US denounced the SDGs at the UN General Assembly. In July, it explained its withdrawal from UNESCO by arguing that it was too focused on the SDGs' "globalist, ideological agenda." In June, US negotiators sought to change the commitments at a development finance meeting, and when those changes were not accepted, the US withdrew from the conference.

"With the wide range of factors cited for aid cuts, from high government debt to rising populism to heightened security concerns, there is no indication that Europe is willing or able to lead in renewed development spending."

While perhaps less dramatic, European aid to poor countries has also been in decline, and increasing shares of development assistance have been spent on Ukraine and in-country support for refugees.[2] The EU, the United Kingdom, France, Germany, and other donors have announced aid cuts in 2025, citing the need to increase defense spending and protect national interests. The Nordic countries have a reputation for generous foreign aid focused on poverty reduction, sustainability development, and multilateralism, yet Sweden, Denmark, and Finland have all reduced their commitments to aid, and Norway's relatively level budget includes increasing aid to Ukraine.[3] With the wide range of factors cited for aid cuts, from high government debt to rising populism to heightened security concerns, there is no indication that Europe is willing or able to lead in renewed development spending.

The intense effects of the US-led decline in global development assistance are illustrated by examining two sectors in particular: humanitarian relief and democracy promotion. The US has been the world's largest humanitarian donor for decades, providing an average of 34% of all global humanitarian assistance from 2015 to 2024 (see Figure 1). While the reorganization of US foreign aid is still in process, the president's proposed budget for the fiscal year 2026 includes just $4 billion for humanitarian aid, down from $14.8 billion in 2024. European donors have followed suit, with big cuts from Germany and EU institutions, and humanitarian aid in 2025 may end up being nearly half its 2023 levels.[4] In Europe, politicians on both the left and the right have pledged to preserve this ostensibly apolitical form of foreign assistance, but there is simply no substitute for the volume of US emergency aid. For-profit contractors and non-profit NGOs have been hit hard; NGOs like Catholic Relief Services and CARE USA received 40% of their income from the US government in 2024. Meanwhile, the US is withdrawing from key multilateral organizations like UNICEF, UNRWA, the World Health Organization, and the UN Population Fund.

Historically, the US has also been the largest funder of international democracy assistance in a sector that primarily depends on government aid rather than private donations. While the reorganization of the State Department is still in process, at least 80% if not all US democracy aid has been cut. One of the leading NGOs in democracy promotion,

2 Mustasilta, Katariina (2024) "Europe's development and peacebuilding cuts: Securing short-term interests, risking long-term security". *FIIA Briefing Paper* 395, October 2024. https://www.fiia.fi/wp-content/uploads/2024/10/bp395_europes-development-and-peacebuilding-cuts.pdf.

3 Kjaer, Anne Mette et al. (2022) "Diverging Like-Mindedness? Development policy among the Nordics", *Forum for Development Studies* 49(3): 319–44; "Historic decline in international aid" (2025) Norad, 13 May. https://www.norad.no/en/news/news/2025/historic-decline-in-international-aid/.

4 *Global Humanitarian Assistance* (2025) London: ALNAP/ODI, June 2025. https://alnap.org/help-library/resources/global-humanitarian-assistance-gha-report-2025-e-report/.

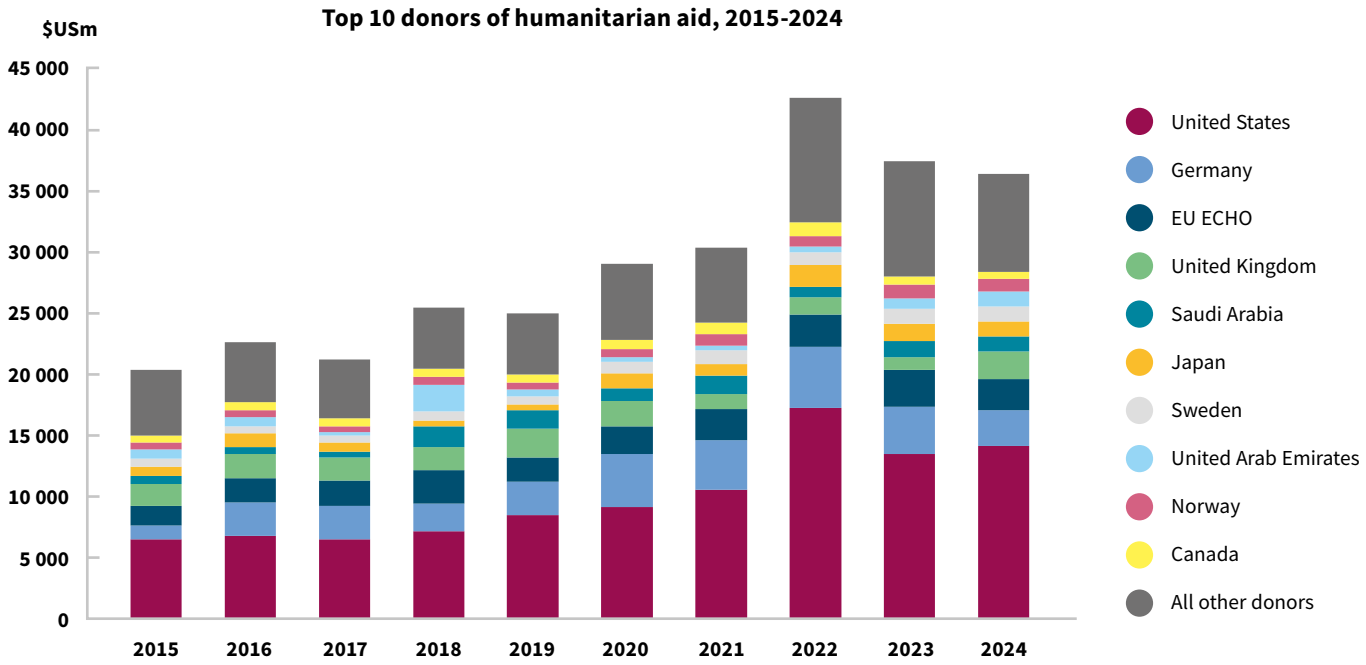

Figure 1. Top ten donors of humanitarian aid, 2015–2024 ($USm).
Source: UN OCHA Financial Tracking Service (FTS), https://fts.unocha.org/.

Freedom House, has had to cut 80% of its programs.[5] Meanwhile, the European Commission's proposed budget for the next seven years appears to reduce support for thematic priorities such as democracy promotion and civil society support. Alongside these funding cuts, new policies signal declining attention to good governance. For example, the US State Department's annual human rights reports no longer cover electoral violations.

In the face of such drastic changes, aid workers and development leaders are understandably defensive. Careers have been abruptly ended, organizations devastated, and community partners suddenly cut off. It may be of little consolation, but the closure of USAID does not appear to have been planned in advance, emerging instead from the newly launched DOGE, which sought an easy political target. Whether these shifts have appeared suddenly or emerged gradually, however, there is no path back to the way things were; foundational norms, resource availability, and the political viability of international development work are all changing.

Losing the development plot

While it may be uncomfortable to admit, Trump administration officials have articulated at least three points that many allies of global development have also made: the goals of development have become too broad, aid has not reached local actors, and the sector is far removed from the publics in donor countries. The next three sections will discuss each of these points.

The new US administration argues that the goals of foreign aid have expanded "to all kinds of other things that do not make sense." Similar complaints about the expansion of the global development agenda are found in Europe. In France, far-right politicians argue that aid's purposes have become "absurd," while in Germany, the manifesto of

5 Roth, Andrew (2025) "US State Department told to end nearly all its overseas pro-democracy programs", *The Guardian*, 26 June; Carothers, Thomas, Rachel Kleinfeld, and Richard Youngs (2025) *What Future for International Democracy Support?*, Washington: Carnegie Endowment for International Peace, 7 July. https://carnegieendowment.org/research/2025/07/what-future-for-international-democracy-support?lang=en.

Alternative für Deutschland demands that "the funding of questionable gender- and woke ideology-based development projects must be stopped."[6]

Under the new US administration, foreign aid has been reoriented toward an "America First" foreign policy. The global development sector is understandably skeptical of this, arguing that the vision of an explicitly self-interested aid policy is incompatible with the field's foundational vision that official development assistance serves the economic and welfare needs of other countries. However, government funding for development has never been separated from national interests: while the particulars vary by donor, all official aid programs mix diplomatic, commercial, and reputational goals with development aims.[7]

In addition, many European and American development experts agree that official development assistance is spread across too many priorities and not well targeted. Susanna Moorehead, former chair of the OECD's Development Assistance Committee (DAC), points out that "one of the greatest challenges for the DAC may well be trying to reach consensus on what ODA *cannot* be spent on" [emphasis added].[8] For those inside the sector, the expanding goals of development assistance reflect the reality that issues like education, health, and income are interrelated.

Nevertheless, there are at least three problems with allowing an expansive view to drive program design. First, complex problems require focused, long-term attention. If everything is a priority, then nothing is. Without a clear goal, it is difficult to evaluate the effectiveness of development programs. There is substantial evidence on the efficacy of programs focused on the ultra-poor, such as the "graduation" approach of the Bangladesh Rural Advancement Committee (BRAC), which offers a comprehensive set of interventions to boost livelihoods, health, and income.[9] Some aid experts use this sort of evidence to support a "back to basics" strategy for the sector.

"Given the modest profile of development assistance, the sector's impact may expand by doing fewer things well."

Second, aid budgets are relatively small. Both the left-leaning Center on Global Development and the right-leaning Hudson Institute have highlighted that private financial flows like remittances dwarf official aid. Trade policy is another obvious way in which developed countries shape economic development in the Global South. Even the massive flows of humanitarian aid each year account for just 1% of all global military spending. Given the modest profile of development assistance, the sector's impact may expand by doing fewer things well.

Finally, the continued expansion of the scope of foreign aid makes it hard to explain. Being selective about spending priorities does not neglect the interdependence of poverty with other factors, and development experts can address those issues with substantial expertise. As discussed below, however, the technical language and multiplicity of aims interfere with public communication about development.

The false promise of localization

Supporters of foreign aid cuts argue that the money does not reach people in need, and they place particular blame on NGOs for not representing or empowering local groups. Trump administration allies argue that humanitarian aid is spent on overhead rates, logistics, and security, rather than

6 Fortinsky, Sarah (2025) "Rubio: US walking away from 'foreign aid that is dumb'", *TheHill.com*, 10 February. https://thehill.com/homenews/administration/5137300-marco-rubio-dumb-foreign-aid/; Hird, Alison (2025) "France launches commission to evaluate overseas aid, amid far-right criticism", *RFI.fr*, 2 March. https://www.rfi.fr/en/france/20250302-france-launches-commission-to-evaluate-overseas-aid-amid-far-right-criticism; Klingebiel, Stephan and Anita Käppeli 2025) "German Parties' Vision for Development Policy: 2025 Federal Elections", *Center for Global Development Blog*, 14 January. https://www.cgdev.org/blog/german-parties-vision-development-policy-2025-federal-elections.

7 Lancaster, Carol (2007) *Foreign Aid: Diplomacy, Development, Domestic Politics*. University of Chicago Press.

8 Ahmed, Masood, Rachael Calleja, and Pierre Jacquet (Eds.) (2025) *The Future of Official Development Assistance*. Center for Global Development. https://www.cgdev.org/sites/default/files/future-official-development-assistance-incremental-improvements-or-radical-reform.pdf.

9 Banerjee, Abhijit, Esther Duflo, and Garima Sharma (2021) "Long-Term Effects of the Targeting the Ultra Poor Program", *American Economic Review: Insights* 3(4): 471–86.

on local organizations.[10] In July, US Secretary of State Marco Rubio wrote that USAID had rarely met its development objectives and had instead created a "globe-spanning NGO industrial complex," where "the only ones living well" were NGO executives. In line with this critique, the Trump administration has asked all executive branch agencies to review their funding of NGOs.

The turn-of-the-century hope in the transformative power of NGOs to reorient global politics has dissolved. According to the Edelman Trust Barometer, there is declining public trust in NGOs in dozens of countries. The advocacy group CIVICUS notes increasingly restricted space for private civic organizations around the world. In Europe, NGOs worry about a US-style crackdown.[11]

The attacks on NGO leaders and staff are vicious and constitute what many would see as a misdiagnosis of the problem; however, the Trump administration's point that aid fails to reach the intended beneficiaries is one that insider critics in the development sector have been making themselves in increasingly pointed language. It is not the moral failings of NGO executives that prevent aid localization, but rather a system built around the preferences of still largely Western donor states.

The development assistance system is one in which power lies in the hands of actors based in the Global North – donor agencies, multilaterals, and international NGOs. Ethics scholar and humanitarian policy advisor Hugo Slim argues that aid localization – the process of giving local actors greater control over development programs – has been a "stunning failure" in a sector that is top down and internationally biased. Researchers have found that the aid localization agenda of Western donors actually concentrates power within Northern NGOs instead of shifting funding and decision-making to local organizations.[12]

Relief and development actors have repeatedly pledged to directly support local actors – and repeatedly failed to deliver on that promise. Empowering local actors was part of the 1994 NGO Code of Conduct after the humanitarian response to the Rwanda genocide. The 2016 Grand Bargain at the World Humanitarian Summit pledged that 25% of all humanitarian aid would be channeled to local responders by 2021. By that year, however, only 2.9% of humanitarian aid was being given directly to local actors. In 2024, five major aid donors channeled just 5.5% of project funding directly to local organizations, according to the group Publish What You Fund.

While no one expects a Trump presidency to cede power to developing states, skeptics argue that the development sector is not doing so either. Critics of foreign aid have long maintained that reliance on international NGOs and multilateral agencies creates systems of dependency on outside food and medicines and distorts the pressures on governments to be responsive to their citizens' needs. Revitalizing global development should not mean shoring up these exclusionary structures.

The project of cosmopolitan elites

Critics of development also argue that the sector is part of the establishment elite. For example, in the introductory comments to the Project 2025 vision document prepared as guidance for a Republican president, Heritage Foundation president Kevin Roberts claimed that in foreign affairs, ruling elites resist accountability and instead "centralize power up and away from the American people: to supra-national treaties and organizations [and] to left-wing 'experts.'" Thus, he argues that conservative leaders "must possess the courage to relentlessly put the interests of the everyday American over the

10 Primorac, Max (2024) "Accountable assistance: reviewing controls to prevent mismanagement", Testimony before United States House Committee on Oversight and Accountability, 21 March, 2024.

11 Hadden, Jennifer and Sarah Bush (2025) "The End of the Age of NGOs?" *Foreign Affairs*, 3 July; Gros, Marianne and Giovanna Coi (2025) "Europe's NGOs fear Trump-style funding cuts are coming", *Politico*, 14 April.

12 Slim, Hugo (2021) "Localization is self-determination", *Frontiers in Political Science* 3. https://doi.org/10.3389/fpos.2021.708584; van Selm, Gijs et al. (2025) "Northern NGO-centrism in localisation processes: reproducing power inequities in the aid field", *Development in Practice*, 1–11. https://doi.org/10.1080/09614524.2025.2543349.

desires of the ruling elite. Their outrage cannot be prevented; it must simply be ignored."

The above prose is decidedly inflammatory, but also underscores that foreign aid has become part of the culture wars in the West, bound up with debates over the deep state, public trust, and claims to expertise. European and American populists argue that the technocratic and supranational orientation of the development sector is unresponsive to needs at home and neglects the responsibilities of governments to their own citizens.[13] Development professionals also recognize the loss of bipartisan support for development, although they offer slightly different explanations. Some argue that it is conservatives and populists who have moved away from supporting global cooperation and multilateralism, rather than the sector shifting focus. Others contend that development's many goals and technical language make it difficult to understand. Harvard sustainability professor Michael Mortimer and UN advisor Alexander Puutio note that "global solidarity requires continuous justification, especially in politically volatile contexts."[14]

"Foreign aid has become part of the culture wars in the West, bound up with debates over the deep state, public trust, and claims to expertise."

Public opinion on foreign aid is shaped by many factors, including individual orientations toward state welfare and internationalism, as well as contextual factors such as migration pressures and the state of the economy. Ultimately, the harsh truth is that the collapse of the global development sector is a low salience issue for most Western publics.

Foreign aid has been a subject of political debate since its inception, but this is not a debate over aid effectiveness. Rather, the core commitment of richer nations to provide money to poorer nations is being questioned. In increasingly polarized environments, this can resemble a series of attacks framed as technocratic globalists (on the left) versus unfeeling nationalists (on the right).

Conclusions

In polarized political settings, it is difficult to recognize and articulate common ideas and concerns. It may well be the case that the critiques offered by the Trump administration are post hoc justifications for opportunistic policy moves rather than a sincere interest in aid effectiveness. Still, the resonance of these claims reflects some hard truths about the successes and failures of the global development sector. Critics within and outside the development sector argue that it has lost its focus, achieved too little in empowering the poor, and neglected the cultivation of a broad base of support.

This moment invites reflection on what it means to promote the economic development and welfare of poorer countries – the stated goal of official development assistance. Making progress on that laudable goal may require a radical rethinking of strategies. A "back to basics" approach is both a way to step out of the culture war tension and a practical response to shrinking resources. In the United States and Europe, there is broad public support for aid focused on basic needs like food, clothing, and medicine – and the evidence for the efficacy of this approach is strong.[15]

In addition, while the development sector may have less money, there are still many forms of power and authority that NGOs, states, and multilateral institutions occupy. This presents a chance to lean into the spirit of the aid localization project by sharing that power. In the humanitarian sector, UN agencies and international NGOs have dominated aid coordination, to the frustration of many local actors

13 Smith, Heidi Jane M. (2025) "DOGE and the Future of US Foreign Aid", *Survival* 67(3): 73–80; Bayram, A.B. et al. (2024) "Manipulating the masses? Right-wing populist messages, political ideology, and public support for multilateral development aid in Germany, the United States, and the United Kingdom", *Journal of International Development* 36(7): 2705–2724.

14 Worthington, Sam (2025) *Prisoners of Hope: Global Action and the Evolving Roles of US NGOs*. Archway Publishing; Daniel, Ari (2025) "Why Dean Karlan, Chief Economist of USAID, resigned this week", *All Things Considered* (NPR), 26 February. https://www.npr.org/sections/goats-and-soda/2025/02/26/g-s1-50584/usaid-economist-dean-karlan; Mortimer, Michael J. and T. Alexander Puutio (2025) "Development in Retreat?" *Stanford Social Innovation Review*, 30 June.

15 Wike, Richard et al. (2025) "Majorities of Americans support several – but not all – types of foreign aid", *Pew Research Center Report*, 1 May. https://www.pewresearch.org/global/2025/05/01/majorities-of-americans-support-several-but-not-all-types-of-foreign-aid/; Ktenidis, Georgios et al. (2025) "European citizens' support for humanitarian aid funded by the EU: a secondary analysis of Eurobarometer data from the 27 EU Member States", *The Lancet* 55.

and recipient governments. In 2018, the Indonesian government forced those international actors to work through national agencies when responding to the Sulawesi earthquake. The resulting partnerships provide a potential model for accelerating localization.[16]

The cuts in official development assistance appear to threaten the ability of richer countries to do more good in the world. Yet, as journalist Anand Giridharadas has provocatively argued, powerful philanthropists and donors might spend less time considering how to do more good and instead explore how to do less harm.

This offers an opportunity for those with extensive knowledge of the developing world to engage with other sectors to mitigate those harms. Trade policies, access to finance, remittance flows, and patterns of conflict all have far greater impacts on the welfare of developing countries than aid flows. To change these policies, those working on global poverty reduction may need to invest in working with communities at home, making their commitment to solidarity and service more visible. The real impact of global development professionals may be felt less in how they spend their home governments' monies and more in how they use their voice and knowledge to mitigate harms, thereby creating more political space and economic opportunities for developing countries and their people.

16 Robillard, Sabina et al. (2020) "'We must be the pioneers': Perspectives on localization in the response to the 2018 Sulawesi earthquake in Indonesia", *Feinstein International Center Report*. https://fic.tufts.edu/wp-content/uploads/FIC-Sulawesi-Indo_4.24.20.pdf.

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