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CRISIS AND REFORM OF AID AND DEVELOPMENT COOPERATION SYSTEM

Report on the DAC reform process

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EXECUTIVE SUMMARY

1. DRIVERS OF CRISIS

1.1. A system in crisis

International aid has, since its inception, been a policy of fragile legitimacy. Regarded as one of the most significant innovations of the post-war international order, it has always been compelled to justify its existence to those who view it as unnecessary, ineffective, or even counterproductive. Such disagreement is hardly surprising when one considers the contradictory impulses that underpin it, where altruism and self-interest, cooperation and strategic calculation, moral empathy and technocratic arrogance converge.

An additional weakness compounds this tension, as the beneficiaries of this policy are not citizens —nor voters— of the country that promotes it, which reduces its domestic support in the competition for public resources. As a result, aid occupies a subordinate position in political agendas and is highly vulnerable to cuts during periods of crisis.

From 2024 onwards, Official Development Assistance (ODA) appears to have entered one of these critical phases —one that promises to be deeper and more prolonged than in previous periods. Contributing to this has been the decision of the Trump Administration to dismantle its national development agency, USAID, and to withdraw or reduce its support for a wide range of United Nations funds and agencies. Other European donors have followed a similar path, driven by the need to consolidate public finances and prioritise other areas of expenditure —such as security and defence. Taken together, these budget cuts have led to a decline in aid of nearly 29 per cent between 2003 and 2025 (from 229 to 165 $ billion at 2024 prices).

This process is unfolding in a context where nationalist-populist and ultra-conservative governments and parties—often dismissive of international norms and agreements, sceptical of multilateral action, and opposed to the goals underpinning the development agenda —are gaining prominence on the global stage. Their growing influence further weakens political support for development cooperation. The fact that the world's leading power and largest donor, the United States, has embraced this perspective only exacerbates the magnitude of the phenomenon.

Given the seriousness of these factors, there is a temptation to centre the explanation of the current crisis of the aid system solely on them. This would be a mistake. The crisis predates Trump, the rise of the far right, and the most recent budget cuts. Its deeper cause lies in the system's inability to adapt to the tectonic changes that have taken place in the international landscape. This has generated a climate of distrust towards aid, a view shared both by those who question the ethical foundations of cooperation and by those who, while defending these values, consider the current configuration of aid and cooperation systems to be clearly inadequate and in need of serious reform.

This critique has also been voiced by developing countries themselves, which reproach aid for its hierarchical bias, its neo-colonial imprint, its paternalistic language, and its limited transformative capacity. We are thus facing a constitutive crisis —one that affects the very foundations and purposes of this policy. A crisis that encompasses the broad and ill-defined space of development cooperation, but which affects ODA—its most clearly defined component—in a more direct and acute manner.

1.2. Determinants of the crisis: hierarchies, interests, ideas and values

The crisis referred to reflects a breakdown in the foundations upon which the aid system was built in the early 1960s. First, the structure of power distribution in the international system has changed. Aid emerged as an expression of the unquestioned dominance of the Western bloc, which hosted the world's most powerful and influential economies. These countries possessed the resources and capacities to finance aid and presented themselves as a model of success for poorer nations. Today, the situation is different. The relative weight of the Western bloc is declining, while China has consolidated its position as a global power. Alongside this, a wide range of middle powers —many located in the Global South— has emerged. As a result, economic and political power is now far more dispersed: the West is no longer the sole —nor perhaps the primary— reference point for the developing world.

Closely linked to this process is the increasing heterogeneity of the developing world. In the past, the so-called Third World could be interpreted as a relatively homogeneous reality, clearly distinct from that of rich countries —the North–South divide. Today, inequalities persist, but between the extremes lies a densely populated middle ground of countries situated at intermediate levels of development. Contemporary development realities resist any single, homogeneous characterisation. Some of the rising countries have developed their own cooperation policies, which they present as distinct from ODA. Consequently, the traditional distinction between donors and recipients has become less meaningful, as many countries now combine both roles. At the same time, development cooperation is no longer the exclusive domain of the OECD, but rather a more plural, contested, and diverse field.

The geostrategic function of aid has also changed. In the past, aid was subordinated to the logic of bipolar confrontation, serving to consolidate alliances within the Western bloc during the Cold War and to rebuild relations with the developing world weakened by decolonisation. The current context is very different: the bipolar order has dissolved, giving way to a more multipolar, fragmented, and uncertain system. A world shaped by tensions stemming from the rivalry between the United States and China, the divide between the Global North and South, and the confrontation between liberal regimes and those governments and political forces that are sceptical of international cooperation and disengaged from international norms. The geostrategic function of aid is now less clear-cut and varies depending on which axis of tension is prioritised. In this context, pressures increase to subordinate cooperation to the national interests of donor countries—in areas such as security, migration control, or economic competition. While this may aim to reinforce the strategic value of aid, the effect may be the opposite: it risks undermining its solidarity-based identity in the eyes of public opinion and assigning it objectives better served by other policy instruments.

The theoretical foundations of aid have also been transformed. Aid was originally grounded in the idea that progress in poorer countries depended on the transfer of capital and knowledge from richer ones. Today, this view is regarded as overly simplistic. Development is understood as a complex, multidimensional process, neither linear nor harmonious, and highly dependent on country-specific contexts. As a result, there is no single valid pathway, nor can developed countries continue to present themselves as an unquestionable normative model. Aid has thus lost the clear doctrinal reference on which it was originally based—another source of its current crisis.

This transformation has been accompanied by changes in international markets. Compared to the past, financial markets have deepened and become more dynamic and have become more accessible to many developing countries. As a result, these countries now have access to a wider range of international financing sources, reducing the relative importance of ODA. At the same time, limited public resources contrast with the expanding scope of the development agenda, prompting donors to seek private capital mobilisation to provide the scale of funding that public finance cannot deliver. This, in turn, places pressure on redefining the boundaries of aid.

Finally, the values that once legitimised the system have eroded. The ideal of a rules-based international order and the recognition of the benefits of cooperation have weakened in the face of rising nationalism, unilateralism, and distrust towards the multilateral system. At the same time, voices from the Global South challenge the neo-colonial tone of aid and call for more horizontal relationships, grounded in mutual respect, national ownership, and the recognition of diverse forms of knowledge and development trajectories. This shift in dominant values also calls for a profound transformation of the cooperation system.

1.3. Implications for cooperation

The combined effect of these transformations points to a breakdown of the foundations upon which aid and cooperation systems were built. In this context, the risk is twofold: either cooperation gradually loses relevance, or it fragments into a disordered mosaic of disparate practices, lacking a shared framework and common normative horizon. Neither scenario is desirable.

The alternative lies in building a more open, inclusive, and plural system, capable of accommodating the diversity of actors, instruments, and perspectives, while maintaining a set of basic shared agreements. Within this framework, ODA can continue to play a relevant role, provided it corrects its more hierarchical features and is understood as part of a broader and more diverse system.

This reforms requires addressing several dilemmas: how to reconcile the strategic value of cooperation with the preservation of its redistributive aims; how to organise an increasingly broad and heterogeneous agenda; which metrics should be used to capture development efforts and impacts; how to revise eligibility and graduation criteria; how to manage the proliferation of actors without sacrificing coherence and predictability of funding; and, finally, how to move towards more inclusive governance that no longer equates cooperation with the Development Assistance Committee (DAC), nor development finance with ODA.

2. AGENDAS AND NARRATIVES

2.1. Differentiation of agendas

Development cooperation has expanded its objectives and areas of intervention. This expansion has been driven, in part, by a shift away from a primary focus on economic dimensions towards the more diverse domains of social development and environmental protection. This shift strengthened the assistance component of aid while weakening its role as an instrument for long-term productive and structural transformation. At the same time, in the absence of a clear doctrinal framework, purposes diversified in response to the multiple shortcomings of the developing world. As a result, objectives related to poverty and inequality reduction have been supplemented by others linked to institutional strengthening, gender equality, environmental sustainability, democratic consolidation, peacebuilding, cultural diversity, global health, and climate change, among others.

While many of these objectives are relevant, they refer to distinct agendas, with different normative logics, time horizons, and criteria for resource allocation. Integrating these agendas indiscriminately under a single metric generates confusion and complicates monitoring and accountability. It also encourages the perception of these agendas as competing vectors in the struggle for limited resources. Hence, the need to distinguish between, at least, four different agendas within development cooperation:

1. *The first is the original agenda, aimed at reducing poverty and promoting economic and social development in low-income countries.* Its logic is fundamentally redistributive, seeking to address poverty and correct asymmetries in development opportunities across countries. Resource allocation should therefore follow progressive criteria, prioritising the least developed countries and those facing the most severe structural constraints. It is also a medium- to long-term agenda.

2. *The second agenda concerns International Public Goods (IPGs), which respond to the need to correct cross-border externalities*. The benefits extend to all countries, both rich and poor, though not necessarily equally. This agenda is based on shared responsibility and collective action to address common challenges and also operates over the medium to long term.

3. *The third agenda defines humanitarian action, whose prominence has increased in a context marked by recurring conflicts, forced displacement, natural disasters, and climate crises*. Its normative foundation lies in the principles of prevention, protection, and relief, and its primary objective is to save lives and alleviate conditions of extreme vulnerability. Its time horizon is primarily short-term.

4. Finally, *there is an agenda linked to mutual interest, associated with South–South cooperation and certain initiatives promoted by traditional donors. Its aim is to work in areas where the interests of both (or more) countries converge*. While this agenda is entirely appropriate in South–South cooperation, it is more problematic in traditional cooperation, where strong asymmetries exist between partners. In such cases, what is presented as mutual interest may in fact reflect the priorities of the more powerful party. For this reason, if it is to be considered part of development cooperation, this agenda must be combined with one of the other three.

In sum, what is proposed is a model of cooperation capable of combining integration with differentiation across agendas. That is, a general framework that articulates differentiated agendas, allowing for the definition of specific resources, metrics, and narratives for each. More specifically, it is suggested that both budgetary commitments and reporting by cooperation providers should distinguish within ODA between humanitarian, economic and social development, and international public goods agendas.

2.2. Old and new narratives

Any complex policy must communicate the relevance of its objectives in order to mobilise public consent and support. This is the role of narratives, which function as mental frameworks designed to simplify and make reality intelligible, mobilise opinions and emotions in support of a policy, and connect its objectives with socially recognised values.

The traditional narrative of aid has been based on an appeal to the duties of solidarity and moral responsibility of rich countries towards poorer ones. This narrative conveys three images that are now increasingly unconvincing: i) that the donor is the repository of the resources and knowledge required to generate development; ii) that poor countries are passive agents in need of assistance; and iii) that the support provided is unilateral and essentially altruistic. Such a framing is increasingly unacceptable to developing countries and has limited capacity to mobilise public opinion in donor countries.

In the search for a new narrative, some voices propose replacing the language of solidarity with a more transactional one, explicitly linking aid to the donor's national interest. The aim is to broaden support for cooperation by reinforcing its strategic utility. However, this shift risks distorting the substance of the policy, eroding its legitimacy, and generating public misunderstanding. Moreover, it is questionable whether a policy should be justified by attributing to it objectives for which other policies are better suited.

Two alternative narratives appear more promising. The first is that of common interest, associated with the international public goods agenda, based on the idea that shared challenges require shared efforts. The second is that of mutual interest, which seeks to align efforts where countries' interests converge. Both narratives offer valuable elements, but neither alone can encompass the full complexity of development cooperation, which necessarily includes elements of solidarity if it is to address global asymmetries.

In line with the recognition of multiple agendas, it should also be acknowledged that multiple narratives are needed, adapted to the normative principles underlying each. The narrative required for humanitarian action is not the same as that associated with international public goods, and both differ from that of poverty reduction. Despite these differences, all agendas share some basic principles: interdependence and shared responsibility in an interconnected world; common values, compatible with those specific to each context; shared progress as a goal for sustainable development; solidarity to address the most acute asymmetries of the international system; and partnerships as a response. These common principles can provide the foundation for an overarching narrative capable of accommodating the specificities of each agenda.

3. METRICS AND STANDARDS

For more than five decades, ODA has been the most recognisable and stable metric of international development finance. The expansion of the development agenda, the growing diversity of financial instruments, and the emergence of new providers outside the OECD have eroded its centrality and exposed its limitations, making a revision of metrics and standards necessary.

3.1. Refining ODA

ODA was defined in the early 1970s on the basis of a number of core criteria: the development purpose of the activities financed; the official nature of the resources, with a minimum level of concessionality; and the eligibility of recipient countries. With minor modifications, these criteria have remained consistent over time. However, changing international circumstances — the fall in interest rates, the expansion of financial instruments linked to the private sector, and the new financing needs associated with the 2030 Agenda — led the DAC, in 2012, to launch a process of aid reform and modernisation. This affected both the refinement of ODA and the creation of a complementary, more comprehensive metric.

With regard to the first aspect, the most substantive changes concerned the measurement of concessionality and the treatment of operations in support of the private sector. In the first case, the old net-flow system, based on a single discount rate to estimate concessionality, was abandoned. Instead, the DAC opted to record the grant equivalent embedded in each flow, measuring concessionality through differentiated discount rates according to groups of countries. This reform corrected certain biases but left open questions regarding the appropriateness of the discount rates used — which are still considered high — and the treatment of certain components, such as debt.

The new measurement of private-sector support operations is equally controversial. The reform introduced two alternative measurement procedures: one referring to the institutions channelling the resources, and the other to the instruments used. This duality reveals the difficulties involved in the calculation and introduces additional ambiguity into reporting. Furthermore, the measurement of flows relies on two concepts that are difficult to translate empirically: the additionality of the funds and their degree of concessionality, the latter being especially difficult to determine in operations with variable returns.

Beyond these reforms, a weakness persists in the approach: ODA provides a quantitative measurement, focused on the volume and concessionality of flows, but pays little attention to the quality of funds and their effects on the recipient. The emphasis is placed on measuring "donor effort" rather than the "development impact" of the items reported. There are two partial experiences that correct this orientation: the reporting of untied aid and the estimation of Country Programmable Aid (CPA). These are valuable examples for assessing the quality of aid, but they have had only limited effects on the methodology used to measure ODA.

Despite its controversial nature, the process of "modernising" ODA reporting has not questioned the inclusion of expenditures incurred by donors within their own borders — including the costs of settling refugee populations or scholarships for students from the developing world. No one disputes the relevance of these items, but there are good reasons to avoid counting them as ODA if the credibility of this metric is to be restored.

Significant shortcomings also persist in relation to transparency that should be corrected. The DAC's sectoral classification, based on the Creditor Reporting System (CRS) system, is ill-suited to capturing relevant areas of ODA work —such as humanitarian assistance— or to measuring work on cross-cutting priorities, such as gender equality or sustainability. For these dimensions, the DAC has introduced qualitative markers that are applied by project managers themselves, with limited external verification. Experience shows that this is a weak procedure, often leading to over-reporting —as demonstrated by assessments of climate finance.

In addition, the reporting system contains gaps and imperfections in the information provided on certain fields, such as earmarked contributions to multilateral organisations or contributions made by subnational entities, which are important actors in development action in several countries. At the same time, relevant information is omitted, such as the resource-mobilisation capacity of NGOs or donor contributions to triangular cooperation.

All these technical shortcomings should be corrected. At the same time, in keeping with the plurality of agendas, both ODA reporting and monitoring should distinguish budgetary commitments corresponding to humanitarian action, economic and social development, and the provision of international public goods.

3.2. Beyond ODA

ODA is too narrow a metric to capture the diversity of sources and mechanisms of development finance, as well as the plurality of official providers of funds outside the OECD. To capture these components, the DAC developed the Total Official Support for Sustainable Development (TOSSD) metric.

TOSSD is presented as a metric complementary to ODA, seeking to offer a more comprehensive picture of resources mobilised with official support for sustainable development, regardless of their level of concessionality. At the same time, it aims to be a universal metric capable of including both DAC donors and new providers from the South. It is structured around two pillars: one capturing cross-border flows, and another identifying resources directed towards global challenges and international public goods. A third component is added, referring to private resources mobilised with public support.

Although it is the most robust attempt to develop a concept that goes beyond ODA, TOSSD presents two weaknesses. On the one hand, in addition to the ambiguities it inherits from ODA, there is the inconsistency of including private resources within a concept of official finance. On the other hand, the degree of support that the new metric has obtained among developing countries remains limited, partly because it is an OECD product. The DAC should be willing to submit the process of creating a more comprehensive metric to debate among all countries, whether or not they are members of the OECD. TOSSD may serve as a starting point for that debate, but the process should remain open to other options.

3.3. Standards

In addition to metrics, the DAC has also defined standards to guide donor action. OECD countries often use these standards as a benchmark for judging the quality of the cooperation policies of new providers. This does not seem an appropriate approach. First, countries cannot be expected to adopt standards in whose formulation they have not participated. Moreover, some standards, while appropriate for North–South cooperation, are much less so for South–South cooperation. This is the case, for example, with tied aid, whose restriction may not be relevant in the South-South cooperation, that is based on the exchange of experiences between countries.

Thus, if the aim is to build an open and inclusive cooperation system that integrates diverse models of cooperation, the existence of a plurality of standards and quality criteria —with different levels of requirement for different groups of countries— must be accepted. This should be compatible with the establishment of a minimum floor of agreements operating across the system. The principles agreed in Busan on cooperation effectiveness provide a sound basis for building such a common foundation.

4. ELIGIBILITY AND GRADUATION

4.1. Eligibility

The allocation of highly concessional public resources usually requires the definition of precise rules governing beneficiary eligibility. This is also the case with ODA, which requires recipient countries to fall within the low- or middle-income categories, according to the World Bank classification based on their respective GNI per capita.

This is a very poor procedure of eligibility. Acceptable eligibility rules should meet at least five conditions: i) they should be based on clear and accessible information; ii) they should use robust and comparable statistical criteria; iii) they should accurately reflect countries' core capacities and shortcomings; iv) their application should avoid undesirable effects on their development; and v) they should treat countries in similar situations equitably. The DAC model satisfactorily meets only the first two requirements, while showing deficiencies in the remaining ones.

At the root of these deficiencies lies the attempt to capture, through a single indicator — GNI per capita— a process such as sustainable development, which is complex and multidimensional. A country may make progress in the economic dimension while still maintaining severe deficits in other areas; and these deficits may become obstacles to sustaining the development process. For this reason, it is important that country classifications consider the various dimensions at stake. Moreover, reliance on GNI per capita leaves many relevant aspects outside the diagnosis, since the limitations of this macroeconomic aggregate include the following:

- It lacks normative criteria: it does not distinguish between activities according to their preferred social value.
- It excludes a large share of non-market activities, including domestic and care work, which are crucial to wellbeing and disproportionately carried out by women.

- It does not account for risks: that is, it does not assess the risks associated with achievements already attained, nor vulnerability to external shocks.
- It lacks an intertemporal dimension, which prevents it from capturing stock variables of an accumulative nature, such as debt or natural wealth.
- It does not integrate environmental sustainability; indeed, it may even send misleading signals by counting as growth activities aimed at correcting previous environmental damage.
- It ignores income distribution and, with it, the effects of progress on people.

These shortcomings also point to the dimensions that should be included in the determination of eligibility and graduation, as a complement to the economic dimension: the provision of merit goods related to human capabilities —education, nutrition and health; inequality, measured as a corrective factor for achievements; sustainability, so as to capture the challenges countries face in preserving environmental balances; and vulnerability, in the various dimensions in which it is expressed.

The translation of these dimensions into concrete indicators should be guided by normative criteria of simplicity, relevance, availability, universality, limited endogeneity and transparency. On this basis, the following indicators may be suggested:

- The economic dimension can be adequately captured through GNI per capita.
- Human capabilities could be approximated through the Human Assets Index (HAI), already used by the United Nations in identifying Least Developed Countries (LDCs).
- Inequality could be introduced not as a fully autonomous dimension, but as a corrective factor applied to HAI achievements.
- Sustainability could be measured through the Notre Dame Global Adaptation Initiative (ND-GAIN), which captures climate adaptation challenges.
- Vulnerability could be expressed through the Multidimensional Vulnerability Index (MVI), which provides an assessment of risks and resilience deficits across different dimensions.

It does not seem advisable to integrate the dimensions considered above into a single synthetic indicator. Rather, a dashboard of indicators should be maintained in order to better recognise the multidimensional character of sustainable development. In operational terms, this requires setting specific thresholds for each dimension and establishing decision rules for cases of discrepancy. One reasonable criterion would be to consider a country eligible if it falls below the threshold in at least three of the four main dimensions —economic, human capabilities corrected for inequality, sustainability and vulnerability— applying an equivalent rule for graduation. It would also be worth considering the possibility that thresholds be defined in relative rather than absolute terms, so that they evolve in line with the general improvement of developing countries. As a precautionary measure, graduation thresholds should be more demanding than eligibility thresholds.

4.2. Graduation

The DAC's design of the graduation process is equally deficient. That process rests on the criterion that a country must have exceeded, for three consecutive years, the GNI per capita threshold defining high-income countries. Designing graduation in this way amounts to assuming: i) that income levels adequately express the solidity of development achievements; ii) that these achievements are virtually irreversible; and iii) that the withdrawal of aid will have few relevant effects. None of these assumptions is convincing.

By contrast, an adequate graduation system should define a sequence that facilitates the country's adaptation to change and minimises the costs and uncertainty associated with the process. This argues in favour of a graduation process that is as progressive as possible —to facilitate the country's adaptation to the withdrawal of aid; that is accompanied by alternative support mechanisms— to help consolidate achievements; and that establishes monitoring and early-warning procedures —to minimise the risks of regression or crisis in the countries concerned. None of these components is present in the DAC's current approach. It is therefore unsurprising that countries approaching graduation question the process and perceive the decision as a challenge.

There are two possible options for redesigning the graduation system. The first, more pragmatic option would base graduation on a decision taken once the country has exceeded three of the four thresholds defined across the dimensions discussed above. In addition, to ensure that achievements are consolidated, these thresholds should be set above those established for eligibility. This process would include the following specifications:

- Greater gradualism: it is suggested that three years elapse between the moment the threshold is exceeded and the decision is taken, and a further three years between the decision and its effective implementation.
- The existence of a reversal clause, allowing the country to be reincorporated into the list of eligible countries in the event of a crisis or severe shock.
- The preparation of a smooth transition strategy, under the leadership of the country and with the participation of bilateral and multilateral donors, to be designed during the second three-year period of the process and activated after graduation.

- The establishment of a robust monitoring and reporting system led by the DAC and involving the country throughout the graduation period and during the implementation of the transition strategy.

The second, more complex option would involve establishing relatively autonomous eligibility and graduation processes for the economic, social and environmental dimensions. In this way, a country could graduate in one of these dimensions once it has exceeded the defined threshold, while remaining eligible in others if it continues to face significant deficits. This option would require support instruments for each dimension considered. It is a more complex scheme, but also one better suited to the multidimensional reality of development. It would also reduce the abrupt and dilemmatic nature of graduation by allowing partial and sequential transitions.

Finally, any reform that aspires to legitimacy must be built through dialogue with partner countries. Determining who may or may not access ODA is one of the clearest expressions of the power asymmetry that has characterised the aid system. For this reason, occasional consultations are not enough: what is needed is an open, deliberative and inclusive process.

5. FRAGMENTATION AND DISPERSION

5.1. New actors

The development cooperation system has become more complex as a result of the incorporation of new official providers, the diversification of actors involved, and the proliferation of mechanisms for channelling resources. This evolution has had ambivalent effects. On the one hand, it has enriched cooperation by incorporating new visions, priorities and instruments, thereby expanding the scope for innovation and response to emerging problems. On the other, it has increased levels of aid fragmentation, in a context marked by weak coordination among actors, limited predictability of funds, and difficulties in ensuring coherence across policies and intervention modalities.

The expansion in the number of actors has been driven by three converging processes. First, the expansion of the development agenda itself has brought in actors that were previously peripheral or only weakly connected to cooperation, especially in areas such as the environment, climate and, more recently, migration. Second, the gap between an increasingly ambitious agenda and relatively stagnant resources has led donors to explore new instruments and institutions capable of mobilising additional resources, particularly from the private sector. Third, the need to make new problems visible and respond to them rapidly and effectively has led to the creation of multiple global public funds.

As a result, the cooperation system now appears as a densely populated universe, structured around three basic institutional pillars. The first consists of development agencies, as institutions specialised in the management of grants and technical assistance, sometimes also responsible for humanitarian action. While this component has reduced its presence in developed countries, many of which have relocated these responsibilities to ministerial structures, it has gained greater prominence in developing countries.

The second pillar is the multilateral system, with two major components. On the one hand, non-financial institutions —such as United Nations agencies, funds and programmes— oriented towards humanitarian assistance, technical assistance and the provision of international public goods. On the other, multilateral development banks —the World Bank and regional development banks —whose activity focuses on development finance, especially in infrastructure, productive transformation and employment. This system has been amplified by the creation of new global or regional public funds with specific missions, financed by both official and private providers.

Finally, there are national development finance institutions, including those of developing countries, which channel resources towards productive transformation, the ecological transition and support for the private sector. Some of these institutions are public banks and have consolidated a complex and diversified architecture for mobilising resources internationally.

To these public institutional pillars must be added the contribution of a dense network of NGOs, some of them organised in strong international networks; private foundations, some endowed with considerable financial capacity and technical resources; and, finally, a private sector that sometimes operates as an actor in development interventions. According to the World Bank, the number of agents managing or channelling aid resources increased from 191 to 502 between 2000 and 2020.

5.2. New providers

Alongside the plurality of actors, the number of official cooperation providers has also expanded. This process has followed two main vectors. On the one hand, there has been a significant increase in the number of DAC members, due to the inclusion of a group of Eastern European countries which, after their transition to market economies, joined the European Union and established their own aid policies. This process may continue in the future, given the list of countries awaiting EU accession and others seeking admission to the OECD.

On the other hand, the number of South–South cooperation providers has grown. These providers present themselves as carrying forward a policy very different from ODA, inspired by the principles of horizontality, exchange of experiences, reciprocity and respect for sovereignty, albeit with highly variable degrees of coherence between discourse and practice. Although the lack of homogeneous reporting systems makes it difficult to measure its volume precisely, its weight is significant —with its contribution approaching 20 per cent of ODA. Nevertheless, its most relevant contribution lies in its capacity to enrich and "democratise" the cooperation system.

The emergence of these new providers has transformed the cooperation landscape. The old assumption of convergence towards a single model, promoted by the DAC, has been replaced by a scenario of diversification and competition among different models. For recipient countries, this increases their bargaining power and strategic options, but at the cost of operating in a more complex and fragmented environment.

5.3. Fragmentation and dispersion

The proliferation of providers, actors, institutions and transactions, in a context of limited resource growth and weak coordination, has increased the dispersion of aid. Available data show a very marked expansion in the number of entities channelling resources, the number of operations, and the simultaneous presence of multiple actors in recipient countries. This process has been accompanied by a reduction in the average size of interventions, especially in the field of grants and in social sectors. By contrast, there has been no significant progress in donors' use of modalities that could mitigate fragmentation, such as budget support, pooled funds or unearmarked multilateral contributions.

The potential consequences of this evolution are well known: increased transaction costs, administrative overload for recipient countries, reduced scope for coordination, lower predictability of flows, and greater difficulties in ensuring policy coherence. The available empirical evidence confirms several of these partial effects, but it does not allow one to conclude that the aggregate effect of fragmentation on aid effectiveness is necessarily negative in all cases. This is because fragmentation also generates positive effects: it broadens the range of options available to recipients, provides them with greater strategic room for negotiation, and may stimulate innovation among donors.

Studies suggest that the balance between costs and benefits depends on contextual variables. The negative effect of fragmentation is greater when recipient countries have weak administrative capacity and when there is no lead donor or effective coordination mechanism. For example, in sectors such as education, where approaches are more homogeneous and recipients have greater coordinating capacity, the plurality of actors may even produce favourable results. It follows that it is not reasonable to respond to fragmentation by instructing donors to reduce the number of partner countries or sectors in which they operate. The key issue is not so much to limit diversity as to manage its costs more effectively.

From this perspective, strengthening coordination appears to be the main response. Such coordination is unlikely to occur at global level, given the costs and complexity involved in negotiation. A more realistic path is therefore to shift coordination to the local level, promoting national platforms in which the contributions of different actors are integrated under the leadership of the recipient country. Initiatives such as Integrated National Financing Frameworks (INFFs) point in this direction and offer a promising framework for reducing fragmentation, strengthening ownership and improving coherence.

In addition to coordination, progress is needed in the predictability of funds. The empirical evidence is clear in this regard: volatility and unpredictability of resources reduce aid effectiveness by making it harder for recipients to programme investments. Progress in this area requires more intensive use of programmatic aid modalities. Strengthening Country Programmable Aid (CPA) and improving its measurement should be part of this process.

Finally, fragmentation poses challenges for policy coherence. Although full coherence is unattainable, it is possible to reduce levels of unintended incoherence by generalising development impact assessments across different policies, establishing horizontal mechanisms for interdepartmental coordination, and giving stronger political backing to this objective as a defining feature of government action.

6. INCLUSIVE GOVERNANCE

6.1. Aid: governance in crisis

The governance of the international aid system is undergoing a crisis of institutional adequacy, deriving from the mismatch between inherited structures and the contemporary reality of development cooperation. Since its creation in 1961, the DAC has performed key functions: facilitating dialogue among donors, harmonising concepts and reporting systems, disseminating good practices, and promoting peer review mechanisms. Overall, the balance of this work has been positive. However, the exclusive character of the body and the limited participation of developing countries in its decisions reveal the contradiction on which the system rests: it proclaims the principle of development ownership, while defining a governance system that restricts the voice of those who are meant to exercise that ownership.

This paradox has intensified as development cooperation has ceased to be identified exclusively with ODA. The contemporary system is broader and more complex, incorporating new providers, multilateral institutions, development banks and financial mechanisms operating beyond the perimeter of ODA. All indications suggest that this trend will deepen in the future, driven by the rise of new powers —especially China— the greater autonomy of countries in the Global South, and the creation of alternative platforms of international coordination. This is compounded by the weakening commitment of some traditional donors, which further erodes the centrality of the classical model. All this points to a crisis of representativeness in the DAC and to the need to build a more inclusive system, capable of integrating the plurality of actors and modalities operating within it.

The emergence of alternative platforms for international dialogue and coordination in the field of development cooperation, with memberships extending beyond the OECD, reflects the DAC's limitations in governing the system. Examples include the Development Cooperation Forum (DCF), created within the United Nations; the Global Partnership for Effective Development Cooperation

(GPEDC), established in Busan; the International Forum on TOSSD (IFT), created to follow up on that metric; and the International Aid Transparency Initiative (IATI), designed to improve the quality of aid reporting.

6.2. Conditions and models

This transformation is taking place within a geostrategic framework marked by three major axes of international tension: the rivalry between the United States and China; the dispute between the Global North and the Global South; and the confrontation between those who defend an international order based on rules and rights and those who promote logics of power based on unilateralism and authoritarian nationalism. The interpretation of these axes, and the order of preference assigned to them, conditions one's view of cooperation and its governance.

Within this framework, five possible scenarios for the future of development cooperation may be envisaged.

1. *The first involves a return to basics, focusing ODA on humanitarian action and the fight against poverty and extreme vulnerability*, as a way of safeguarding the essentials of the policy against the offensive of the far right and budget cuts. Governance in this case could remain anchored in the DAC, with limited reforms.

2. *The second seeks to align cooperation more closely with the donor's national interest,* attempting to dilute the perimeter of ODA to incorporate non-concessional instruments and areas of work whose development impact is more doubtful. Governance in this case could rest with an enlarged DAC (or clubs) including countries that share this vision, even if they are not members of the OECD.

3. *The third model —ODA Plus— seeks to strengthen ODA while preserving its defining features* and improving its financing, effectiveness and institutional representativeness. Here too, a reformed DAC could assume the governance of this policy, while recognising that other models coexist in the international arena.

4. *The fourth entails a shift towards international public goods,* prioritising global challenges and moving the agenda away from its distributive components towards the management of interdependencies. In this case, what is required is decentralised governance, differentiated according to issues.

5. *Finally, the shared and differentiated model proposes an integrative and transformative agenda, adapted to the diversity of countries and cooperation models, and combining multiple instruments and objectives*. This last model requires inclusive global governance, anchored in the United Nations, compatible with existing structures —such as the DAC— and oriented towards articulating cooperation in a multipolar and fragmented international order.

6.3. Towards an inclusive governance system

For a country such as Spain, a middle power committed to multilateralism, the most appropriate scenario is one that points to the need to advance towards the construction of a shared and differentiated model, capable of accommodating the diversity of actors, agendas and instruments that exist today. This would entail conceiving cooperation as an overarching structure of diverse practices, grounded in minimum shared standards and metrics, and institutionally anchored in the United Nations.

The construction of this new governance should begin by making use of, and reforming, existing platforms. The diagnosis of the current landscape is ambiguous. The DAC remains a highly effective body in areas such as reporting, standard-setting and monitoring, but it suffers from serious deficits of inclusion and representativeness. The GPEDC has a broader membership, but its mandate is restricted to the agenda of cooperation effectiveness. The DCF, for its part, enjoys more universal legitimacy by virtue of being located within the United Nations, but lacks the mandate, resources and operational capacity needed to perform more substantive governance functions. The IFT and IATI play useful but partial and specialised roles. It follows that none of these bodies, on its own, can serve as a sufficient axis for integrated governance.

The proposed reform path should therefore rest on two complementary pillars: strengthening and resignifying ODA and moving towards more comprehensive and inclusive governance.

Strengthening and resignifying ODA. ODA should be preserved as a metric that captures high-quality development finance flows, without diluting its credibility and perimeter through the inclusion of instruments with limited concessionality or a doubtful link to development. That expansion of the perimeter is better accommodated within TOSSD. At the same time, it would be desirable to refine the concept through, among other reforms: i) reviewing the inclusion of expenditures made within the donor country; ii) improving the robustness of reporting on cross-cutting priorities; iii) strengthening the statistical consistency of Country Programmable Aid; iv) improving reporting on resources channelled through multilateral institutions and subnational actors; v) addressing the recording of resources mobilised by NGOs and triangular cooperation modalities; and vi) establishing a differentiation within ODA between humanitarian, sustainable development and international public goods components.

In addition, the DAC should address two of its fundamental shortcomings: its limited openness to the voice of developing countries and its restrictive concept of membership, linked exclusively to the OECD. To this end, the following steps are proposed: i) accelerating the ongoing enlargement of the OECD; ii) facilitating the incorporation of new members into the DAC and admitting dual countries — both providers and recipients of cooperation — as associates, even if their reporting systems remain imperfect; and iii) opening up more spaces for the participation of developing countries in debates, subsidiary bodies and development communities linked to the DAC.

More inclusive governance. In parallel, more inclusive governance should be promoted based on the United Nations, through a substantive reform of the DCF. This reform should include at least four main changes:

1. Broadening the DCF's mandate and strengthening its resources, so that it can assume functions related to reporting, monitoring, proposing metrics and standards for submission to ECOSOC, and monitoring agreements.

2. Modifying its institutional structure by incorporating a representative Steering Committee made up of providers, recipients, dual countries and the main actors in the system.

3. Strengthening its Secretariat by integrating key DESA units — such as the Statistics Division — and other technical capacities within the United Nations system.

4. Creating or activating an inter-agency mechanism to bring together the main agencies with responsibilities in development cooperation.

This should be accompanied by a process of convergence among institutions, encouraging a future rapprochement or even merger between the DCF and the GPEDC; continued work between the DCF and the IFT to move towards a more comprehensive cooperation metric; and articulation between the strengthened DCF Secretariat and the technical experience accumulated by the DAC in statistics and monitoring.

The proposal does not seek a centralised and heavy governance structure, but rather a light architecture, based on minimum standards and compatible with the existence of complementary levels of governance, both global and regional. In this sense, the DAC could continue to perform its functions, but within a broader framework of light yet articulated multilateralism.

7. RECOMMENDATIONS FOR SPAIN

7.1. Characteristics of Spanish cooperation

Spain projects itself within the international system as a middle power whose foreign policy has historically been structured around two main strategic vectors: its membership of the European Union and its ties with the Ibero-American community. Other priority areas of interest are added to these axes, such as its links in the Atlantic space, West Africa and the Sahel, as well as the southern Mediterranean flank, with particular attention to the Maghreb. On these coordinates, Spain has developed a relatively stable foreign policy, marked by support for multilateralism, the defence of human rights and engagement in international development action.

In this context, it is relevant to examine the extent to which Spanish cooperation is in a position to promote and accompany the changes required in the cooperation system. Without attempting an exhaustive diagnosis, some key features can be identified through a SWOT analysis.

In this regard, Spanish cooperation has undeniable strengths that underline its role in the international development system. These include its recent institutional reform, driven by the adoption of the Law on Cooperation for Sustainable Development and Global Solidarity in 2023, which has helped improve the system's instruments and management capacities. This is accompanied by a clear and loyal identification with the international development agenda, reflected in Spain's sustained commitment to the 2030 Agenda. Spain has also maintained a firm commitment to multilateralism, acting as a reliable partner in international forums, not only because of its willingness to follow agreements, but also because of the recent increase in its contributions to multilateral institutions.

Another relevant feature is the decentralisation of the cooperation system, which involves administrations at different levels, broadens the social base of development policy, diversifies approaches and strengthens the capacity to operate within multilevel frameworks. This structure is complemented by accumulated experience in very diverse contexts, ranging from least developed countries to middle-income and graduated countries, which enables a better understanding of the logic of a complex system. Finally, the relational style of Spanish cooperation, characterised by dialogue, proximity and a lower degree of imposition than that observed among other donors, constitutes an important asset in a context in which more horizontal and inclusive relationships are being demanded.

However, these strengths coexist with weaknesses that limit Spain's projection. The most evident is the limited level of resources: with ODA equivalent to 0.27 per cent of GNI in 2027, Spain remains below the DAC and European Union averages, which restricts its capacity for influence. This is compounded by the still insufficient development of financial cooperation, with a portfolio dominated by non-reimbursable instruments and small-scale interventions, mainly in social sectors. Limitations also persist in technical capacity, particularly in the analytical grounding of strategic decisions, the systematisation of learning and the evaluation of results.

The international environment, for its part, offers opportunities that could be seized. These include the recent improvement in Spain's international reputation, associated with its positioning in defence of international law and its prominent participation in multilateral forums, which has strengthened its visibility, especially among countries of the Global South. Likewise, its close links with Latin America provide Spain with a privileged space for developing more horizontal forms of cooperation, such as triangular cooperation. Finally, the leadership gaps created by the retreat of some traditional donors open a window of opportunity for Spain to assume a more active role in defending and reforming the cooperation system.

Nevertheless, this scenario also entails threats. Economic and geopolitical uncertainty may reduce the margin for sustaining ambitious development policies, while international tensions may lead to demands for rigid international alignments, making it harder to build cross-cutting alliances. This is compounded by the possible drift within the DAC towards the instrumentalisation of aid, subordinating it to donors' national interests and eroding the principles of solidarity and shared responsibility that have traditionally underpinned international cooperation.

7.2. Proposals

On the basis of this diagnosis, several strategic orientations that Spain could promote may be summarised:

- *Combine commitment to the DAC with support for broader development cooperation reform*. Spain should act simultaneously on two levels: reforming the DAC from within and promoting, beyond it, a more inclusive architecture that recognises that a growing share of cooperation operates outside the perimeter of ODA.

- *Preserve the specific nature of ODA*. Aid reform should not seek to dilute ODA, but rather to reaffirm its distinctiveness as a concessional, public flow explicitly oriented towards development, complemented by broader metrics such as TOSSD.

- *Support improving and disseminating TOSSD reporting*. Despite methodological debates and perceptions of OECD ownership limiting uptake, it remains the best available metric beyond ODA. Spain should promote an inclusive reform process to reflect diverse cooperation models, using TOSSD as a flexible starting point open to country-driven adaptations.

- *Promote reform ODA and TOSSD reporting to reflect distinct agendas within development cooperation*. Humanitarian action, sustainable development and global public goods differ in objectives, logics and timeframes. Disaggregating metrics, programming and budget commitments would improve clarity, coherence and strategic allocation of resources.

- *Support a far-reaching reform of eligibility and graduation criteria.* Spain should advocate that GNI per capita cease to be the sole criterion and that a dashboard of indicators relating to human capabilities, inequality, sustainability and vulnerability be incorporated. At the same time, graduation should become a longer, monitored process accompanied by a transition strategy with alternative forms of support to ODA.

- *Promote more predictable, coherent cooperation articulated through national platforms*. Rather than seeking to reduce artificially the plurality of actors, the aim should be to coordinate efforts more effectively at national level, strengthen policy coherence and increase the weight of programmable aid.

- *Maintain links with countries after graduation*. Graduation should not be interpreted as the end of shared responsibility in promoting development. Spain can draw on its experience in strategic partnerships and triangular cooperation with recently graduated countries.

- *An ambitious development agenda requires scaling up resources and mobilising additional private funding*. While promising, effectiveness requires: prioritising transformative development impact over mobilisation, aligning with country strategies, and ensuring additionality.

- *Promote new narratives*. Cooperation should move beyond a paternalistic and donor-centric narrative and be grounded instead in principles such as interdependence, shared progress, common values, the correction of asymmetries and the building of partnerships.

- *Support more inclusive governance of the system*. Spain should support movement towards a structure of governance anchored in the United Nations, capable of integrating existing platforms and offering minimum shared standards for a more plural system.

La viabilidad de estas propuestas depende, en buena medida, de la capacidad para construir alianzas que las respalden. España puede encontrar apoyos entre algunos países del CAD para secundar alguna de las propuestas en materia de reforma de la AOD, de sus agendas y narrativas, de sus sistemas de registro y de elegibilidad y graduación; al igual que sobre la ampliación de la membresía del CAD y del IFT. Mayor es el músculo relacional que requiere la defensa de una reforma más amplia del sistema de cooperación, orientada a construir una gobernanza ligera, incluyente y asentada en Naciones Unidas. Para ello, España deberá actuar más allá de sus marcos tradicionales de pertenencia y buscar complicidades con potencias medias tanto del Norte como del Sur Global. Esas alianzas con el Sur solo se pueden incubar si los países desarrollados estén dispuestos a cambiar sus actitudes, a buscar una audiencia más equilibrada de las voces a escala internacional y a revisar sus normas y estándares para someterlos a consenso. No se trata de abandonar los propios valores, sino de entender que los estándares propios no pueden ser impuestos; que, si se quiere construir un sistema incluyente, es necesario abrirse al diálogo para erigir unos estándares mínimos compartidos, sabiendo que sobre ese suelo podrán expresarse después las visiones y los sistemas de evaluación del progreso que son propios de cada cual.

PART ONE.
THE CRISIS IN AID AND DEVELOPMENT COOPERATION SYSTEMS: AN OVERVIEW

1 CHAPTER 1. FACTORS OF A CONSTITUTIVE CRISIS

1.1. A MOMENT OF CRISIS

International aid has always been a public policy endowed with a fragile political support. Although Gunnar Myrdal (1970)[1] described it as one of the most interesting innovations of the post-war international order, aid has been subject to continuous critical scrutiny, compelled to justify its existence to those who regard it as unnecessary, ineffective, or even harmful. This diversity of opinions is not surprising when one considers the inherently contradictory nature of the purposes that underpin aid as a public policy, where altruism and national interest, empathy and technocratic arrogance, cooperative action and strategic calculation converge.

The fact that beneficiaries are not citizens —nor voters— of the country promoting aid further weakens this policy, placing it at a clear disadvantage compared to others in the competition for public resources (Martens et al., 2008). This helps explain why aid occupies a relatively marginal position in donor countries' public agendas, parliamentary debates, and mass media discourse.

Despite this, aid enjoys a reasonable level of public support. According to the latest Eurobarometer data (2023), 75 per cent of respondents consider this policy to be very or highly important, and a similar proportion believes that the European Union should prioritize the fight against global poverty. However, this result reflects what might be termed a *weak consensus*: while the objectives are endorsed, this support is not weighed against the opportunity costs involved in forgoing other equally desirable goals. Caution is therefore warranted when interpreting such data. This tempered reading is consistent with the limited public resistance to aid budget cuts and the low electoral cost these decisions entail for governments. Given these features, it is unsurprising that aid is among the policies most vulnerable to budget reductions during periods of crisis or adverse international conditions.

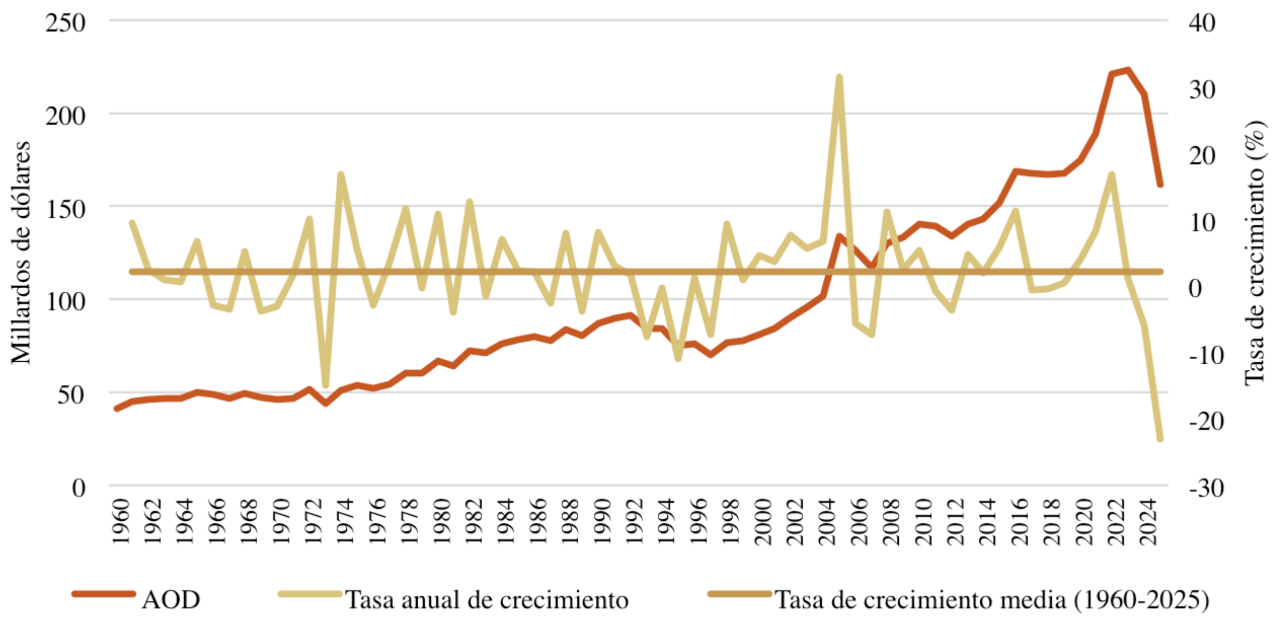
The evolution of aid itself confirms this assessment, revealing a trajectory marked by successive crises (Figure 1.1). Official Development Assistance (ODA), for example, declined by nearly 24 per cent in real terms during the 1990s, and did not recover its 1992 levels until a decade later, in 2002. While this episode coincided with the financial crisis affecting European countries at the beginning of the decade, the most decisive factor was the collapse of the socialist bloc, which eliminated aid's former role as a strategic tool for consolidating alliances within the Western bloc during the Cold War.

[1] From a very different theoretical perspective, Hans Morgenthau (1962), a leading figure in the realist school of international relations, reached the same conclusion and described aid as one of the "real innovations which the modern age has introduced into the practice of foreign policy".

The Millennium Agenda, adopted in 2000, revitalized international aid, positioning it as a key component of the initiative. However, in the second half of that decade, the system entered a new period of stagnation, from which it did not recover for nine years. This downturn coincided with the economic difficulties generated by the global financial crisis that began in 2007, triggered by the collapse of subprime mortgages in the United States.

From 2014 onwards, aid recovered and embarked on a new upward trajectory, with some interruptions, until 2023. This growth was driven by several factors: (i) the expansion of membership within the Development Assistance Committee (DAC), with nine countries joining after 2013; (ii) the political momentum generated by the adoption of the ambitious 2030 Agenda for Sustainable Development—although this agenda assigns a less central role to aid than its predecessor; and (iii) the growing importance of new geostrategic objectives, including the containment of migration flows, competition for spheres of influence with China and Russia, and responses to refugee situations and humanitarian crises arising from conflicts in Afghanistan, Yemen, Syria, Ukraine, and Palestine.

Figure 1.1: Evolution of ODA (in billions of dollars, 2023 prices)



Source: DAC, OECD

This growth trajectory was interrupted in 2024, when aid experienced an abrupt decline: between 2023 and 2025 aid reduced close to 29 per cent (from 229 to 165 $ billion at 2024 prices). We are therefore entering a new contractionary period likely to persist, given decisions already taken —and anticipated— by a significant number of donors. The most drastic response came from the Trump Administration, which not only dismantled its national development agency (USAID) but also withdrew from —or significantly reduced funding to—several United Nations agencies active in humanitarian action and development promotion.

Other European governments have followed suit, albeit without embracing the same ultraconservative stance, implementing aid budget cuts partly driven by the need to adjust public finances. Notably, nine DAC members recorded budget deficits exceeding 4 per cent of GDP in 2024, including major donors such as the United States, France, and the United Kingdom. At the same time, international tensions and the increasingly bellicose stance of some powers have shifted priorities toward defence and security spending, intensifying competition for public resources. Fiscal adjustment and expenditure reallocation thus underpin many of the announced cuts. Collectively, these decisions could result in a drastic reduction in ODA, potentially losing more than one-third of its 2023 levels in the coming years (DAC, 2025).

A further defining feature of the current crisis is the rise of nationalist-populist and ultraconservative parties and governments, often dismissive of international norms and agreements, resistant to multilateralism, and opposed to the goals of environmental sustainability, social and gender equality, respect for diversity, and migrant rights that underpin the development agenda. These political forces tend to view international relations as a zero-sum game and adopt an essentialist, exclusionary conception of their political communities. Such an ideological framework is largely incompatible with the values of the development cooperation system (Hackenesch et al., 2022). The fact that these positions have reached the highest levels of political power in several countries —and shape the policies of the world's leading donor— helps explain the pessimistic outlook for aid.

However, it would be a mistake to attribute the current crisis solely to these factors. The crisis predates Trump, the rise of the far right, and recent budget cuts. The convergence of budgetary decisions across governments of diverse political orientations suggests the presence of a broader climate of distrust and scepticism toward international aid. This scepticism is shared both by those who question the ethical foundations of development cooperation and by those who, while supporting its values, consider the current aid system deeply flawed and in need of substantial reform.

Even the system's intended beneficiaries —developing countries— have joined this critique. They argue that aid has evolved into a hierarchical system with a strong neo-colonial imprint, controlled by donors, based on unilateral relationships, and couched in paternalistic and technocratic language ill-suited to the type of partnerships countries now demand (Lopes, 2024). Moreover, the system has often fostered dependency and subordination, contrary to the principles of autonomy and empowerment that should guide development, while its transformative effectiveness remains subject to persistent questioning.

Changes in the international system have amplified these critiques. New global and regional powers —many from the developing world— now compete with traditional donors; new official providers have emerged, promoting alternative visions and models; and new sources of international financing have become more accessible, reducing the relative importance of ODA. At the same time, the contrast between an increasingly ambitious development agenda and the limited growth elasticity of aid resources adds further strain.

We are thus confronted with a fundamental questioning of the relevance and justification of foreign aid policy —a *constitutive crisis* arising from the system's inability to adapt adequately to profound changes in the global context (Alonso, 2025). This mismatch between the existing model and contemporary demands explains the depth and structural nature of the crisis, whose roots extend well into the past.

1.2. INSUFFICIENCY OF RESPONSES

The crisis affects both the broader development cooperation system and its most central and well-known component: ODA. Indeed, ODA has been the primary focus of criticism, as it represents the core of the system: it is the component with the most clearly defined boundaries and the one whose foundations have been most eroded by changes in the international environment.

Given the distinction between these terms, a brief conceptual clarification is warranted. *Foreign aid* refers to the set of institutions, commitments, and policies agreed upon within the DAC by traditional OECD donors, primarily expressed through ODA. ODA encompasses official flows transferred from high-income countries to developing countries according to DAC reporting criteria, which relate to: (i) purpose —funds must promote economic development or welfare; (ii) origin —resources must be public; and (iii) concessionality —transfers must meet minimum concessional thresholds. Additionally, recipient countries must be included in an eligibility list based on their Gross National Income (GNI) per capita. The ODA system is thus structured around DAC members —along with a small number of non-members adhering to its reporting system— and refers to a clearly defined perimeter of operations and resources.

By contrast, *development cooperation* encompasses a broader domain. It includes all providers, regardless of DAC membership, and extends beyond ODA criteria to cover a wider range of instruments and actions. Although no universally agreed definition exists, Alonso and Glennie (2016), in work for the Development Cooperation Forum, define cooperation as the set of deliberate actions aimed at enhancing development opportunities for poorer countries and the international system as a whole. This includes not only financial transfers —whether concessional or not— but also policy dialogue, knowledge exchange, institutional strengthening, and efforts to establish global rules conducive to development.

Four criteria characterize development cooperation: (i) explicit orientation toward development priorities; (ii) deliberate intervention rather than spontaneous market outcomes; (iii) a redistributive bias favouring lower-income countries; and (iv) a cooperative dimension that strengthens countries´ ownership of development processes.

No comprehensive global metric exists to capture development cooperation[2]. Its diversity of forms, mechanisms, and models—combined with the absence of a central coordinating body like the DAC—complicates measurement and comparability. While ODA represents a relatively standardized and recognizable model, development cooperation is far more heterogeneous and resistant, for now, to shared metrics and standards.

Efforts to move beyond ODA have led to the creation of an intermediate concept: *Total Official Support for Sustainable Development* (TOSSD). This metric captures all officially supported resources aimed at promoting sustainable development, including contributions from all providers, both concessional and non-concessional public finance, and private resources mobilized through public interventions. Nevertheless, TOSSD remains narrower than development cooperation, as it excludes non-financial actions.

Despite these distinctions, countries often engage simultaneously across these domains. Spain, for instance, provides ODA-eligible grants, extends non-concessional loans that may count as TOSSD, and maintains development partnerships with graduated countries such as Chile or Uruguay that fall outside both ODA and TOSSD.

While the entire cooperation ecosystem is under strain, criticism has primarily targeted ODA. This critique has a long history, predating recent turbulences, and is reflected in a substantial body of literature over the past two decades[3]. Despite varying perspectives, these works converge in calling for deep systemic reform.

The DAC has responded through two major reform processes. The first, linked to the Aid Effectiveness Agenda, culminated in the 2011 Busan agreement and the creation of the Global Partnership for Effective Development Cooperation (GPEDC). Despite initial momentum, its impact has been limited (Bracho, 2017). Recent efforts to revive this agenda —such as the 2030 Pact for Effective Development Cooperation— remain uncertain in their prospects.

The second reform process, initiated in 2012, aimed to modernize ODA measurement and develop a broader financing metric —TOSSD— alongside the establishment of the International Forum on TOSSD (IFT). Results have been mixed: while some improvements are evident, doubts about ODA accounting persist, and TOSSD has yet to achieve widespread acceptance among developing countries.

A further reform initiative launched by the DAC in 2025 seeks to explore new partnerships, strengthen statistical systems, reposition aid within development finance, and revise eligibility and graduation

[2] There are efforts to standardise the collection of data on development cooperation at regional level, such as those undertaken by SEGIB in relation to Ibero-American cooperation and by UNCTAD, which is working on a reporting model for South-South cooperation.
[3] Among others: Severino and Ray, 2009; Kharas, Makino and Jung, 2011; Alonso, 2012; Kharas and Rogerson, 2012, 2017; Sumner and Mullett, 2013; Hulme, 2016; Klingebiel, Mahn and Negre, 2016; Glennie, 2021; Ahmed et al., 2025.

criteria. Its outcomes remain to be seen, but initial positions suggest that the reform ambition may fall short of what current circumstances demand[4].

In sum, while institutional adjustments have occurred, they have been too modest to address the tectonic shifts in the international landscape[5]. That relative immobility may have been an asset in the past, insofar as it allowed for the establishment of metrics and standards that remained consistent over time, thereby making ODA a recognisable field. But that quality has now become an obstacle, at a time when shifts in the international landscape demand a thorough review of the aid system and, with it, of development cooperation. The aid system has been characterized by strong institutional inertia —once an asset in ensuring stability and consistency—, but now a constraint in the face of rapid change.

The second part of this document will examine the key challenges facing the reform of development cooperation and international aid systems, exploring possible responses. Before doing so, however, it is necessary to outline the main factors underlying the current crisis.

1.3. CRISIS FACTORS: HIERARCHIES, INTERESTS, IDEAS AND VALUES

To interpret the current crisis, it is useful to consider the foundations on which the aid system was built and how these have been affected by changes in the international reality over recent decades. Aid, it should be recalled, emerged as part of the project launched by Western powers to reconfigure the global order after the Second World War, under the leadership of the United States. Although some of its constitutive elements had already appeared at the Bretton Woods Conference and in other earlier international initiatives, its true founding moment occurred between the 1950s and 1960s, when the pioneering development agencies were created, the first specialised multilateral institutions within the United Nations were established, and the DAC was instituted as the donor coordination body.

The gestation of the system reflected several converging factors: the distribution of international economic and political power at the time; the strategic interests of Western powers in the context of the Cold War and accelerated decolonisation; dominant ideas about progress; and the social values then broadly shared. Hierarchies, interests, ideas and values therefore lay behind the birth of the international aid system.

Correspondingly, the current crisis of aid and of the cooperation system also responds to a wide range of factors, resulting from profound changes in the four spheres just mentioned. These factors

[4] https://one.oecd.org/document/DCD/DAC(2025)18/en/pdf

[5] Klingebiel and Sumner (2025) attempt to classify these reforms of the welfare system in accordance with the taxonomy of evolutionary institutional change proposed by Streeck & Thelen (2005), but the model that best characterises this process is that of 'high institutional inertia' (Alonso and Gutiérrez, 2025).

are summarised in Table 1.1, which contrasts the characteristics present at the birth of the aid system, grouped under the heading of the integrated liberal order, with those that can be identified today, framed within what might be called a fragmented multipolar order. The third column sets out some of the dilemmas for development cooperation arising from the transition between these two orders.

Table 1.1: Factors of the crisis

Integrated liberal order	Fragmented multipolar order	Challenges for cooperation
Hierarchies		
Undisputed hegemony of the Western core. Deep North–South duality.	• Weakening of Western hegemony. • Rise of China as a global power, alongside other middle powers from the Global South • Growing heterogeneity within the developing world.	• North–South and donor–recipient dualities become blurred. • Development cooperation becomes a broader field than ODA. • Multiple development cooperation models coexist and compete.
Interests		
Confrontation between blocs: a bipolar world. Aid as a means of rebuilding alliances after decolonisation.	• A multipolar world, with more fluid and shifting alliances. • .Weakening of multilateral responses and institutions. • New strategic interests linked to the provision of international public goods.	• Reinforcement of national interest and unilateralism. • Instrumentalization of cooperation in the service of new geostrategic tensions • Search for new narratives
Ideas		
Development seen as exportable, based on the transfer of capital and knowledge Harmonious development, based on the economic dimension.	• No single development strategy exists: development as a multidimensional process. • Rise of environmental sustainability concerns and questioning of material growth • Sources of financing have diversified, with a growing role for private finance	• Declining weight of ODA in international development finance. • Expansion of the agenda (with differentiated components) and fragmentation of cooperation • Drive to mobilize new resources, particularly private capital.
Values		
International cooperation as a positive-sum game. Developed countries as a normative model.	• Strengthening of individualism, devaluation of the public sphere, and growing distrust of multilateral responses. • Critique of the neo-colonial tone of development aid.	• Weakening of the values underpinning cooperative action. • Need to build more horizontal and respectful relationships among countries.

Source: Author’s elaboration

1.3.1. Changes in international hierarchies

Old and new powers

Two features of the structure of the international system are key to explaining the birth of the aid system: first, the undisputed hegemony achieved by the Western bloc in the post-war international system; and second, the deep gulf between the living conditions of that group of countries and those prevailing in the developing world, many of whose members were then becoming independent states. Both features have been profoundly transformed in recent times.

The first of these features is well documented by the data. In 1960, the aggregate GDP of the so-called First World —the bloc that built the aid system— accounted for 59 per cent of world GDP in purchasing power parity terms (Table 1.2). The United States alone contributed just over 24 per cent of the total. Meanwhile, the rival bloc, made up of socialist economies —the so-called Second World— accounted for barely 14 per cent, with the bloc's hegemonic power, the USSR, contributing only eight percentage points. The international picture was completed by a large group of countries, some still colonies, which, although they concentrated 64 per cent of the world's population, contributed only 28 per cent of global GDP. This distribution of economic power had its counterpart in the technological and military spheres. In short, only the core Western powers were in a position to provide financial and technical support to third countries and to make that aid an additional mechanism of international influence. The USSR attempted something similar in its sphere of influence, but on a smaller scale and through alternative mechanisms, such as trade preferences.

Table 1.2. Changes in the sructure of World GDP and population, 1960 and 2022 (%)

1960			2022		
Blocs	GDP %	Population %	Region	GDP %	Population %
First World[1]	58,6	20,1	Western core[2]	37,4	13,8
USA	24,3	5,9	USA	15,0	4,3
Second World	13,6	10,2	BRICS[3]	37,8	44,9
USSR	7,8	3,9	China	20,7	18,0
			India	8,1	17,3
			Rusia	2,8	1,9
Third World	27,8	63,7	Rest of Global South	21,5	40,1
China	5,2	21,9			
India	3,8	14,2			
			Rest of High Income[4]	3,2	1,0
Total World	100	100	Total World	100	100

Notes:
1. Japon is included.
2. Includes Japan, South Korea and the Eastern European countries that are EU members or candidates for EU membership.
3. Includes Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, the United Arab Emirates and Saudi Arabia. 4. Includes Hong Kong, Taiwan, Singapore, Kuwait, Oman, Saudi Arabia and Qatar.
Source: Author's elaboration based on Maddison Project data.

The world that gave rise to aid no longer exists. Today, we face a far more complex and fluid international reality, in which several poles of power operate, each with differentiated economic capacity and political projection. Even within this changing environment, three trends stand out forcefully: the progressive deterioration of the position of the Western bloc, accelerated after the Great Recession of 2008; the undisputed rise of China as a new global power; and the emergence of a broad and heterogeneous group of middle powers, some located in what has come to be called the Global South.

These changes have produced two further features relevant to the characterisation of aid and of the international system: the emergence of a more prosperous and influential South on the international stage, and the consequent increase in the developing world.

The data confirm these trends. The core group of countries that underpin the aid system —the Western core, with some additions —now accounts for barely 37.4 per cent of world GDP; and the United States has reduced its contribution to this aggregate to only 15 per cent. Part of the former socialist world has transitioned to market economies and dissolved as a bloc, while Russia, the country that once led it, accounts for only 2.8 per cent of world GDP. By contrast, China has increased its economic weight to the point where it now comfortably exceeds the United States in its contribution to world GDP: 20 per cent compared with 15 per cent. It has thus become a power with significant global projection in the economic, commercial and technological spheres, though less so in the military domain.

Although the superiority of these two powers —the United States and China— is unequivocal, a group of middle powers has consolidated internationally, both from the North and the South, some with substantial economic weight and autonomous influence in the international arena. Most of these countries are grouped around the G20, which together accounts for three quarters of world GDP.

The rise of the South and the heterogeneity of the developing world

The second international feature that explains the origin of aid concerns the significant gap that existed in the immediate post-war period between the living conditions of a wealthy North and those of an overpopulated and impoverished South: the so-called North–South gap. This dual diagnosis was not perfect, since many countries —in Latin America and the Maghreb— occupied intermediate positions on that scale, but it was a reasonably acceptable approximation.

At the beginning of the second half of the twentieth century, nearly 60 per cent of the world's population, living in Sub-Saharan Africa, South Asia and East Asia, had a per capita income amounting to barely 7 per cent of that of the United States. Worse still, its evolution over time suggested a deepening of these differences. In the preceding historical period, between 1870 and 1950, the United States had tripled its per capita income, and Western Europe had doubled it, while the three poor regions mentioned above had managed to increase their per capita GDP by only a modest 16 per cent. Aid was born as an instrument to attenuate that profound divide.

Since then, however, regions have followed divergent trajectories. Relative to US per capita GDP, Sub-Saharan Africa became poorer between 1950 and 2022, with its share falling from 8.7 per cent to 5.7 per cent. East Asia and South Asia followed the opposite trend, rising from 7 per cent in both cases to 37 per cent and 14 per cent, respectively. Latin America retained its status as a middle-income region, stabilising its per capita GDP at around one quarter of that of the United States, while MENA countries rose from 15 per cent to 34 per cent, albeit with differences among them.

This evolution has had three notable consequences. First, there has been an undisputed rise in the weight of the South in the world economy, a trend that began at the turn of the century and is especially visible in the case of Asian countries. Thus, even excluding China, developing countries as a whole, which accounted for barely 22 per cent of world GDP in 1960, now represent almost 40 per cent of the total —more than the Western bloc.

The most revealing aspect of this process, however, is the rise of some other Global South countries, beside China —such as Mexico, Brazil, Turkey and India— to the status of regional or global powers. These countries have brought new visions and demands to the international agenda, generated their own multilateral institutions, and built new alliances. The most important of these is the one formed around the BRICS —initially Brazil, Russia, India, China and South Africa, later joined by Egypt, Ethiopia, Iran, the United Arab Emirates, Indonesia and, as an observer, Saudi Arabia. This group alone accounts for almost 38 per cent of world GDP and 45 per cent of the planet's population. Wealth and power are therefore more widely distributed today than in the past, and the Western bloc is no longer the only —or sometimes even the main— reference point for developing countries.

The second consequence is equally relevant and concerns the effect of these processes on the growing heterogeneity of the developing world. Although it was never an entirely accurate image, at the beginning of the second half of the twentieth century it was possible to think of the developing world as a relatively homogeneous reality, to which a more or less uniform therapy could be applied. Today, such assumptions are untenable. The so-called Global South includes countries that, while sharing certain experiences —such as the colonial legacy—display highly differentiated levels of development and capacity. There remains a group of countries facing high levels of poverty and vulnerability and serious structural obstacles to development, such as the Least Developed Countries (LDCs). Alongside them, however, are countries that until recently were recipients of international aid and are now dynamic economies. Some have become members of the OECD, such as Mexico, Chile, Colombia and Costa Rica, while others are awaiting accession. Some, despite serious shortcomings, have launched impressive growth processes and become attractive markets for international investors, such as Indonesia, Viet Nam and the Philippines. A select group has attained the status of new powers, such as China, India, Mexico and Brazil. Major differences still exist between the richest and poorest countries on the planet. Yet between them there is no longer a deep abyss, but rather a densely populated terrain: a *world of development gradients*, with numerous countries occupying intermediate levels. The developing world has definitively become more heterogeneous.

The rise in income levels and capacities in some developing countries has a third important consequence: many of them have decided to establish their own development cooperation policies, guided by their own visions, priorities and management models (Mawdsley, 2012 and 2019). Development cooperation has, so to speak, been *democratised*: it is no longer the exclusive preserve of OECD countries, but a policy shared by numerous countries across different income levels. This process has led to a diversification of cooperation models, since many of those promoted from the South display features distinct from those traditionally encouraged within the DAC. Indeed, South–South cooperation providers themselves emphasise these differences, pointing to the less impositional, more horizontal and balanced, and more sovereignty-respecting character of South–South cooperation.

1.3.2. Changes in strategic interests

From a bipolar order to a multilateral and fragmented one

In addition to expressing the uncontested international hegemony of Western countries, the aid system provided them with a useful instrument for advancing their geostrategic interests. The birth of aid coincided with the intensification of blocs' confrontation during the Cold War and with the need to manage the unstoppable wave of decolonisation that began in the late 1950s. Blocs' confrontation and decolonisation were the two main axes of tension in the international reality of the time.

The desire to make aid a useful instrument in blocs conflict was already present in Point Four of President Truman's 1949 address to the nation, which some regard as the starting point of the international aid system. Perhaps the clearest expression of this link, however, was the launch in 1961 of the Alliance for Progress, an ambitious initiative promoted by the Kennedy Administration to win the sympathy and loyalty of Latin American countries and distance them from the influence of the Cuban Revolution.

The United States was not alone in turning aid policy into an instrument of its confrontation strategy with the communist bloc. Many other donors followed the same path, showing themselves willing to overlook abuses by despotic or corrupt governments so long as those governments reaffirmed their loyalty to the Western bloc. Aid seemed especially well suited to this task, given its discretionary and essentially unilateral nature.

At the same time, aid could serve the additional function of rebuilding the international ties that decolonisation processes were breaking. For colonial powers, it was important to ensure that the historical grievances accumulated through colonisation did not generate resentment and disengagement among former colonies, pushing them away from the influence of their former metropoles or, worse still, into the arms of the rival bloc. Aid could act as a first antidote to this possibility by providing a framework for dialogue and relations. Through aid, new links could be built, loyalties promoted, and alliances consolidated.

Here too, however, the world has changed significantly. The Cold War no longer exists, and the ties inherited from colonial domination have been substantially weakened, though not extinguished. In their place, a much more multipolar world has emerged, in which powers struggle to preserve their spheres of influence, which are nevertheless far more fluid and shifting. Old alliances, such as the North Atlantic alliance, are weakening, while new ones, such as the BRICS, remain too fragile to form a consolidated bloc. We are thus facing a more fragmented, contested and uncertain global order.

Axes of tension

Even so, it is possible to discern several new axes of tension shaping the international reality. The first concerns the *rivalry between the two global powers* —the United States and China— which some analysts see as the framework for a "New Cold War" that, like the previous one, forces countries to align around one of the two poles. This rivalry unfolds less in the ideological or military spheres, as in the past, than in trade and technological competition and in preferential access to strategic resources.

Although this axis of tension exists, it is doubtful whether it can properly be characterised as a new Cold War, given the strategic room for manoeuvre available to middle powers to avoid rigid alignment and seek their own spaces of competition. Trump's abrupt nationalist retrenchment and the disdain with which he treats Western partners have ultimately convinced even the most reluctant actors —including the European Union— of the need to seek alliances beyond traditional alignments.

The second axis of tension is marked by the struggle between the *North and the Global South*: a long-standing tension now reinforced by the growing weight achieved by Southern powers and by their renewed ambition to reform the international system and make it more balanced. In this case, the principal arena of tension lies in the definition of the international agenda, the articulation of representation and voice within multilateral organisations, and the setting of global rules. Here too, the tension is sufficiently flexible to allow for cross-cutting agreements and alliances beyond this symbolic boundary. The agreements recently concluded by the European Union with Mercosur and India exemplify this possibility.

Finally, the third axis of tension is less clearly localised. It is expressed in the struggle between those regimes and political forces that seek a *global order based on law*, respect for rules and openness to international cooperation, and those that reject these purposes and conceive international action as a domain reserved for the naked exercise of force, threat and power. What is significant about this axis is that it is expressed not only internationally, but also within countries, through the growing weight of nationalist and ultraconservative far-right forces.

The strategic role of development cooperation, and the very conception of that policy, change according to which axis of international tension is given priority. Located within the sphere of persuasion policies, or *soft power*, development cooperation becomes less valuable the more international responses shift toward coercion, or *hard power*. From this perspective, there is little doubt that recent changes in the international environment have tended to weaken the geostrategic functionality of aid. This is an additional cause of the system's crisis and one of the reasons prompting some countries to push for a redefinition of this policy.

The fact that many traditional donors have given priority to the first of these axes explains why many now call for reform to involve a closer alignment of aid with providers' national objectives. This entails advocating a more transactional narrative of cooperation and suggesting that the perimeter of ODA be diluted to incorporate new resources and actions aimed at objectives such as controlling migration flows, expanding spaces for economic competition, or investing in security.

To justify this approach, it is sometimes argued that the rival power, China, also uses such instruments. Indeed, China makes strategic use of its cooperation policy, combining trade components, infrastructure investment and international financing within the framework of its *Belt and Road Initiative*. The European Union offers a mimetic version of this approach through *Global Gateway*, an initiative intended to promote investment in strategic sectors —digital, climate and energy, transport, education and research, and health— and to advance sustainable development worldwide.

This subordination of cooperation to objectives other than traditional development purposes has caused concern among European civil society, which perceives that donors' strategic and economic interests are gaining ground within development policy priorities. The challenge for the future is to make the strengthening of the strategic value of development cooperation compatible with the preservation of the specific nature and purposes of that policy.

This is not an easy task. The wave of nationalist retrenchment has created a favourable environment for national interest, understood in a narrow and short-sighted sense, to become the central —if not the only— argument of foreign policy. Associated with this process, there has also been a serious weakening of multilateral action, to the benefit of unilateral decision-making.

Weakening of multilateral action and Global Public Goods

As an expression of this weakening, institutions such as the United Nations, responsible for creating global spaces for concertation and the generation of shared norms, have been significantly eroded. This is partly due to their inability to respond with sufficient agility to the demands of the environment, but also to the desire of some powers to retain maximum space for autonomous action in the international arena.

This tendency, however, runs counter to the requirements imposed by the adequate provision of so-called Global Public Goods (GPGs): goods which, once provided, affect all countries without the possibility of exclusion and whose provision requires cooperative effort at the international level.

Some of these goods —such as peace and security, financial stability, global health, climate preservation and biodiversity protection— are central to the sustainable development agenda. To enable the collective action required for their management, global coordination, financing and governance mechanisms are needed. The multilateral system is the best response to this need, but this would require a substantive reform of that system to strengthen its authority and effectiveness. The process of modernising the Multilateral Development Banks, promoted among others by the G20, and the United Nations reform initiative launched by its Secretary General, the UN80 Initiative, reflect awareness of this need. In any case, the dissonance between the need for global collective action and the weakening of the institutions responsible for enabling it is part of the crisis affecting the cooperation system. Given the current international political landscape, this tension does not appear likely to be resolved favourably in the short term.

The inclusion of GPGs in the development agenda entails challenges, but also certain advantages. Through this field of action, the strategic value of development cooperation is revitalised, insofar as it is placed at the service of purposes also shared by the donor. The narrative of this agenda is persuasive and mobilising, since it is based on common interest and on the need to pool efforts to address shared challenges.

Yet this process has also introduced another element of misalignment into the cooperation system, as GPGs shift cooperation away from its original distributive sphere —the correction of asymmetries between countries and societies— towards the allocation of goods in contexts of high cross-border externalities, where benefits accrue to both rich and poor countries, though not necessarily symmetrically. The fact that funding has not expanded in line with the widening of the agenda has accentuated the recurring frustration of expectations that has long characterised international aid.

1.3.3. Changes in ideas

The theoretical doctrine on which aid rested has also been shaken over time. Originally, it was assumed that poverty in developing countries resulted from their limited capacity to foster investment on the scale required to promote sustained growth. Poverty constrained savings capacity, which in turn implied low investment capacity, condemning countries to persist at low-income levels: this was the logic of the "poverty trap" (Nurkse, 1953; Rosenstein-Rodan, 1943; Myrdal, 1957, among others). The response appeared unequivocal: rich countries should transfer part of the capital and knowledge they possessed for the benefit of developing countries; and, given market constraints, some of those resources had to be public in nature. That was the task of ODA.

This diagnosis was accompanied by two assumptions that were widely shared at the time. First, it was assumed that the experience of developed countries could be readily exported to developing countries, provided the appropriate international support mechanisms were in place. Second, in line with the prescriptions of modernisation theory then in vogue, emphasis was placed on the importance of the economic dimension in the transformation process. Once a country's economic base was activated, change would spread to the other social dimensions, allowing the country to converge towards the conditions of the more developed countries, which constituted the reference model to which developing countries should aspire.

Today, none of these assumptions holds. We know that development is a complex process unfolding across several dimensions in ways that are not necessarily linear or harmonious; that the experience of developed countries, far from being exemplary, is a source of problems — environmental ones, for instance — that should be avoided; that there is no single path to development, but many, and that the factors determining those paths are likewise diverse; and, finally, that the combination of these elements must be adapted to each country's circumstances, with no room for single, universal prescriptions. The certainties of the past have thus been replaced by a more complex framework of proposals, specific to each national reality (Rodrik, 2007; Alonso, 2024). This left international aid in a painful state of theoretical orphanhood.

Nor do international markets today correspond to what aid theory assumed. The expansion of financial markets has enabled some developing countries —though not all— to raise funds in the markets, without having to submit to the complex negotiations, timeframes and conditionalities that accompany concessional official finance. The financial gap characteristic of developing countries can therefore now be covered in more plural and diverse ways, without necessarily resorting to international aid (Easterly, 2002). This greater diversification of financial resources has reduced the significance of ODA in the international financing of developing countries.

The data are clear. At the beginning of the 1970s, aid-related resources were more than 1.5 times greater than the resources received by developing countries in the form of foreign direct investment and migrant remittances —the two most stable international private flows. Five decades later, the situation is different: in aggregate terms, investment and remittances are eight times greater than aid. Only in the lowest-income countries does aid continue to play a prominent role in resource provision —as in the case of LDCs, where it accounts for more than 70 per cent of international financing.

This change is also visible in the financing of public sectors, which are aid's preferred destination. In 2010, official resources —grants and loans— accounted for 63 per cent of the funds received by public institutions in developing countries. A decade later, that share had fallen to 52 per cent, while the weight of resources obtained through financial markets —export credits, funds from financial institutions and sovereign bond— had increased (World Bank, 2021). In short, capital markets have become more accessible to developing countries —though not to all— and, correspondingly, private actors have gained prominence in development action. This process challenges aid, originally conceived as an alternative to poor countries' inability to access financial markets.

The declining relative weight of ODA has had another important consequence: it has exposed the contrast between an expanding development agenda and aid resources that are notably rigid. This has led many donors to turn their attention to the role of private resources, seeking in them the scale that official finance lacks. In pursuit of this objective, aid has been assigned a new mission: to mobilise private resources for development, using the levers of *blended finance* and other instruments designed to stimulate investment and reduce —or share— risk (*derisking*). For some, this should be the central purpose of what is presented as “smart aid”. So far, achievements in this field have fallen well short of expectations and have been accompanied by biases in the allocation of aid, both sectorally —favouring activities with economic returns— and geographically —benefiting middle-income countries more than the poorest countries.

1.3.4. Changes in values

Finally, there has also been a significant change in the values underpinning aid. At the time of its creation, the major powers shared a firm commitment to ending the isolationist policies of the early twentieth century that had led to the two World Wars. The aim instead was to lay the foundations of a liberal rules-based order, respectful of countries’ sovereignty and people’s rights, encouraging international cooperation and supported by strong multilateral institutions capable of putting it into effect. The Bretton Woods Conference and the United Nations Charter exemplify the force of this spirit, while also revealing the leading role played by the United States, confirmed as the foremost power, in promoting this vision.

One of the vectors through which this spirit was to be expressed concerned the promotion of development, through a framework that would help improve the opportunities for progress of the most disadvantaged countries. It was thought that contributing to the correction of international asymmetries was a task that would not only benefit poorer countries but also lay the foundations for a more prosperous world from which all could benefit. International cooperation was, in short, a positive-sum game.

The Cold War introduced an important rupture into this spirit, but it did not dissolve either the role of the United Nations or the consolidation of the order established at Bretton Woods. In the field of development promotion, blocs conflict even amplified the functionality of aid, albeit by subordinating it to donors’ strategic interests. The collapse of the socialist bloc brought this situation to an end and allowed development resources to be placed more explicitly at the service of broader purposes related to the defence of human rights, the fight against poverty and the promotion of environmental sustainability. The Millennium Development Agenda of 2000 and the Sustainable Development Agenda of 2015 exemplify this effort. It was a moment of important cross-cutting agreements, stimulated by advances in the process of globalisation.

Achievements, however, did not live up to the values that were claimed. Powers have not always complied with the rules they proclaim as universal, and those rules often bear the unmistakable bias imposed by hierarchies of power. In the case of international aid, the system itself has rested from the outset on that asymmetry and has exuded an ideology with a clearly neo-colonial tone. It begins by dividing the world into two differentiated realities —developed and developing countries —and assigns to the former the status of model to which the latter should aspire. Aid is thus entrusted with a homogenising purpose: the eradication of singularity, in order to make the other resemble oneself. All this is supported by the power of technical language, which attributes to rich countries the knowledge, techniques and resources necessary to incubate progress in the South (Ferguson, 1994).

This universe of values has now lost ground on the international stage. On the one hand, the world today appears less willing to look to cooperation as the preferred formula for managing international problems. The growing influence on public opinion of conservative and populist forces close to the far right has led many governments to adopt an ultra-nationalist outlook internationally, one that is resistant to multilateral action and critical of the values and aspirations of development action.

At the same time, the rise of developing countries has encouraged many of them to criticise the neo-colonial imprint that permeates aid. They demand relations marked by greater recognition of and respect for their knowledge, capacities and respective ways of assessing progress. At the same time, aid is criticised for having been configured as a system of hierarchical and vertical relations, prompting calls for greater horizontality in relations between countries and greater autonomy to define and control their own development strategies —ownership.

1.4. IMPLICATIONS FOR DEVELOPMENT COOPERATION AND INTERNATIONAL AID SYSTEMS

The changes in the international reality discussed above profoundly undermine the foundations on which development cooperation system, and international aid system in particular, have rested. It cannot be ruled out that the world may slide towards a progressive weakening of these policies, ultimately rendering them virtually irrelevant; or, alternatively, that they may become a disorderly universe of different country models, without any shared purpose. Neither of these scenarios is desirable for the future.

Rather, the aim should be to lay the foundations for an open and inclusive system which, on the basis of minimum agreements and structures, allows countries to express their own visions and priorities in development action aimed at correcting international asymmetries and generating a shared framework for addressing common challenges. Within this broader and more diverse system, ODA could be housed as one of the models at play: an ODA redefined in certain respects, stripped of its claim to serve as the reference standard, and purged of its more hierarchical and arrogant components.

Defining the contours of such a system entails confronting several dilemmas, some of which are only outlined here and will be addressed more fully in the second part of this report.

The first dilemma is almost existential: does development cooperation have any role to play in a world moving rapidly towards unilateralism and the dominance of force in international relations? The answer is not easy, among other reasons because the depth and duration of the nationalist, bellicose and illiberal drift currently present on the international stage remain unknown. Even if this reaction produces some retreat in levels of globalisation in certain fields, the degree of interdependence achieved across borders is hardly reversible and requires systems of concertation and cooperative action at the international level. To legitimise such systems, mechanisms are still needed to defend people's rights, correct distributive asymmetries between countries and facilitate coordinated action in response to shared challenges. That should be the task of development cooperation.

Faced with the weakening of political support for development cooperation, it is reasonable for some analysts to seek a closer alignment of this policy with the strategic purposes of those who promote it. But this objective must be compatible with preserving the aims and nature of a policy that was essentially created to correct the unequal distribution of development opportunities among countries and that is based on a principle of shared responsibility and solidarity. If this purpose is obscured or nullified, the very existence of development cooperation would cease to make sense; and it is highly likely that this policy would not even be recognised and supported by public opinion in the countries that promote it. How, then, can development cooperation be made useful to the interests of those who provide it, without distorting the purpose that defines it?

One of the criticisms levelled at cooperation is that it accommodates an ever-expanding programme of objectives. Could the agenda be simplified? Some defend this idea and suggest limiting aid to the basics —the fight against extreme poverty— as a means of survival in the face of current budget cuts and pressure from the far right. This is a logical defensive reaction, but it comes at the cost of renouncing cooperation as a genuinely transformative tool. The agenda is complex because the development process itself is complex.

This does not mean, however, that current practice should be endorsed: aggregating heterogeneous fields of action under a single category and an undifferentiated metric. Such an approach can only generate confusion, given the different logic, timeframe, normative principles and allocation criteria that govern each of these fields. Indeed, this practice ultimately conveys the idea that these are rival domains competing for available resources. Would it not be worth segregating these components within development metrics? This is what Chapter 2 suggests, proposing the differentiation of three major components of the agenda —humanitarian, sustainable development and international public goods— in order to ensure coherence of content and clarity of budgetary commitments.

This same segregation of content could be useful for constructing acceptable narratives of cooperation. Let us acknowledge that the crisis responds to deep structural causes that will hardly be resolved by a mere change of narrative. Even so, such a change is important in order to convey to public opinion the relevance of development cooperation's purposes and to mobilize support for them. The traditional narrative of aid, grounded in recognition of the donor's superiority and the altruistic motive of its contribution, has become highly unconvincing. But on what values should this narrative be based? And, additionally, is a single narrative required, or several, according to the components of the agenda? Given the differences between the logics and normative principles of each of the agenda components mentioned above, the latter should be the path to follow. Different narratives, but traversed by shared principles based on interdependence, co-responsibility, common values, the need for alliances and shared progress. All these values are compatible with countries also expressing, in complementary fashion, their own normative parameters and criteria for assessing progress. Chapter 2 also focuses on these issues.

The ambition of the development agenda and the growing diversification of international financing sources contrast with the narrow perimeter governing ODA. A growing share of development action takes place through resources and mechanisms that do not form part of ODA. This makes it necessary to continue strengthening the ODA concept, revising its perimeter and reporting procedures — something included in the purpose of the ongoing DAC reform process. Yet should the nature of ODA be preserved, even while refining its calculation, or should its perimeter be expanded to include resources not previously considered because they lack the required concessionality or have a doubtful connection to development? Although opinions differ, the credibility of ODA would hardly be improved by pursuing the second option. The reform required should serve to consolidate ODA as a high-quality resource flow, not to blur its boundaries.

Nevertheless, it is also reasonable to seek a complementary metric offering a more comprehensive view of official resources mobilised for sustainable development. The creation of TOSSD responds to this objective. However, because of the way it was constructed, this metric has aroused suspicion or indifference among a large number of developing countries. This raises the dilemma of whether to continue with this concept while waiting to attract new support, or whether a new process should be opened which, building on what already exists, would design a new metric capable of generating broader agreement and enjoying greater legitimacy from the outset. Chapter 3 analyses these issues.

The uneven evolution of developing countries contrasts with the DAC's continued reliance on notably rigid and unsatisfactory eligibility and graduation procedures, based exclusively on GNI per capita. This approach contrasts with a development agenda that presents itself as universal and incorporates challenges —climate-related ones, for example— for which many countries are not prepared, despite their economic progress. The challenge here is to construct an eligibility and graduation system consistent with the multidimensional conception of development that is now shared, and sensitive to the various obstacles and shortcomings that countries face. This purpose, in turn, raises several dilemmas: what dimensions and criteria should be considered in addition to GNI per capita? Should the system operate through a synthetic indicator or through a dashboard of differentiated variables? How should eligibility and graduation thresholds be set? And how should the graduation process be defined, including the alternative forms of support that could accompany countries in their sustainable development processes beyond graduation? Chapter 4 seeks to answer these questions.

Not only has the international reality changed; so too has the cooperation system itself. The number of actors and channelling agents operating within the cooperation system has grown markedly. In a context of limited resource growth, this proliferation of actors has increased the dispersion and fragmentation of cooperation. Should this process be reversed? The dominant tone of assessments has been highly critical, pointing to the burdens it creates in terms of transaction costs and lack of system coherence and effectiveness. However, these processes should not be expected to reverse in the future. Rather, they are likely to intensify, as new countries and actors join —as is desirable— development action. This plurality of actors also has positive effects that should not be overlooked, in terms of diversity, innovation capacity, and strategic and negotiating room for countries. The task, therefore, is not so much to contain plurality as to strengthen policy coherence, actor coordination and flow predictability. Little progress will be made if these tasks are referred back to cooperation headquarters. It would be more useful to advance in the more bounded spaces of local realities, operating through national platforms that integrate cooperation providers under the leadership of the countries themselves. Chapter 5 discusses these issues.

At the aggregate level, changes in the structures of international power portray a world that hardly fits the double duality —North–South and donor–recipient— on which the aid system was built. An undeniable tension between the North and the Global South persists, but many countries are now distributed across various intermediate strata, along a much more gradual scale of development levels than existed four decades ago. The donor–recipient duality has also lost value, as a large contingent of developing countries —so-called dual countries— have become cooperation providers, combining their status as aid recipients with that of cooperation providers.

These changes have another important consequence, in that they break the identification between development cooperation and ODA. In the past, there was virtually no cooperation beyond what the DAC recorded as ODA. Today this is no longer the case: cooperation has become a broader and more varied universe than ODA, even though the latter enjoys a clearer definition and a greater capacity to mobilise resources. A significant part of development cooperation therefore takes place outside DAC standards and reporting systems. This is not merely a statistical problem: the flows respond to criteria and objectives different from those of ODA, and the countries driving them wish to preserve and make visible that difference.

The breakdown of this double duality suggests the need to move towards a more open and inclusive cooperation system, one that accommodates all countries in a position to contribute, not only traditional OECD donors. This leads to important dilemmas concerning system of governance. Do we want to build a system that integrates all cooperation providers, or is our more limited objective simply to improve the functionality of the DAC? Moreover, would we want to achieve such global governance through DAC reform, by expanding its membership and competences? If this were the case, we should be aware that some countries —China, for example— are not, and do not appear to wish to become, part of the DAC. This option would therefore lead to necessarily fragmented cooperation governance.

Alternatively, if progress is made towards an inclusive system, where should governance be located and how should it advance from what currently exists? And, complementarily, what should be done with ODA? Should it be dissolved, or should it instead remain in force, understood as part of a broader, more inclusive and balanced model of cooperation? Chapter 6 focuses on these issues.

As can be seen, there are many aspects to consider. Some form part of what the DAC intends to study in its current reform process; others go beyond that purpose but are equally essential to addressing the challenges facing the development cooperation system. Their inclusion in this report reflects the conviction that what reality demands is not a deliberately self-contained reform operating within the perimeter of ODA —and, where relevant, TOSSD— and affecting the DAC alone. Rather, what is needed is a reform of the cooperation system as a whole: one capable of responding to present challenges and giving systemic meaning to the set of efforts countries make to promote the sustainable development agenda.

The DAC should engage in this task, taking advantage of the dominant weight of ODA and the technical resources it possesses within the OECD. Spain, in turn, should be an active actor in this process, since it starts from several clear advantages: it has a plural and decentralised cooperation system, a strong capacity for dialogue with partner countries, a firm commitment to the development agenda, and it has undertaken a serious reform effort in recent years.

This is reinforced by Spain's status as an active member of the DAC and by the credibility it enjoys in the Global South as a tenacious defender of the development agenda, with a leading role in promoting the agreements arising from the Seville Conference on Financing for Development, and by its ability to raise its voice in recent conflicts —such as those linked to Gaza or Iran— in defence of a world respectful of international law and rules. Chapter 7 sets out the recommendations formulated so that Spain may navigate, with its own reflection, the dilemmas entailed by the necessary reforms of development cooperation and international aid systems.

PART TWO.
THE DILEMMAS OF REFORM

2 CHAPTER 2. AGENDAS AND NARRATIVES

2.1. ONE POLICY, MULTIPLE AGENDAS

2.1.1. Expanding objectives

The original purpose of aid was unequivocal: to enable impoverished countries of the Global South to converge towards the conditions of the affluent North, by transferring capital and technical knowledge accumulated in the more prosperous countries of the West. This approach was grounded in the tenets of early development theory, which identified capital scarcity as the primary cause of poverty. Inspired by modernization theory, this perspective further assumed that economic growth would act as the engine driving other transformations —social, political, and cultural— characteristic of the development process (Alonso, 2024). Wealthy countries thus positioned themselves as the reference model to which poorer countries should aspire.

None of these assumptions holds today. Both the trajectories followed by successful countries and academic research reveal that progress is a complex, multidimensional process, highly specific to each national context. The factors that trigger progress at a given moment may differ substantially from those required to sustain it over time; and both sets of factors vary across countries. There is, therefore, no development pragmatics that can be claimed as universally optimal, nor any single recipe to which all cases should conform (Rodrik, 2007). Past certainties have been replaced by a more complex framework of proposals —open to failure and experimentation, and tailored to specific national realities. As a result, aid no longer rests on a clear and unambiguous doctrinal foundation to guide the programming of its actions.

The response to this doctrinal vacuum took on a dual form. On the one hand, donors partly reoriented their aid towards the social dimensions of development —health, education, poverty— on the grounds that their contribution was more unequivocal in these areas and more strongly supported by domestic constituencies. In doing so, the earlier focus on productive and structural transformation in developing countries was sidelined, giving way to forms of aid more oriented towards short- and medium-term actions with a strong assistance component. This shift was also influenced by the pressure of non-governmental organizations (NGOs), particularly active in these social sectors, as well as by donors' desire to enhance their international reputation by emphasizing the social content of their aid. Moreover, there is little doubt that the magnitude of social deficits in developing countries provided a compelling justification for this shift, even if it came at the cost of reducing the weight of more transformative and long-term components of aid.

The lack of certainty regarding the determinants of development had a second important consequence: the progressive expansion of the agenda, incorporating new objectives into development action. In the absence of clearly identified key drivers, the response was to diversify the scope of interventions. This inflation of the agenda was also fuelled by the growing number of actors operating within the cooperation system, each bringing its own perspectives and priorities —a point to which we return in Chapter 5. Thus, alongside its foundational goals of combating poverty and inequality, aid is now expected to promote health and education, strengthen institutions and good governance, advance gender equality and democratic consolidation, foster social dialogue and cultural diversity, support peacebuilding, and address environmental sustainability and climate change, among other objectives.

Within this expanding universe, tensions inevitably arise from assigning aid an increasing number of diverse tasks, some far removed from its original purpose. Depending on the case, aid is expected to reduce poverty while also curbing migration pressures; to mitigate the risk of climate catastrophe while promoting donor-country investment; to strengthen international security while financing refugee reception; to prevent global health crises while containing the influence of countries such as Russia or China in the developing world.

It is important to underline that this expansion in objectives and fields of action has not been accompanied by a corresponding increase in available resources, nor by an expansion in the range of instruments at disposal. This dissonance has generated a pronounced tension between the rhetoric of ever-expanding ambitions and the reality of insufficient resources, which have historically exhibited limited elasticity. As a result, under these multiple constraints, aid is forced to navigate a landscape of recurrently frustrated expectations. This contrast between expanding objectives and actors, on the one hand, and relatively stagnant resources, on the other, has also contributed to increasing levels of aid fragmentation —a topic revisited in Chapter 5.

2.1.2. Diverse agendas, diverse

Even if the successive objectives accumulated by development cooperation are individually justified, it must be acknowledged that they belong to different agendas and refer to distinct domains of action. The logics underpinning these components, their time horizons, and the criteria for resource allocation differ markedly. As a result, the undifferentiated integration of all these agendas under a single framework and metric —as is currently the case— can only lead to increasing confusion. It prevents resources from being clearly linked to their specific purposes and hinders effective monitoring and evaluation.

In such a context, increases in resources devoted to one domain may easily be interpreted as a neglect of others. This is not merely hypothetical: many developing countries criticize climate finance on the grounds that it comes at the expense of resources that could otherwise be devoted to improving living conditions of their citizens; similarly, increases in humanitarian aid are sometimes perceived as diverting resources away from development-oriented activities. These suspicions could be alleviated if the structure of ODA commitments and reporting —and of broader metrics such as TOSSD— clearly differentiated their components according to the agendas they serve.

Such differentiation would also enhance the precision of monitoring and evaluation. It makes little sense, for example, to demand development impact from humanitarian action, whose purpose and time horizon are fundamentally different; likewise, it is misleading to assess the country allocation of aid for global public goods, given the inherently supranational nature of such interventions. This shortcoming has been repeatedly highlighted in the aid effectiveness literature, which recommends disaggregating ODA into distinct components to establish a clearer relationship between resources and objectives (Clemens et al., 2012).

In sum, to enhance transparency and improve understanding of aid's purposes, it would be advisable to distinguish the different agendas coexisting within development cooperation and to assign relatively differentiated objectives and resources to each. Following a relatively comprehensive approach, at least four major agendas can be identified (Alonso, 2025) (Table 2.1).

Table 2.1: Agendas within development cooperation

	Economic and social development	Global Public Goods	Humanitarian action	Shared interests
Objective	Convergence in living standards across countries	Adequate provision of global public goods	Save lives and improve conditions in extreme situations	Promote initiatives of mutual interest with development impact
Logic	Redistribution, poverty reduction	Correction of cross-border externalities	Protection and relief	Catalyse changes towards sustainable development
Beneficiaries	Developing countries, especially the poorest	Both poor and rich countries (non-rival nature of goods)	Populations affected by extreme circumstances	Developing countries
Time horizon	Medium and long term	Short, medium and long term	Short term	Medium and long term

Source: Author's own elaboration.

On the one hand, there is the traditional aid agenda, aimed at combating poverty and promoting economic and social well-being in developing countries. This agenda is rooted in redistribution, conceiving aid as a decentralized (and therefore suboptimal) system for redistributing opportunities for progress at the global level. Accordingly, resource allocation should follow progressive criteria—giving more to those with less—prioritizing low-income countries and those facing structural constraints, such as Least Developed Countries (LDCs), Small Island Developing States (SIDS), or Landlocked Countries (LLCs). It is also an agenda oriented towards the medium and long term, which is the time frame within which development outcomes can reasonably be expected.

A second agenda relates to the provision of global public goods (GPGs), whose benefits accrue simultaneously —though not necessarily equally— to both developed and developing countries. This agenda operates not in the realm of redistribution but in that of correcting externalities. Efficient allocation of resources in this domain does not necessarily follow criteria of need or scarcity: it may be entirely appropriate to fund institutions located in developed countries if their outputs benefit poorer countries—for example, supporting a laboratory developing a malaria vaccine. Similarly, resources may justifiably be directed towards middle- or high-income countries if this enhances the provision of a global public good—for instance, mitigation efforts focused on countries with the highest growth in greenhouse gas emissions. The universal nature of this agenda explains why, for an activity to be counted as TOSSD, it must not only be linked to the Sustainable Development Goals (SDGs) but also demonstrate either that it delivers clear benefits to developing countries or their populations, or that it is implemented in collaboration with them.

A third agenda concerns humanitarian action, whose relevance has increased due to the succession of conflicts, disasters, and extreme climate events. This includes risk management, aspects of peacebuilding, responses to disasters and conflicts, and refugee assistance. Although the "triple nexus" approach —agreed at the 2016 World Humanitarian Summit in Istanbul— calls for linking development, peace and security, and humanitarian action, the latter remains a distinct domain. Its foundation lies in long-established principles of prevention, protection, and relief, and its primary objective is to save lives or improve the conditions of populations facing extreme risks. It is therefore an area characterized by short-term action and highly concessional financing, primarily in the form of grants.

A fourth agenda, more controversial, operates in the space of overlap between the economic—and sometimes political—interests of donors and recipients, in actions with development impact: the domain of mutual interest. This includes, for example, South–South cooperation and also underpins the scope of TOSSD, which incorporates interventions generating positive impacts on sustainable development even when this is not their primary objective.

However, this is a delicate domain, where reciprocity can easily be distorted by asymmetries in power and resources between countries —more pronounced in North–South cooperation than in South–South arrangements. Such asymmetries may lead to the presentation of interests as mutual when they are, in fact, one-sided and sometimes only tenuously linked to development —for example, migration control. Advocates of transactional narratives in aid also refer to this domain, although, as will be discussed later, these narratives are not identical.

Within this agenda, two particularly controversial trends have gained prominence. The first is the securitization of aid: the use of aid resources to pursue the donor's national security objectives — real or perceived. This tendency is evident in various domains, but is especially pronounced in the management of migration (Pinyol-Jiménez, 2025). Framed as a security threat to receiving countries, aid is used to reduce migratory pressure—by strengthening border controls in origin countries, establishing return agreements for irregular migrants, or financing third countries to host rejected populations. The European Union has made extensive use of this approach in its efforts to control migration (Kumar et al., 2025).

The second trend, which also raises both interest and concern, is the increasing role assigned to private actors in development action. While aligning private investment with sustainable development goals is undoubtedly desirable, it is more debatable to assume that mobilizing private capital should be a universal or primary objective of cooperation, or the main criterion for judging "smart" aid. Blended finance and risk-mitigation instruments (such as guarantees) can play a useful role in mobilizing additional resources, but the ultimate objective should be to enhance development impact —not resource mobilization per se.

2.1.3. Segregación de agendas en un marco integrador: una propuesta

There are clear differences among the agendas discussed in their underlying logic, their objectives, their time horizons, and the criteria that should guide resource allocation in each case. At the same time, however, there are overlaps and interconnections that must be acknowledged, as they allow these agendas to reinforce and complement one another. For example, efforts in global health are part of the global public goods (GPG) agenda, but they also require strengthening national health systems, which falls within the traditional development agenda; a similar argument applies to climate adaptation, which simultaneously operates in the domain of GPG provision and in that of reducing the vulnerability of affected populations.

Given this tension between differentiation and interdependence, some argue that the most appropriate option for the future is to adopt an integrated approach, as a means of better harnessing the interlinkages between domains —indeed, this is largely what already occurs. Others, by contrast, contend that such integration allows some agendas to crowd out or "vampirize" others, and therefore advocate for greater autonomy —particularly for humanitarian and sustainability agendas. From this perspective, a clear distinction should be made between development policy and resources, on the one hand, and environmental policy and resources, on the other.

A third option, however, may offer a more balanced approach: while acknowledging that development cooperation should serve as an overarching framework encompassing different agendas, it would establish differentiated commitments, resources, and reporting systems for each. This would allow for distinct narratives and monitoring processes, both within ODA and in broader metrics such as TOSSD. In essence, the proposal is to construct a unified policy composed of multiple agendas, each with clearly differentiated resource envelopes.

Among the agendas discussed, one —the mutual interest agenda— requires further clarification. This agenda is more clearly justified in relations between countries of similar capacity, size, and power, but becomes more problematic in highly asymmetrical relationships, such as those typical of North–South cooperation. In such cases, the agenda should not be dismissed altogether, but it must be clearly subordinated to the development objectives of the recipient country. In other words, while an intervention may generate direct returns for the promoting country, it should only be considered part of development cooperation if it has a clear and demonstrable development impact in the recipient country and aligns with its priorities. Thus, in the context of North–South cooperation, this agenda is not autonomous but should be embedded within the broader set of the other three agendas.

As a result, it is proposed that both donor commitments and DAC reporting distinguish between three main components of ODA —similarly applicable to other metrics—corresponding to humanitarian action, the promotion of economic and social development, and the provision of global public goods. In the absence of better terminology, these could be labelled ODA (or TOSSD) components 1, 2, and 3. This segmentation could also prove useful for defining new graduation criteria, as will be discussed in Chapter 4. It may even be reasonable to further disaggregate Component 2 into two sub-components (a and b), corresponding respectively to economic/productive and social dimensions.

Table 2.2. Disaggregation of ODA into three components

Component	Agenda	Content
ODA 1 (TOSSD 1)	Humanitarian action	Emergency aid, risk prevention and management, assistance to refugee populations
ODA 2 (TOSSD 2)	Economic and social development	Poverty and inequality reduction, institutional strengthening, human capacity development, improvements in productivity and employment
ODA 3 (TOSSD 3)	Global Public Goods (global challenges)	Provision of global public goods, management of global challenges

Source: Author's own elaboration

The approach proposed here is consistent with suggestions made in other studies. For instance, Inge Kaul (2020) proposed a similar triad within ODA, distinguishing between: (i) development assistance; (ii) the provision of public goods; and (iii) the preservation of stability and responses to global crises. Andrew Rogerson and Euan Ritchie (2020) suggested establishing a specific aid target for the provision of global public goods to complement that focused on development purposes. A similar proposal emerged from a seminar on the future of cooperation organized by the Agence Française de Développement (AFD) and the Centre for Global Development (CGD) (Calleja et al., 2024). Likewise, Jean-Michel Severino and Sylviane Guillaumont (2023) proposed distinguishing between: (i) international development finance oriented towards socioeconomic convergence; (ii) international solidarity funds aimed at combating poverty and addressing humanitarian crises; and (iii) international financing for collective goods, dedicated to global public goods.

A similar line of reasoning is reflected in a recent report prepared for the Norwegian Ministry of Foreign Affairs by a group of experts, which suggests that Norwegian cooperation should distinguish in its reporting between two main components: one focused on poverty reduction and another on global challenges (Sending et al., 2024). As noted in the report: "Norwegian development policy should have a clear poverty reduction profile but should also focus more strongly on dealing with global challenges, particularly the climate crisis. However, there should be a clearer distinction between these two objectives. The geographical distribution of poverty is different from that of greenhouse gas emissions." Financial targets are proposed for each of these components. Compared with this proposal and that of Rogerson and Ritchie (2020), the present proposal adds the need to distinguish humanitarian action from poverty reduction, given the differences in allocation criteria and time horizons between these agendas.

Similarly, in a working paper for the Agence Française de Développement, Melonio et al. (2022), under the evocative title from fusion to confusion, point to the need to disentangle the climate-related agenda. In their case, the proposed distinction is between ODA—focused on poverty reduction and support to highly vulnerable countries—and financing beyond ODA, such as TOSSD, which should include a distinct pillar addressing global challenges. In our proposal, such differentiation should be applied within both metrics, while acknowledging that the relative weight of each agenda may differ between them.

Finally, it should be noted that the proposal outlined here is not only grounded in prior work but is also operationally feasible, requiring only limited adjustments to DAC reporting practices. The DAC already reports humanitarian aid separately, although in a complementary way and with some grey areas remain that would benefit from clarification. The aim is to consolidate this segmentation and integrate it into the programming and reporting practices of cooperation providers. Similarly, TOSSD reporting already distinguishes between cross-border flows —more closely associated with the traditional development agenda (Pillar 1)—and those addressing global challenges (Pillar 2). The proposal would involve refining this distinction and extending it to ODA reporting. In sum, the administrative effort required to implement this proposal is relatively modest, yet it would significantly enhance clarity regarding the content and purposes of development cooperation.

2.2. NEW NARRATIVES

2.2.1. Narratives matter

Every complex public policy is underpinned by a more or less explicit narrative that seeks to justify its objectives and mobilize social actors and public opinion in its support. This aspect is particularly relevant in societies where individuals enjoy relatively high levels of education and where channels for deliberation and democratic participation exist. It is not sufficient for governments to make sound technical choices or to follow proper procedures in their implementation: societies must also understand, accept, and support those choices. Narratives are designed to facilitate that understanding and support.

In a sense, narratives are a linguistic device that connects ideas with action, and objectives with policies. It is well known that the mere presentation of data is rarely sufficient to generate opinions and social responses: interpretative frameworks are needed to give meaning to that data, and this is precisely what narratives provide (Somers, 1994). They do so by constructing coherent stories that simplify a complex and often disordered reality and suggest a particular way of interpreting it —an interpretation that underpins social reactions (Dennison, 2021). Narratives are thus "stories with a purpose": beyond their interpretative function, they have a clear prescriptive dimension, indicating what should be done, how it should be done, and who should drive it (Saez and Bryant, 2023).

At the core of any narrative lies the interpretative frame it offers —a kind of mental template or cognitive structure that helps organize complex information into a coherent whole, thereby shaping attitudes and responses. Psychologists have long emphasized the crucial influence of such frames on how ideas are presented and received (Carpenter, 2018; Lakoff, 2004). Through a well-crafted narrative, and the mental framework it conveys, an interpretation of reality is articulated that influences perceptions and mobilizes both the will and emotions of individuals (Boswell et al., 2011). To achieve this, narratives must simplify the reality they address, which implies selectivity and partiality: they emphasize certain aspects while downplaying or omitting others. As such, narratives inevitably contain a subjective and intentional component, often reflecting underlying ideological biases. It is therefore not surprising that political contestation frequently takes place in the realm of competing narratives.

In constructing a narrative, it is important to look beyond its immediate effects and consider its indirect, unintended, or long-term consequences, which may produce outcomes contrary to those intended. For example, a narrative on social protection based on the poverty or vulnerability of beneficiaries may be effective in mobilizing support by appealing to compassion, but it may also generate stigmatization, with undesirable long-term effects. It is therefore essential to adopt a comprehensive and long-term perspective when assessing the potential impacts of a given narrative.

Among the factors influencing the effectiveness of a narrative, three deserve particular attention (Dennison, 2021). First, a narrative must address a context that calls for interpretation —typically one that is complex, unfamiliar, perceived as important, and uncertain. Narratives are not demanded for trivial or self-evident issues. Second, effectiveness depends on the narrative's ability to offer a plausible and credible account that aligns reasonably well with available data and information. Full accuracy is not required —indeed, some elements may be clearly inaccurate— but the interpretation must appear credible to its audience. Third, the narrative must be aligned with the values, beliefs, and expectations of the target audience. People are generally more receptive to messages that resonate with their existing worldview.

In practical terms, in addition to these elements, it is useful for narratives to incorporate real-world experiences and cases that reinforce their messages. Interpreting evidence is a way of strengthening a narrative, ensuring that it does not rely solely on speculative discourse. In sum, an effective narrative is one that is accessible and credible, capable of combining facts with values, interpretation with meaningful symbols, and, through this combination, of engaging emotions in order to mobilize social will.

2.2.2. Public and political support for cooperation

Because narratives perform this crucial function, many analysts have identified the outdated narrative of aid as one of the causes of the crisis affecting the cooperation system. The interpretative framework within which aid has traditionally been placed —appealing to solidarity and to the moral responsibility of the rich towards the poor— is considered obsolete and to have limited social traction in the current context. What is sought instead is a narrative capable of revitalizing aid policy, adapting its discourse to new circumstances, and rebuilding the social support it appears to have lost (Guljarani, 2022; Kumar et al., 2025; Glennie and Phillips, 2025; ODI, 2024).

Framed in this way, the task of revising the aid narrative invites an ambivalent assessment. On the one hand, such an exercise seems relevant, given the changes that have taken place in international circumstances and in social values and priorities. It could also help provide an interpretative framework better suited to the new forms of development cooperation that have emerged in recent decades, which differ from those that prevailed when the aid system was born. However, it does not seem that this exercise alone could overcome the factors driving the current crisis of the aid system. As discussed in the first part of this report, the causes of the crisis lie in structural features of the aid system, and not only in the interpretative framework through which that system is presented to society.

Similarly, it is doubtful that a lack of social support is what lies behind the search for a new narrative, not least because there is no unequivocal evidence that such a withdrawal of support has actually occurred. This can be tested by examining EU public opinion on aid through successive Eurobarometer surveys. The latest survey, from 2023, shows results broadly in line with previous years. At aggregate level, 75 per cent of respondents consider investing in the development of partner countries to be very or highly important, compared with 21 per cent who consider it to be of little or no importance. This figure is the average of a pattern marked by significant national variation: support ranges from 88 per cent in Luxembourg to 44 per cent in Estonia, with Spain, at 79 per cent, slightly above the average. In addition, when asked whether combating international poverty should be a priority for the EU and for their own country, 74 per cent of respondents answer affirmatively in the first case, while the figure falls to 62 per cent in the second. Both rates are higher than those recorded in 2015, which stood at 69 per cent and 50 per cent respectively. National differences are again visible, although in most cases support is above 50 per cent and 40 per cent respectively.

Social support for humanitarian aid is even stronger, and is measured through a separate survey. In 2023, an overwhelming 91 per cent of respondents considered humanitarian aid to be very or highly important. Although differences exist between countries, even in the least supportive case, backing for this policy —as very or highly important— does not fall below 80 per cent. In addition, when respondents are asked whether more should be spent on this component, 40 per cent answer affirmatively, 47 per cent believe spending should remain as it is, and only 8 per cent think it should be reduced.

The temporal perspective adds a further point of interest, since there is no indication that this support has eroded in recent years. For example, the share of the population that in 2023 considered EU humanitarian aid funds to be very or highly important is very similar to the shared holding that view in 2015, when the 2030 Agenda was adopted: 91 per cent compared with 90 per cent. Both figures are higher than the corresponding figure for 2010, which stood at 79 per cent. Likewise, those agreeing that fighting poverty in developing countries should be an EU priority reached 73 per cent in 2023, slightly above the 2015 figure of 69 per cent.

In sum, if Eurobarometer data are taken as the reference, social support for humanitarian aid and development cooperation appears to have remained high over the past decade. It is possible, however, that the way the information is collected gives an overly optimistic picture of the phenomenon, since respondents express their preferences without those preferences being weighed against the costs they entail in terms of foregoing other equally desirable objectives. Under such conditions, individuals commonly adopt an expansive view of their preferences, supporting all those associated with a positive social valuation —because they connect with widely appreciated moral values. This may well be the case with aid, which is associated with values such as responsibility and compassion.

A somewhat more demanding picture is provided by the Development Engagement Lab[6], which specifically tracks the degree of engagement of societies and governments with development objectives. In a recent study covering France, the United Kingdom, Germany, and the United States over the period 2019–2025, three conclusions of interest emerge (Torres et al., 2025). First, the study

[6] https://developmentengagementlab.org/

confirms high levels of support for development cooperation, although at lower rates —around 50 per cent—than those reported by the Eurobarometer. Second, it finds differences between countries, although these have tended to narrow over time, with Germany and France showing the highest levels of support and the United Kingdom the lowest. Third, it detects a slight decline over the period in public support for cooperation in the countries starting from higher levels, namely Germany and France; this trend is less clear in the United Kingdom, where rates fluctuate considerably, and in the United States, where they remain relatively stable.

More recently, in 2025, Focaldata, with support from the Rockefeller Foundation, conducted a study on public opinion support for development cooperation in 34 countries[7]; its findings are consistent with those just mentioned. Fifty-four per cent of respondents expressed the belief that their lives depend on what happens in other countries, rising to 66 per cent when the question refers to developments in the global economy. They are therefore aware of the degree of interdependence in which we live. At the same time, when asked about their support for cooperation, 55 per cent expressed a favourable view. This is an interesting figure because the question explicitly refers to such support "even if it involves compromising some national interest of the country". Differences between countries are marked, ranging from a modest 34 per cent in Japan to 81 per cent in India. Spain shows support of 56 per cent, slightly above both the global average and that of Western Europe, which stands at 54 per cent. It is also worth noting that, among the reasons given for supporting cooperation, the most frequently cited is ensuring global peace and stability, with 33 per cent support. The next two reasons are promoting global justice, at 17 per cent, and supporting national interests, at 15 per cent.

A final point of interest is provided by a recent Pew Research Center survey on the United States (2025)[8]. Public support for international aid has traditionally been relatively cross-cutting across society, with only slight differences according to respondents' identity, social status, or political position. Today, however, differences have widened dramatically according to political affiliation: while support reaches 80 per cent among Democrats (Harris voters), it barely reaches 30 per cent among Republicans (Trump voters).

The Focaldata survey, covering several countries, also provides evidence on this issue. It confirms that, in the United States, support for cooperation among Democratic voters (77 per cent) is far higher than among Republican voters (50 per cent). This pattern is replicated in several developed countries. In France, for example, support among voters of Ensemble, the Nouveau Front Populaire, or Les Républicains ranges between 64 and 69 per cent, but falls to 32 per cent among voters of the Rassemblement National. In Germany, support among voters of the Liberal Party (Freie Demokratische Partei, FDP) and the Social Democratic Party (Sozialdemokratische Partei Deutschlands, SPD) lies between 63 and 68 per cent, but drops to 32 per cent among voters of

[7] https://www.rockefellerfoundation.org/wp-content/uploads/2025/09/Demanding-Results-Global-Views-on-International-Cooperation-Report-Final.pdf
[8] https://www.pewresearch.org/global/2025/05/01/international-engagement-and-support-for-foreign-aid/

the far-right Alternative für Deutschland (AfD). In the United Kingdom, support among Labour Party voters (68 per cent) is somewhat higher than among Conservative Party voters (60 per cent), but both figures are well above the level recorded among voters of the Eurosceptic Reform UK (33 per cent).

This discrepancy suggests that support for development cooperation has become another casualty of political polarization. Indeed, it could be argued that the defence of international aid has become one more element in the cultural war activated by Trump in the United States and by other far-right political forces elsewhere, at least in the developed world. It is no coincidence, for example, that in Spain VOX, a far-right party close to Trump, was the only parliamentary force to refuse to support the new Law on Cooperation for Sustainable Development and Global Solidarity, adopted in 2023. If political polarization deepens and far-right forces consolidate, social support for cooperation may suffer serious weakening in the immediate future.

Taking stock: on the basis of the available information, we do not yet appear to be facing a clear and unequivocal decline in public support for cooperation. There are, however, signs of fragility in that support and, above all, a tendency to include this field among the issues of political and cultural contestation promoted by the far right, which poses a serious challenge for the future.

This summary weakens one of the arguments commonly invoked to justify the call for new narratives: public disengagement does not appear to be visibly demanding such a shift. Rather, the demand seems to come less from the general public than from analysts and policy makers, among whom scepticism —if not outright disaffection— towards development cooperation has gained ground. It is among these groups that doubts arise as to whether, with the traditional solidarity-based narrative, aid can secure the political and budgetary support it needs and survive the challenge posed both by the growing influence of nationalist and ultraconservative far-right discourse and by the rise of values associated with extreme individualism and the pursuit of immediate gratification that accompany neoliberal thought. These two tendencies reinforce each other in their negative impact on the values on which development cooperation rests. In this context, and in order to recover lost support, there are calls for transactional arguments associated with the donor's national interest to play a more prominent role in the narrative of development cooperation. While the diagnosis may be accurate, the proposal raises far more doubts, as we shall argue.

2.2.3. The traditional narrative of aid

Before discussing this proposal, it is useful to pause on the most recognizable narrative with which the aid system was born and has continued to operate. At the centre of this narrative is an appeal to a basic principle of solidarity and moral responsibility towards the less fortunate, expressed through the voluntary and concessional support that richer countries should provide to poorer countries so that they may improve the living conditions of their populations. This policy may generate indirect returns for those who promote it, but it is not those returns, rather the unilateral support provided without any necessary counterpart that defines aid.

This approach attributes two innovations to aid within the international system. First, it acknowledges that rich countries have a responsibility towards the situation of poorer countries, even in the absence of any legal or political bond of dependence between them. Second, aid opens a space of exception within a market universe governed by reciprocity and the pursuit of profit. Both features underpin the view of those who suggest that aid introduces moral criteria into the system of international relations (Lumsdaine, 1993). In a sense, aid infringes the principle that the winner "takes all", by articulating voluntary action in favour of the progress of the less fortunate. From an economic standpoint, this amounts to creating an incipient system of international fiscal redistribution, discretionary and decentralized—and therefore suboptimal.

Many of these elements are already present in the fourth point of Truman's 1949 address to the nation, which some regard as marking the birth of development cooperation. In that speech, President Truman formulated the purpose of international aid: "we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas"; he underlined the content of that policy: "I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life"; he recognized the indirect returns that such a programme might bring to all involved: "all countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources"; and he warned that "the old imperialism—exploitation for foreign profit—has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing".

With minor modifications, this is the narrative to which the DAC adhered when it defined the concept of ODA in the early 1970s, identifying the concessionality of funds and the voluntary nature of donor commitments as two of its defining features. It is also the view adopted by much of public opinion in Western countries, which understands foreign aid as an exercise in altruism and empathy by rich societies towards those living in poverty or high vulnerability. Needless to say, this idealized view of aid has been far from borne out by donor practice, since donors have frequently used cooperation programmes to pursue objectives unrelated to the recipient's development and much closer to their own interests. Even so, this has remained the central narrative on which aid has rested.

Some authors interpret the Universal Declaration of Human Rights of 1948 and the subsequent Declaration on the Right to Development of 1986 as providing grounds to understand aid as an implicit obligation of rich countries, rather than a merely discretionary act, deriving from the responsibility assumed by all signatories to make the rights recognized in those declarations a reality. But this interpretation is far from being shared internationally, and aid has therefore continued to operate within the sphere of voluntary and unilateral decisions.

This narrative presents three major weaknesses, especially when viewed from today's perspective:

1. It assumes a model of asymmetrical relations that proclaims the unequivocal superiority of one party—the donor—as the holder of the resources and knowledge required for the progress of the other.

2. Correspondingly, it stigmatizes the other party, poor countries, which are presented as passive or incapable agents in need of international support.

3. It conceives relations as based on the will and discretion of donors and on the non-reciprocity of transfers: the realm of donation.

The presence of these elements has led many to criticize aid on the grounds that it recalls the logic of charity, in a world increasingly based on the establishment of rights and mutual obligations. The analogy is somewhat forced, since aid rests on a system of public institutions with regulated mandates, relations sustained over time, and a dynamic of dialogue among actors concerning objectives and procedures: it is not a mere one-off act of giving. Even so, both concepts are linked by the presence of unilateralism and discretion in decision-making.

This narrative is today rejected, first, by developing countries, which do not wish to be represented as agents in need of help and incapable of achieving development by themselves. They also rightly question the supposedly altruistic nature of aid, pointing to the national or geostrategic interests that motivate donors, and they reject the reference status attributed to the experience of Western countries, claiming their right to equal consideration for their own visions and models of development.

On the other side of the relationship, this narrative is also questioned by broad sectors of public opinion in donor countries. From a liberal or progressive standpoint, the neocolonial imprint permeating the whole set of arguments is challenged, and efforts are made to move towards a model of cooperation and a narrative that defend a more balanced relationship between the parties, based on dialogue and shared work. More recently, this argument has been joined by those who, invoking the need to broaden support for this policy, call for narratives that emphasize the necessary alignment of aid with the donor's national interests, in a more transactional approach, so as to provide incentives —more consistent than a mere moral appeal— or supporting transfers.

2.2.4. The demand for a transactional narrative

Transactional components have always been present in the configuration of aid policy, influencing both the allocation of resources and the justification of efforts. As noted in Chapter 1, many donors made active use of aid as an instrument serving bloc conflict during the Cold War. The discretionary management of concessional resources allowed donors to secure adhesions and ensure the loyalty of developing countries to the Western bloc. The extent to which aid was instrumentalized in this way varied, with the Nordic countries —Sweden and Norway in particular— making the greatest effort to distance aid from such purposes. After the end of the Cold War, there were several attempts to place aid once again at the service of the Western bloc's geostrategic objectives, whether connected to the war against the "axis of evil" following the terrorist attacks of 2001, or, more recently, to the struggle for spheres of influence with illiberal powers such as China and Russia.

Beyond these purposes, donors have also used aid to promote more immediate objectives linked to their national interests. Through aid, donors maintain a privileged dialogue with developing countries, consolidate alliances with them, and open markets to new opportunities for their own firms. The weight acquired by these objectives, often neither explicit nor acknowledged, is clearly reflected in donor resource allocation patterns. Statistical models confirm that, while recipient needs have been present in aid allocation patterns, variables expressing donors' economic or political interests have been equally or even more relevant (Alesina and Dollar, 2000; Neumayer, 2003; McGillivray, 2003; Berthélemy and Tichit, 2004; Hoeffler and Outram, 2011; Bermeo, 2017, among others).

From the 1990s onwards, several OECD countries, led by the Nordics, promoted within the DAC a deliberative process aimed at granting aid greater autonomy from donors' most immediate interests and placing it at the service of universal goals linked to poverty reduction. It was acknowledged that aid could generate indirect returns for donors, but its orientation and management were expected to be clearly guided by the purpose of combating poverty in all its dimensions. One outcome of this effort was the, in many respects visionary, document *Shaping the 21st Century: The Contribution of Development Co-operation*[9]. On the basis of the reflections contained in that document, two of the most important processes with which the new century opened were articulated: the development cooperation effectiveness agenda, with its milestones in Rome, Paris, Accra, and Busan; and the Millennium and 2030 Agendas for Sustainable Development. The common thread running through these processes was the search for aid that supports processes led by partner countries themselves—ownership—and oriented towards universal and agreed objectives.

It is precisely this approach that is questioned by those calling for a new, more transactional narrative, one that gives greater space and prominence to donor interests. What is being demanded —this should be made clear— is not that the donor's national interests become present in aid, since that was already the case, but that they acquire a central role in justifying this policy, in shaping the criteria for resource allocation, and in the corresponding narrative.

The motivation invoked for this change is the search for greater political and financial support for aid, to be achieved by aligning this policy with the donor's national priorities. This argument is frequently reinforced by three factors. The first points to the importance acquired by new issues regarded as strategic for donors and linked to developing countries, such as the management of migration flows, competitive rivalry with Russia and China in the Global South, the management of climate change,

[9] https://www.oecd.org/content/dam/oecd/en/publications/reports/1996/05/shaping-the-21st-century-the-contribution-of-development-co-operation_80a8e794/da2d4165-en.pdf

and international security. Aid, it is suggested, should be reoriented so as to serve these priority objectives. The second factor is that this new approach is already being applied by emerging powers such as China, which has gained growing influence in many developing regions, thereby justifying a similar response by other donors, as the European Union has done through Global Gateway[10]. More recently, a third factor has been added by some donors who see this shift as a way to dissuade the United States —and other like-minded partners— from abandoning aid: they suspect that aid more closely tied to donor interests would be more attractive to such countries.

Although the proposal has emerged from the sphere of traditional donors, some actors in the developing world, making a virtue of necessity, see a positive element in this approach insofar as it normalizes and makes explicit a stance that aid previously sought to conceal. They therefore see it as an opportunity to sustain a more honest conversation in the field of development cooperation, based on the recognition of each actor's motivations (ODI, 2024). Even if this argument is accepted, however, it says little about the desirability of the proposed change. Recognizing a previously concealed way of operating does not in itself offer any normative argument in favour of that practice.

Moreover, the claim that adopting a transactional approach and narrative will broaden social support for aid policy does not seem conclusive. First, because it is doubtful that aid is an effective instrument for promoting the new objectives assigned to it. If we consider migration, for example, a substantial body of studies shows that the effect of aid on controlling flows is either null or even contrary to what is sought, at least in the short and medium term (Lohmann et al., 2015; Clemens and Mendola, 2024; Fuchs et al., 2024). Similar findings are reached by studies analysing the links between aid and business internationalization: the effect is very limited and ambiguous in sign (Selaya and Sunesen, 2012; Karakaplan, Neyapti and Syek, 2005; Tian, 2024). In short, aid is too small to provide sufficient incentives in these fields of action; and its discretionality and variability make it an unreliable source for economic actors.

More generally, it seems doubtful that political support for cooperation will be strengthened by assigning it objectives such as those mentioned, for which other public policies are much better equipped. If the aim is to promote the international projection of national firms, why resort to development aid when there is the possibility of using an export promotion and internationalization policy that is far more appropriate and powerful? It is somewhat paradoxical that, in order to strengthen a policy, it should be advised to stop doing what is proper to it in favour of tasks that belong to other fields of action. The same argument could be made against those who invoke transactional approaches as a way of persuading the United States. Quite apart from the limited plausibility of the stated objective, it is hardly reasonable to assume that the way to make a policy more attractive is to adulterate its purposes.

Beyond the political arena, it is also unclear that such an approach would broaden public support. Some policy makers may feel reassured to see aid resources redirected towards purposes closer to their

[10] https://www.consilium.europa.eu/en/policies/global-gateway

own interests, but it is equally likely that such a shift would lead to disaffection among broad sectors of society, who may feel that a policy they identify with solidarity and commitment to the poorest and most vulnerable is being distorted and placed at the service of interests that, while legitimate, are alien to aid.

2.2.5. Common interest and mutual interest

Alongside the rise of transactional approaches, two other narratives for development cooperation have gained ground in recent years and are of particular interest —each connected to a distinct agenda: the provision of GPGs and the mutual interest narrative defended by South–South cooperation and by some traditional donors.

The GPG narrative

As already noted, globalization has strengthened interdependence among countries and, with it, has expanded the reach of cross-border externalities. It is in these spaces that global public goods emerge: their scope transcends national borders, and their provision requires cooperative action among countries. Although the term global public goods is used, many of them are in fact public bads involving shared threats; strictly speaking, it is the policies designed to address these challenges that constitute GPGs. Indeed, it is the evidence of these threats —some as daunting as climate change or the Covid-19 pandemic— that has raised the profile of this field of action.

A broad set of GPGs is connected to the development agenda, either because they refer to important conditions for progress —such as peace or financial stability— or because they relate to defining elements of sustainable development itself, such as global health or biodiversity protection. However, the economic logic of this agenda differs from that of the more traditional development agenda: while the former seeks the effective management of cross-border externalities, the latter aims to correct the distribution of development opportunities among countries. Symmetrically, the principle underpinning their respective narratives also differs, common interest in the first case, solidarity in the second.

The GPG narrative has several positive features, three of which are worth highlighting. First, it connects with a vision that may be highly intuitive for public opinion, by emphasizing that common problems should be addressed through a similarly shared effort. Second, the contribution of rich countries is not associated with problems belonging to others —those suffered by poor countries— but with challenges that also affect them. What inspires them to act, therefore, is not necessarily solidarity, but a form of enlightened self-interest. Finally, the logic of concession and unilateralism is replaced by one that emphasizes countries' shared responsibility, although that responsibility should be differentiated according to their respective capacities. Accordingly, this agenda treats developing countries not as beneficiaries but as partners in the cooperative effort.

This approach has been adopted as the central axis of the Global Public Investment (GPI) initiative promoted by various institutions and experts[11]. Under this label lies a visionary proposal to relaunch the development cooperation system. Against the unilateralism of aid, it emphasizes the co-responsible participation of all countries; against a system of concessional transfers, it proposes a form of mutualism in which all contribute and financing is directed to those who need it; against the idea of assistance, it stresses the notion of investment to address shared challenges; and against a vertical decision-making system, it suggests an inclusive structure of voice and representation. According to its proponents, this vision rests on three basic principles: (i) all countries contribute according to their means; (ii) all benefit from the results achieved; and (iii) all participate in decision-making processes.

These three principles are highly inspiring for the design of a cooperation system capable of integrating the complexity of today's world and respectful of the values of equal dignity and respect that developing countries demand from the international system. It is clear, however, that implementing this proposal would require a willingness to transform the international system that seems far removed from what is currently feasible. Indeed, it is not even easy to identify the incentive developing countries would have to contribute to such a new system, when developed countries themselves have failed to honour the commitments they had already made.

Beyond the difficulty of translating it into operational practice, the GPI approach also presents weaknesses that should be underlined, linked to the two concepts framing the proposal: investment and public. First, the field of cooperation is considerably broader than the term "investment" suggests, however broadly that term may be understood. From its inception, development cooperation has included activities such as political dialogue, the exchange of experiences, and reform of global rules, which are difficult to capture under the concept of investment. The second limitation is that there is no full correspondence between development objectives and the objectives of a GPG agenda: some areas of development are not GPGs, and some GPGs have no relation to development. Subsuming cooperation under the concept of GPI is therefore a way of narrowing the field of development action.

Finally, an additional factor to consider is that the narrative resulting from this approach relegates an aspect that nevertheless constitutes one of the defining features of cooperation: the will to correct the distributive asymmetries generated by the international system. Redistributive components are lost in favour of the idea of shared action and the correction of externalities.

[11] https://globalpublicinvestment.org/

The mutual interest narrative

Another narrative that has gained relevance in recent times is one that associates cooperation with the work undertaken by two or more countries to pool their resources in the service of interests that are equally shared. This approach differs from the transactional one in that, here, there is no transaction as such —no trade-off— but rather a convergence of purposes among those involved. In the first case, aid is granted in exchange for the beneficiary country's involvement in an objective of interest to the donor, whether or not it forms part of the recipient country's priorities —for example, aid in exchange for migration-flow control. In the second case, by contrast, two countries decide to combine efforts to promote an activity of interest to both —for example, the exchange of experiences on administrative reform.

Although not exclusively, the idea of cooperation based on mutual interest has been especially defended by countries of the South. Indeed, mutual interest is one of the principles that, together with horizontality in relations, the absence of conditionality, and respect for sovereignty, forms part of the defining features claimed by South–South cooperation. Implicit in this approach is a reasonably shared distribution of the benefits of the intervention and a relative balance in the framework of relations linking the participants.

Here too, this is a narrative of interest, especially when it refers to cooperation between countries of similar political weight and comparable levels of development —which is the case in part of South–South cooperation. In such circumstances, the principle of solidarity loses some of its relevance —if countries are in similar situations— while interaction among equals, aimed at realizing purposes of mutual interest, becomes more important.

For this same reason, however, the narrative seems less appropriate for characterizing cooperation between countries at very different stages of development, where there are major asymmetries of power and economic capacity. This is the case, for example, in much traditional North–South cooperation. In such contexts, what is proclaimed as mutual interest may very easily be, in reality, the interest of one party: the one with greater capacity to define the content of the relationship. In that same context, it is also more questionable for the narrative to omit the redistributive or solidarity component that should accompany cooperation.

2.3. NARRATIVES FOR THE FUTURE: A PROPOSAL

Let us begin by accepting that reform of the cooperation system must be accompanied by a revision of its narratives. The idea of a system resting on unilateral relations, the discretionary granting of funds, the attribution of knowledge to only one party, and the limited inclusiveness of decision-making processes is no longer acceptable to developing countries and has only limited capacity to mobilize sympathy among broad sectors of opinion in developed countries. The images on which that system's narrative was built —appealing to the responsibility, empathy, and altruism of a prosperous North towards a vulnerable South— are simply no longer credible. The system must be redefined, and with it the interpretative framework of development cooperation.

However, given the diversity of agendas encompassed by the cooperation system, it is difficult to imagine a single narrative capable of embracing them all. None of the alternatives discussed in the preceding paragraphs offers a convincing and comprehensive proposal for a complex, diverse, and inclusive cooperation system. Each agenda has its own motivation, purposes, and justification and therefore requires its own "story with a purpose". The most reasonable approach would be to think in terms of a combination of narratives which, based on certain shared principles, can communicate to society both the overall meaning of the policy and the specificity of each agenda.

To move forward in this process, it is necessary first to consider the tensions through which the proposal must make its way; then to identify the broader principles framing the alternative; and finally, to outline the agendas and narratives to be considered.

2.3.1. Tensions at play

The configuration of a new narrative must make its way through a field crossed by several dilemmas.

Aid or cooperation?

The first dilemma concerns the policy's frame of reference: aid or cooperation? Given the position defended in this report, the preferable option is to ground the narrative in the concept of cooperation rather than aid —regardless of whether the latter term continues to be used to characterize ODA. The term aid inevitably refers to a dual configuration of the system —donors versus recipients—, to the interpretation of contributions as "concessions" or grants, and to the vertical nature of relations and decision-making processes. By contrast, cooperation evokes the idea of working together, of shared responsibility and effort, and of the participation of both parties in decisions. It is therefore far more consistent with the more inclusive and balanced cooperation system that should be built for the future. This does not prevent us from recognizing that, in some cases, when situations of extreme deprivation are involved, the resources provided may have all the defining features of ODA.

Traditional donors or an inclusive system?

The second dilemma affects not only the narrative, but also the overall configuration of the system. One could imagine, as in the case of ODA, a system that remains the preserve of traditional OECD donors, with whatever additional members may join this select club in the immediate future. Alternatively, the narrative may rest on a system that seeks to bring together all countries in a position to help correct international asymmetries and combine efforts to address global challenges. There may be differentiated standards and requirements, with those defined by the DAC for its members being more demanding, but the system should include all actors and seek to build decision-making processes in which a plurality of voices and perspectives from different actors can be heard. The narrative should therefore be constructed with reference to an inclusive and open system.

Highlighting deficits or emphasizing purposes?

A third issue concerns how the narrative should address the task it proposes. The justification for aid has often rested on denouncing the deficits suffered by populations in the developing world. There are reasons for this approach, given the severity of those deficits and the cost they generate in terms of human suffering. What is suggested here, however, is that this perspective should be modified, and that narratives should be built not around deficits but around the purposes to be achieved: shared prosperity and security. It is not poverty that motivates cooperation, but the achievement of shared progress; it is not the vulnerability of populations, but the attainment of a safe and prosperous future that should inspire the narrative.

Solidarity or self-interest?

A further tension concerns the motives to which cooperation should be subordinated: is it the interest of the parties, or of one of them, or a principle of solidarity that motivates it? Both objectives may be present in international development action, but the basic purpose that should permeate that action is the correction of the asymmetries accumulated in the international system, in order to foster more balanced and sustainable global progress. This principle should be stronger the greater the difference in development levels between the countries involved in the relationship.

One agenda or several?

The final dilemma has already been anticipated and concerns whether there should be a single narrative or whether, given the different agendas, it is more appropriate to have several narratives, each adapted to the content of the various components of cooperation policy. The latter is the option adopted here, while recognizing that there are common elements that should articulate those narratives within a policy that is intended to be complex and comprehensive.

2.3.2. General principles

General principles refer to the concepts that connect the various agendas and provide the basis for a common narrative that gives meaning to development cooperation. In this exercise, the work carried out by The Narrative Project[12], an initiative promoted in 2014–2015 by a group of international NGOs, is of interest. Without adopting all its proposals, some are reflected in the five principles suggested here:

- *Interdependence*: the world is highly integrated, which means that the problems a country suffers as a result of its deficits have indirect consequences for many others, while an increasing number of challenges are shared and derive from inequalities existing at the international level. International development cooperation is today more necessary than ever and is, at the same time, the best way to defend national interests in an integrated world.

- *Common values:* the world is diverse, and all countries have the right to express and defend their priorities and their particular ways of assessing progress. Yet within this rich and plural framework, there are values shared by all countries, such as the need to expand human capabilities and provide the conditions for the enjoyment of individual and collective rights.

- *Shared progress*: the purpose of development cooperation is to lay the foundations for a shared effort to improve the conditions for progress in each and every society. This idea of progress includes not only improvements in people's material living conditions, but also reductions in the levels of risk and vulnerability affecting them.

- *Correction of asymmetries*: sustainable progress cannot be established if it does not reach all societies and the largest possible number of population groups, or if asymmetries in the distribution of development opportunities are maintained or deepened. Redistributive action is part of a shared responsibility at the international level.

- *Mutual partnerships*: the concept of cooperation rests on the idea that we need one another, and that overcoming collective challenges and achieving the most ambitious goals can only result from the pooling of efforts and collaboration among many different actors and countries. Partnerships are the hallmark of development cooperation.

How these principles are developed matters if they are to reach all social sectors, but all of them should underlie the narrative that supports development cooperation, whatever agenda is being addressed. Regarding how these principles should be conveyed, however, it is useful to recall one of the conclusions of the Focaldata opinion survey cited earlier. The survey combines respondents' views on various international problems —poverty, human rights, food insecurity, and so forth—

12 https://www.bond.org.uk/resources/the-narrative-project-user-guide

with their views on the role they attribute to development cooperation. Its conclusion is unequivocal: "support for international cooperation is anchored in immediate needs and tangible risks, while more abstract or institutional concerns attract weaker backing". The resulting recommendation points to the need to translate these principles into concrete aspirations and threats that can easily connect with the experience and living conditions of the population whose support cooperation requires.

2.3.3. Agendas and narratives

As discussed above, development cooperation currently encompasses at least four differentiated agendas: humanitarian action, economic and social development, global public goods, and mutual interest (Table 2.2). Each of these agendas has its own normative principle on which its specific narrative should be built: relief, solidarity, common interest, and mutual interest. Each also has specific objectives, which require differentiated time frames, instruments, and ways of working, and these too provide reference points for constructing their respective narratives.

Among these agendas, that of mutual interest has a particular nature, since it should be complemented by one of the others in order to ensure that the convergence of interests takes place within the sphere of development action and has an impact on the country with greater needs. This requirement is even more important in the case of North–South cooperation, where this agenda should cut across the other three.

Table 2.2: Agendas and narratives

Shared principles	Agendas	Normative principle	Content
Interdependence; Common values; Solidarity; Shared progress; Partnerships	Humanitarian	Relief; Protection	Saving lives; Protecting populations; Managing risk
	Economic and social development	Solidarity; Mutual interest	Fighting poverty and inequalities; Productive transformation; Improvement of human capabilities; Strengthening institutions
	Global Public Goods	Common interest; Mutual interest	Provision of GPGs; Addressing shared challenges

Source: Author's own elaboration

In the case of the humanitarian agenda, the narrative should be built around the duty of protection and relief required both by international norms and by the criteria of justice that have inspired the "law of peoples" since Kant (Rawls, 1999). The purpose of this field of action is to save lives and improve the living conditions of populations facing situations of extreme risk. This urgent need for relief, as well as for protection and risk management, should form part of the narrative.

The economic and social development agenda, in turn, rests on a basic principle of solidarity: sharing part of one's own successes and enabling others with fewer resources or less favourable circumstances to improve their levels of development. It is an agenda based on the idea that, in an interdependent world, the sustainability of some countries' progress depends on others also having opportunities for improvement. This idea is strengthened by the evidence that problems are increasingly shared and that the experiences of some can illuminate the paths others wish to follow: mutual interest.

Finally, the third agenda is that of global public goods, which rests centrally on common interest: the fact that some problems can only be addressed through cooperative action at the international level. The principle of common but differentiated responsibilities according to countries' capacities is part of this way of constructing a GPG agenda.

The segregation of agendas and of the resources assigned to them, defended in the first part of this chapter, will make it easier for each component to be framed within a narrative suited to its own reality, consistent with the normative principle that inspires it and with the purposes it pursues. At the same time, there are general principles that are shared and that make it possible to identify all of them as part of an overarching and complex policy, yet one that should remain recognizable to citizens as development cooperation.

3 CHAPTER 3. METRICS AND STANDARDS

3.1. METRICS AND STANDARDS: A NECESSARY REVIEW

ODA is a recognizable metric that has maintained its consistency and stability, with only very minor modifications, since the DAC defined its scope and content more than five decades ago. The expansion of the development agenda, the growing diversity of financing sources and instruments, and the presence of new actors providing resources have put this metric under pressure. It is clear that development finance is today a much broader field than ODA. In this context, does it still make sense to preserve ODA as a relevant metric of development finance?

Answering this question requires managing the tension between divergent trends observable in at least three different areas. The first concerns the specific perimeter of ODA. Here, the tension lies between those who wish to expand the range of items that should be counted as ODA, even if this requires redefining the standards that originally gave rise to the concept, and those who seek to preserve the nature of the metric and even remove recent accretions that are not very consistent with the concept of aid, such as refugee costs in donor countries. All this means that the perimeter of ODA, besides other issues –such as transparency and data reliability – are now under debate. Within the reform process launched by the DAC in 2025, two of the four working groups established have been tasked with addressing these matters[13].

A second field of tension concerns the relationship between the perimeter of ODA and the broader field of development finance. ODA —even if its components are expanded— is too narrow a metric to accommodate new and important sources and instruments of development finance, or to capture the kind of cooperation practised by donors outside the DAC. Here too, the alternative is either to build a new metric capable of encompassing this wider set of instruments and actors through an open and inclusive framework, or to define that new measure according to OECD criteria and views. The latter was the approach followed in the early stages of TOSSD.

Finally, all this is compounded by the discussion on the standards that accompany aid metrics and management practices. The debate here is whether the standards defined and applied by the DAC can be extended to other models of development cooperation, such as South–South cooperation, or whether they apply exclusively to traditional donors. And, in this case, how can shared standards be built with a degree of legitimacy at origin, having been created through an open and inclusive dialogue?

[13] https://www.oecd.org/en/about/news/speech-statements/2025/06/major-development-co-operation-providers-commit-to-inclusive-review-of-their-role-and-functioning.html

3.2. ODA AND ITS PROBLEMS

3.2.1. The modernization of ODA

The content of ODA was defined in the early 1970s on the basis of three basic criteria: (i) the development-promotion objective to which the funds must contribute; (ii) the official origin of the resources and their minimum threshold of concessionality —originally set at 25 per cent relative to market conditions; and (iii) the existence of eligibility and graduation rules for aid-recipient countries, based on per capita income. These criteria have remained in place to the present day, with only minor additions and adaptations. Some of them, however, are highly controversial, such as allowing donors to count as ODA resources that do not even leave their own national borders, an issue that has gained relevance in recent years due to the escalation in the costs of hosting refugees. For critics, admitting such components is a way of inflating ODA and damaging its credibility as a development metric.

In recent times, moreover, ODA reporting has been challenged by several factors, including: falling interest rates, which undermined the agreed criterion for determining concessionality; the wide range of available financial instruments, such as equity, quasi-equity, and guarantees, which were not well treated in reporting systems; and the ambition of the 2030 Agenda, which called for a focus extending beyond ODA. To address these challenges, in 2012 the DAC decided to launch a reform process of its reporting procedures. Within this process, the criteria for counting peace missions, refugee hosting, and debt relief operations were revised, but the two most important changes concerned the measurement of concessionality and the recording of operations supporting the private sector.

The concessionality of funds is a substantive element in the definition of ODA. From its origins, aid was presented as a chapter of finance outside the logic of market terms. Grants met this criterion without difficulty, but this was not the case for reimbursable cooperation operations, which, by definition, require a return from the recipient —loans and other financial operations. The way to ensure that these instruments became part of development cooperation was to require that their resources meet a minimum level of concessionality.

The criteria for estimating concessionality were defined in the early 1970s through the establishment of a fixed reference discount rate of 10 per cent. Concessionality was calculated as the difference between the financial terms of the financing provided —interest rates, grace period, and maturity— and those prevailing in the market, as reflected in the agreed discount rate. Only resources with a concessionality level of at least 25 per cent were counted, and this was assessed on a net basis (i.e. repayments from previous operations were deducted from the face value of new loans). At the beginning of the new century, the decline in interest rates undermined the basis of this approach. As market rates fell below the discount rate, some donors were able to report as ODA loans instruments that were, in fact, provided on market terms —or very close to them.

To address this problem, the ODA modernisation process introduced more realistic discount rates, differentiated by country groups, and moved towards a valuation system based on the grant equivalent of each operation[14]. In other words, what is now counted is not the net value of the operation —disbursements minus repayments— but the grant component embedded in each operation, according to its degree of concessionality. This reform harmonised the treatment of grants and loans and eliminated the distorting effect that repayments of previous loans had on annual commitments, albeit at the cost of losing a clear reference to the total volume of flows transferred. In addition, new minimum concessionality thresholds were established for resources to qualify as ODA, with thresholds varying according to country conditions[15].

Despite the advances represented by this method, doubts remain about the chosen procedure for measuring concessionality, which differs, for example, from that used by the World Bank; and there remains the suspicion that the new discount rates overvalue aid because they are excessively high. Above all, however, the most critical point lies in the conviction that an opportunity was lost to explore a measurement system that does not revolve solely around *donor effort* —approximated through concessionality— but gives greater weight to the *development impact* of flows.

Similar ambiguity characterizes the treatment that the reform has given to operations supporting the private sector—Private Sector Instruments, or PSI —which led to the authorization of two possible alternative measurement procedures: one through the institutions dedicated to this task, especially development finance institutions; the other through the instruments employed —loans, equity, guarantees, and hybrid instruments. Maintaining two calculation tracks seems a reasonable option, given the difficulties involved in establishing an unequivocal recording method; however, it also highlights the complexity of this field and the ambiguities surrounding the classification of certain operations as development cooperation. Greater concern arises from the decision to base the calculation on two concepts that are difficult to define: on the one hand, the additionality of funds, for which no unequivocal measurement procedure exists; and, on the other, the concessionality of resources, which is more ambiguous in operations with variable returns. It is still too early to judge the consequences of the procedure chosen, but some voices suggest that this route is encouraging the subordination of ODA to activities of private profitability (Craviotto, 2023).

This criticism may be excessive, but this component of support to the private sector operates on delicate terrain where different legitimate interests converge: on the one hand, the private interest associated with the pursuit of a justified return on operations; and, on the other, the public interest, which must have the development of the recipient as its primary objective. There may be spaces where these two interests converge, but it is important to ensure that the second objective is guaranteed and has a dominant presence in the intervention, since this is what justifies the allocation of concessional public resources from ODA to it. It is not always easy to provide evidence that dispels doubts, while

[14] https://www.oecd.org/en/topics/sub-issues/oda-standards/modernising-official-development-assistance-oda.html

[15] Specifically, the minimum concessionality level is 45 per cent for LDCs and other low-income countries (calculated using a discount rate of 9 per cent); 15 per cent for lower-middle-income countries (using a discount rate of 7 per cent); 10 per cent for upper-middle-income countries, international organisations and NGOs (calculated at a discount rate of 6 per cent); and 10 per cent for development banks (at a discount rate of 5 per cent).

the interest of some donors in expanding the content and perimeter of ODA is clearly apparent, which explains the reservations that this broadening generates in some sectors of civil society.

The same reasoning underpins the view that it would be risky to accept the proposal made by some donors—Sweden, for example —to incorporate export credits as part of a revised ODA. Such operations may have a public purpose —the promotion of the country's exports— and may even have an indirect development impact by improving financing for the recipient. But in most cases, it is the former purpose, not the latter, that dominates the granting of export credits.

In addition, it is striking that the ODA modernization process has not reviewed —beyond minor refinements— the inclusion within this metric of items spent in the donor country itself and whose effect on the development of partner countries is, at best, indirect. This affects items such as administrative costs, scholarships for students from developing countries, first-year refugee hosting costs, and funds spent on information and awareness-raising activities —education for sustainable development and global citizenship.

No one doubts the relevance of these components or the need to allocate public resources to them. What is questioned is that these items should ultimately form part of ODA. The view of developing countries, as well as that of broad sectors of expert opinion in donor countries, suggests that this recording should be avoided if the credibility of ODA accounting is to be preserved. The problem is not minor because, because of the war in Ukraine, spending on refugee support grew considerably among many European donors, reaching around 14 per cent of ODA over the past three years. This has meant that, for some donors, the main recipient of aid funds has been the donor itself.

Despite the criticism prompted by the inclusion of these components, the fact remains that the DAC has decided to retain them as part of ODA and TOSSD, although criteria for their recording have been refined and all of them are subject to strict regulations in order to be counted.

3.2.2. Quantity and quality of funds: development impact

In defining ODA, the DAC sought to provide a robust and internationally standardized measure of the net flows —or, under the new calculation system, grant equivalents— that its member donors transfer to developing countries. It therefore adopts a quantitative approach that seeks to aggregate flows of different nature and impact, provided they meet the required accounting criteria. These criteria, in turn, were built primarily from the perspective of calibrating the effort made by donors through their respective contributions —donor effort—which explains why the entire metric rested on the concept of concessionality.

This approach makes sense, and the concept of concessionality to which it refers is relevant not only for donors but also for recipients, since it determines the comparative cost of the resources they receive. However, it must be recognized that these criteria are more closely aligned with the donor's perspective than with that of the recipient. A more balanced approach to both perspectives would require that, alongside donor effort, greater account be taken of the *development impact* of different types of resources. This is not an easy task, as it requires accumulating evidence on the effects of flows and instruments, refining the lessons learned, and translating them into robust indicators. Nevertheless, this is work that would have been within the DAC's reach had it undertaken the task. It has not done so, and this is one of the weaknesses of ODA as a development finance metric. It would be desirable for the DAC to correct this trajectory and seek in future to incorporate criteria that help distinguish the quality of the funds counted, taking their development impact into account.

There are, however, two lines of DAC work that mark a relative exception in this panorama. The first concerns the measurement of *untied aid* and the determination of its share in total ODA. As is well known, tied aid refers to aid in which the procurement of goods and services associated with the financing provided is limited to the donor country or to a predetermined group of countries. A long series of studies has shown that tied aid restricts the recipient's decision-making capacity —its ownership— distorts competition among suppliers and increases the cost of the products ultimately acquired (Jepma, 1991). The DAC itself recognizes that tied aid raises the cost of services provided to developing countries by between 15 and 30 per cent in the case of services, and by as much as 40 per cent in the case of food. All this severely damages aid effectiveness. Accordingly, both the OECD and the DAC have sought to limit the use of such practices through various agreements[16].

The DAC systematically provides information on the weight of tied aid in each donor's contributions. This exercise shows that, in 2020, just over 17 per cent of ODA was still tied. The situation varies across countries: while Denmark, Luxembourg, Ireland, Norway, the Netherlands, and the United Kingdom have untied aid ratios above 95 per cent of bilateral ODA, others, such as Slovenia or Poland, barely exceed 25 per cent, and Hungary does not reach 50 per cent. In this ranking, Spain is close to the DAC average, with 82 per cent of aid untied. This information is relevant for qualifying aid and assessing its impact on recipient countries, but it is information that the DAC provides through complementary reporting, which does not affect the measurement of ODA or generate any complementary metric capable of redefining countries' development investment. Although this is not an easy task, it could be done: just as only the concessional component of loans is counted, tied operations could be excluded from the ODA calculation, regardless of their degree of concessionality.

The second exception is, if anything, even more revealing of the limited attention the DAC has paid to these issues: the concept of Country Programmable Aid, which the DAC has implemented since the end of the first decade of this century. This concept seeks to record the part of ODA that meets the conditions for having a greater impact on the recipient's development. Specifically, it refers to resources that actually reach recipient countries—cross-border flows—, involve medium-term commitments, can be programmed, and its management can be influenced by the recipient country. This entails excluding from the measurement all aid components spent in the donor country itself —administrative costs, refugee support costs, or scholarships for foreign students, among others—,

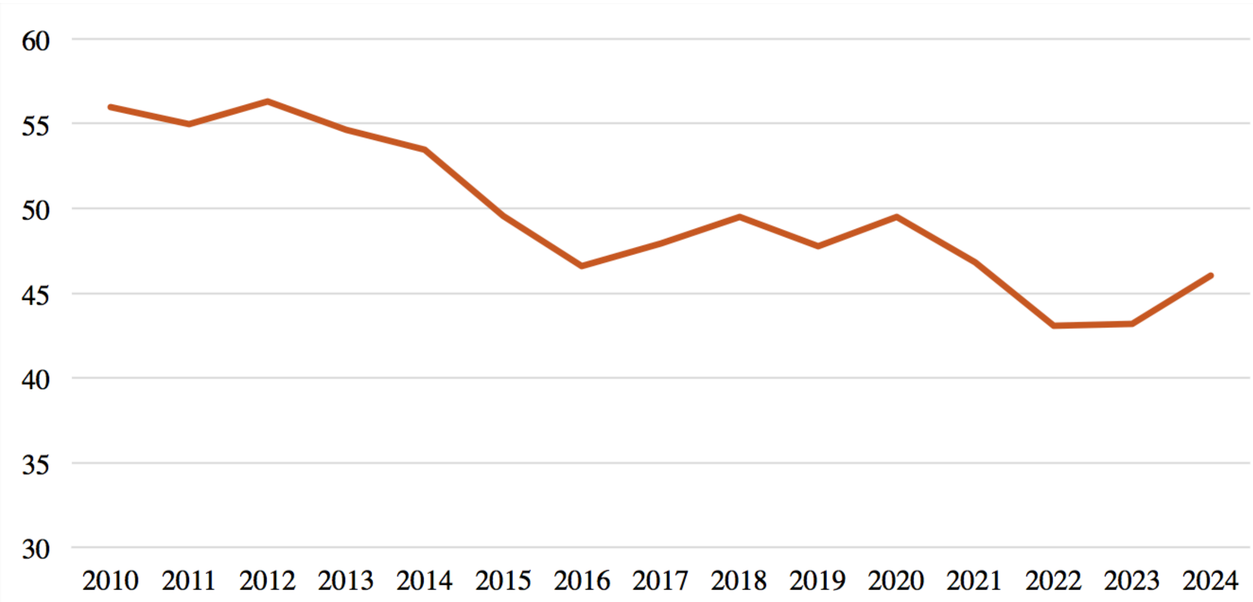
[16] The most recent of these is the 2021 Recommendation on Untied Official Development Assistance to Least Developed Countries. Furthermore, this principle is also enshrined in the Aid Effectiveness Agenda.

those subject to high discretion or unpredictability —humanitarian aid or debt operations—, and those lacking a precise location, such as part of GPG financing. Here too, many studies confirm that aid effectiveness improves when funds are more stable and can be anticipated and programmed by the recipient country (among others, Lensink and Morrissey, 1999; Rajan and Subramanian, 2005).

The DAC has developed the CPA metric, for which it reports data with a certain time lag and some concerns regarding consistency. This information suggests that donors have made no improvement in the last two decades: the share of CPA in bilateral aid stood at 56 per cent in 2010, when the calculation began; it fell to 49 per cent in 2015 and reached only a modest 46 per cent in the latest year, 2024 (Figure 3.1). This share would be even lower in the Spanish case, where in that last year only 35 per cent of bilateral ODA could be considered CPA. Thus, despite the recommendations of the aid effectiveness agenda, donors do not appear to have incorporated them into their operations. Recently, the Seville Commitment, which emerged from the Fourth International Conference on Financing for Development in 2025, echoed this point, noting the need for donors to increase "country programmable official development assistance aligned with recipient countries' sustainable development priorities, including through a potential increase in the share of budget support in official development assistance".

The way the DAC records CPA is, in any case, open to criticism. The measure is not statistically very robust, some of the accounting criteria would merit revision, and the data have usually been released later than standard ODA reporting, although this has partly been corrected. In addition, the total value of CPA is available, but information on some of its components is not. For example, at the aggregate level, the amount that actually reaches developing countries is not visible, despite being a key aspect for determining aid effectiveness. A serious improvement in the statistical definition of this component is therefore needed.

Figure 3.1. Evolution of CPA in relation to bilateral ODA (%)



Source: DAC (OECD)

More generally, what is suggested is that the DAC should devote greater effort to qualifying ODA flows, taking into account criteria associated with development impact—and not only donor effort. This would make it possible to know not only how volumes evolve, but also the quality of the resources transferred and linked to this, their potential development impact. Progress in this field requires analytical work to identify the best way to include this aspect in aid reporting and measurement, but it also implies a *rebalancing in the production and control of information*, ensuring that recipient countries themselves are actively involved in recording and reporting ODA. Beyond its technical implications, this would deepen the *localization* of aid and strengthen *ownership*, both of which are central to improving aid effectiveness. Neither process will be fully achieved as long as information on flows remains under the sole control of donors.

3.2.3. Transparency: how comprehensive and reliable is the picture?

The DAC has made a notable effort to generate a complex and consistent taxonomy providing information not only on aggregate ODA, but also on its most important components. Given the diversity of actors, instruments, and fields of activity involved in ODA, it is not surprising that this systematization effort presents some weaknesses. We will focus on three: the field of activity, providers of funds, and resource mobilization.

The imperfect integration of cross-cutting priorities

To record the field of activity in which aid interventions operate, the DAC has developed the Creditor Reporting System (CRS) classification. Experience shows that this nomenclature is notably imperfect for capturing aid, despite the corrections it has undergone over time. In some cases, sector definitions are insufficiently detailed; in others, they are poorly suited to areas of activity that are nevertheless central to cooperation policy.

Two examples illustrate this criticism. Based on the CRS classification, it is difficult to directly derive the field in which humanitarian action operates, even though it constitutes a distinct area of development cooperation. This requires a subsequent reordering of items to obtain the aggregate, which is always subject to doubts regarding some of its components. A similar difficulty arises when trying to identify, within certain areas —health, for example— those components related to global public goods and distinguish them from those that do not have that nature. Once again, a complex sorting exercise is needed to obtain this information. In short, the CRS classification deserves a thorough review and overhaul, which the DAC has so far not considered advisable.

These weaknesses occur in various areas, but perhaps the greatest difficulty lies in recording cooperation's cross-cutting priorities, which are hard to capture in a nomenclature such as the CRS, whose logic is fundamentally sectoral. Some sectors may directly and visibly affect cross-cutting priorities such as gender equality, environmental sustainability, governance and human rights, or the rights of persons with disabilities. Yet most activity in these areas consists of incorporating these objectives into each and every intervention, whatever the sector of activity. How can this practice be translated into empirical terms?

To respond to this need, the DAC has complemented the sectoral nomenclature with qualitative markers, applied to each intervention using the digits 0, 1, and 2 to assess whether the objective being measured is absent from the intervention, has a significant presence, or is the principal objective of the action, respectively. These scores are assigned by the intervention manager, with limited supervision and verification by official donors and by the DAC itself. As a result, the reliability of the markers is highly uneven.

This judgement applies to all priorities, but aid allocated to climate-related activities offers a clear example, as many analysts consider it artificially "overvalued". Oxfam (Carty et al., 2020) produced a *Shadow Report* reviewing figures for 2017–2018. Its conclusions are revealing: (i) of the total resources reported as official climate finance —bilateral or multilateral— during that two-year period, less than 38 per cent was purely net assistance with specific climate content; (ii) if the grant-equivalent system were applied, reported financing figures could be reduced by half, given that loans account for more than three quarters of official financing and that more than one third of those loans do not have the required level of concessionality; and (iii) taking into account the various mechanisms of over-reporting, more demanding criteria could reduce the figures for genuinely climate-related bilateral finance to one third of those officially recorded.

Other academic studies have confirmed the limitations of the marker methodology, highlighting the gap between reported figures and those effectively directed towards combating climate change (Roberts et al., 2008; Michaelowa and Michaelowa, 2011; Junghans and Harmeling, 2012). Both Roberts et al. (2008) and Michaelowa and Michaelowa (2011) used descriptions as a way of checking the content of interventions, and their findings suggest that between 60 and 70 per cent of interventions had been over-coded in terms of their links to climate change. Junghans and Harmeling (2012) studied the application of markers using 2010 aid data and found that between 42 and 65 per cent of cases had been inadequately coded. Finally, Weikmans et al. (2017) studied the application of the climate adaptation marker to 5,200 OECD donor projects in 2012 and concluded that 66 per cent of activities and 76 per cent of resources in interventions reported as related to climate adaptation had no precise connection to that objective. The authors themselves conclude that "a large majority of aid projects claiming to address adaptation cannot be justified as such based on public data" (Weikmans et al., 2017: 467).

It cannot be ruled out that one possible cause of these mismatches is a lack of clarity among those reporting about the required criteria for classification. Beyond this, however, the fundamental problem stems from the discretion allowed by the marker method which, combined with donors' desire to improve their international image, ultimately leads to an artificial expansion of reported data. Everything suggests that the way these cross-cutting priorities are reported should be improved.

Partial information on providers of funds

The recording of ODA starts from the idea that, given the official nature of the resources, the provider of the funds is the government of the donor country, operating either directly —bilateral aid— or through the funds it transfers to multilateral institutions for the implementation of their programmes —multilateral aid. This approach, however, simplifies what actually occurs and leaves two blind spots in the information: one in the multilateral sphere and the other at the subnational level.

With regard to the first, governments' contributions to multilateral organizations involve different forms of recording. Three basic modalities can be distinguished: mandatory contributions, corresponding to commitments derived from a country's membership of the organization; voluntary core contributions, which, although decided by the donor, feed the funds available to the multilateral organization for the development of its activities; and earmarked voluntary contributions, which are resources assigned to a specific activity defined by the donor and managed by the multilateral organization. The first two forms of financing feed the multilateral cooperation component reported by the DAC. The third component, by contrast, is considered part of bilateral cooperation —in Spain the term *multi-bilateral* is used to refer to it— but the information provided by the DAC on this modality is highly imperfect and open to improvement.

This fact, together with discrepancies in the timing of disbursements and in the valuation of the currencies used, means that the information provided by the DAC on these issues is very inconsistent with that provided by international organizations themselves. All this creates an unsatisfactory picture of the quality of information and degree of transparency offered regarding the multilateral system as a channel for ODA. There seems to be no reason for these shortcomings, which could easily be remedied if a more fluid exchange of information were established between the DAC statistical services and those of multilateral organizations.

The other shortcoming arises because the DAC does not, in practice, recognize *subnational territorial entities* —regions and municipalities— as autonomous actors in development cooperation. Consulting the ODA database does not make it possible to identify these bodies' contributions. This is a shortcoming that needs to be rectified, since these entities provide ODA resources, develop their own cooperation models, and operate with priorities that in many cases differ from those of national development agencies. The paradox is accentuated by the fact that, as DAC peer reviews of Spain —and of other donors such as Italy— show, the DAC itself values this type of cooperation highly, yet this is not reflected in ODA reporting.

The current DAC reform process has opened the door for this situation to change. Spain is in an excellent position to lead this debate, drawing on its long experience not only in the field of subnational cooperation—traditionally referred to as decentralized cooperation—but also in systems for recording its activities. Indeed, as a consequence of the strongly decentralized nature of public administration, Spanish cooperation has designed a complex reporting system that makes it possible to identify the contribution made by each decentralized entity —especially the autonomous communities—providing data on the sectoral and geographical distribution of their activities. Although the system is not perfect, it should serve as an inspiration for the DAC, which needs to substantially improve this aspect.

Resource mobilization

There are also information gaps in ODA regarding resource mobilization that should be corrected. Here we will focus on two important shortcomings: information on NGOs' capacity to mobilize resources, and the accounting of triangular cooperation.

In recent years, the DAC has made efforts to improve the recording of operations with the private sector within ODA and to capture the mobilization of private resources within TOSSD. In both cases, it has been considered important to provide a better picture of the activity of mechanisms and institutions with a high capacity to leverage resources through the use of official finance. The picture obtained remains imperfect, but reporting and statistical recording in this area have visibly improved.

Precisely because this improvement has occurred, it is striking that the information the DAC provides on NGOs as institutions capable of mobilizing resources additional to public funds in support of the development agenda remains so partial and imperfect. What explains the fact that information on, say, the use of public guarantees to mobilize private resources is visibly improving, while no parallel improvement is taking place with respect to an instrument such as public funding for NGOs? There seems to be no reason other than the newfound interest donors show in involving the private sector in development action, without recognizing that other, more traditional actors are also mobilizing private resources (from its members and fundraising campaigns). Be that as it may, what seems clear is that information on the contribution of NGOs is incomplete and deficient, and this should be remedied in the very near future.

The other important shortcoming concerns how triangular cooperation is counted. As is well known, in triangular cooperation, a traditional donor —bilateral or multilateral—provides resources or capacities to a developing country, the pivot country, so that the latter, with the contribution of additional resources, whether financial or otherwise, promotes a development action in a third country. This form of cooperation has considerable potential, since it encourages developing countries to become actively involved in the international promotion of the development agenda while also strengthening the capacities of both the final recipients and the pivot countries, generating stronger ties of collaboration among developing countries themselves. Moreover, it is a modality of cooperation that is likely to become increasingly important, given the emergence of new cooperation providers in countries of the South.

To date, however, the DAC has not provided a satisfactory response to the reporting and recording of this type of cooperation, despite the fact that it is actively practised by OECD donors, including Germany and Spain. Recording funds is relatively straightforward when the pivot country is eligible for ODA, although the information provided by the DAC does not allow the triangular nature of the operation to be identified. More problematic still is the recording of operations in which the pivot country is not eligible, since in that case not only is the trace of the resources lost, but so too is their very recording as ODA.

The DAC should make an effort to apply greater creativity to the recording of this form of cooperation, recognizing that it is important not only to provide information on the resources channelled, but also on the specificity of the inter-country relationships this modality generates.

3.2.4. Segregation of components

As argued in Chapter 2, development cooperation encompasses several agendas, each responding to different purposes, logics, time frames, and allocation criteria. Attempting to integrate all these components into a single metric is not appropriate, since it prevents the financial effort supporting each agenda from being identified and fuels suspicions over how resources are distributed among them. It seems far more appropriate to understand ODA as an aggregate of three differentiated components, for which commitments can be advanced, monitoring processes established, and flow reporting organized separately.

Specifically, it is suggested that ODA distinguish between: ODA 1, aimed at capturing humanitarian aid; ODA 2, covering resources directed towards poverty reduction and national socioeconomic development; and ODA 3, capturing aid for the provision of global public goods. All these components should be subject to the accounting criteria proper to ODA, with whatever elements of refinement and improvement are deemed necessary, including those noted in the preceding pages. In other words, the aim is not to expand the perimeter of ODA, but to disaggregate its basic content according to clearly differentiated agendas.

This proposal is in line with suggestions made by other researchers and specialists. The distinction between development and global public goods components, as two differentiated metrics within ODA, has been defended, among others, by Rogerson and Ritchie (2020) and Sending et al. (2023); in turn, the segregation between these two metrics and the one corresponding to humanitarian action has also been defended by Kaul (2020).

3.3. BEYOND ODA

Beyond ODA, it is important to consider how an appropriate metric can respond to the expansion of the development finance space that has taken place over recent decades. Two vectors of expansion must be considered here. On the one hand, there has been a broadening of the sources, modalities, and instruments of development finance—an inevitable result of the expansion of international capital markets and the financial innovation that has taken place within them. This means that many developing countries—although not all—now have more financing alternatives than in the past. Many of these sources fall outside ODA accounting criteria. The first issue, therefore, is whether it is advisable to define a metric for official finance capable of capturing this broader perimeter. Much of the investment required by the climate, digital, and productive transitions in the developing world will have to be supported by official financing instruments with very different degrees of concessionality; and for a wide range of middle-income countries, such flows may be more relevant than aid itself.

On the other hand —and this is the second factor of expansion— the cooperation system has been transformed by the emergence of new official providers from the developing world, which bring cooperation models very different from those promoted by DAC members. Among them, some —such as China— carry considerable weight in the international arena. The way these countries practise cooperation does not fit the concept of ODA, however much the DAC may try to translate their commitments into ODA-equivalent terms. The reality, however, is that the countries concerned themselves claim that their cooperation policy differs from international aid. This phenomenon is unlikely to recede in the future; rather, it is likely to become more visible and consolidated. The second challenge, therefore, is how to build a different and broader metric than ODA, one capable of accommodating the diversity of models and policies that now make up the cooperation system, including all official providers.

3.3.1. Alternative metrics

A first and partial response to this demand was offered by a group of well-known analysts at the Center for Global Development through the creation of the concept of Finance for International Development (FID) (Mitchell et al., 2020). The proposed concept did not seek so much to address the first expansion factor mentioned above as to respond to the second: that is, to build a metric capable of accommodating the contributions of official providers that are not part of the DAC.

To do so, they constructed the new concept around three main components. First, bilateral grants, provided they involve cross-border flows —that is, all controversial components related to items spent by the donor within its own borders were removed. This first component also included earmarked contributions to multilateral organizations, which are essentially bilateral contributions. The second component consists of loans —and, more generally, reimbursable cooperation— measured through the grant equivalent. In this case, however, no minimum level of concessionality is required for these resources to be counted. Finally, the third component consists of core contributions to multilateral organizations with development mandates.

The FID measurement for 2017 was USD 149.9 billion, around 0.2 per cent of the GNI of the countries included in the estimate, whether or not they were OECD members. Of the total resources channelled through FID, 84 per cent came from traditional donors, while 16 per cent was provided by countries that were not members of the DAC.

It is interesting to observe that when cooperation measurement criteria are harmonized to include both traditional donors and new providers, the picture of each actor's relative effort changes considerably. With this new concept, for example, the United States remains the largest provider of funds, but China rises to seventh place. And if each country's effort is measured in relation to its GNI, Turkey moves to the top of the ranking, with 1 per cent, ahead of Sweden at 0.97 per cent and Norway at 0.89 per cent.

The exercise is interesting because it incorporates some decisions that may inspire subsequent efforts, but it should be regarded as tentative and partial. This is mainly because, as noted, the measurement integrates the activity of new official providers but does not adopt a broad perspective on development finance instruments, limiting itself to the more conventional perimeter of ODA. Moreover, it only partially —and without disaggregation—captures financing directed towards the provision of global public goods.

Attention to new instruments and sources of finance is, however, what is suggested by the proposal put forward by Lin and Wang (2017), based on China's experience. In this case, they distinguish up to four levels of development finance, operating cumulatively, so that each subsequent concept includes the content of the previous ones. Specifically, these concepts are:

- *DF1*, which includes ODA as defined by the DAC, with whatever refinements may be necessary.
- *DF2*, which adds to DF1 other official flows, including export credits.
- *DF3*, which adds to DF2 official non-concessional loans.
- *DF4*, which adds to DF3 investments, including equity investment, guarantees, public-private partnerships in public infrastructure, and the provision of global public goods.

This last concept comes close to the TOSSD metric. According to the authors, this segregation of metrics would make it possible to fulfil the dual objective of adopting a more comprehensive view of development finance while establishing a framework capable of accommodating new cooperation providers.

The fact is, however, that none of these proposals prospered. Instead, the initiative launched by the OECD to create a new development metric, TOSSD, gradually gained ground.

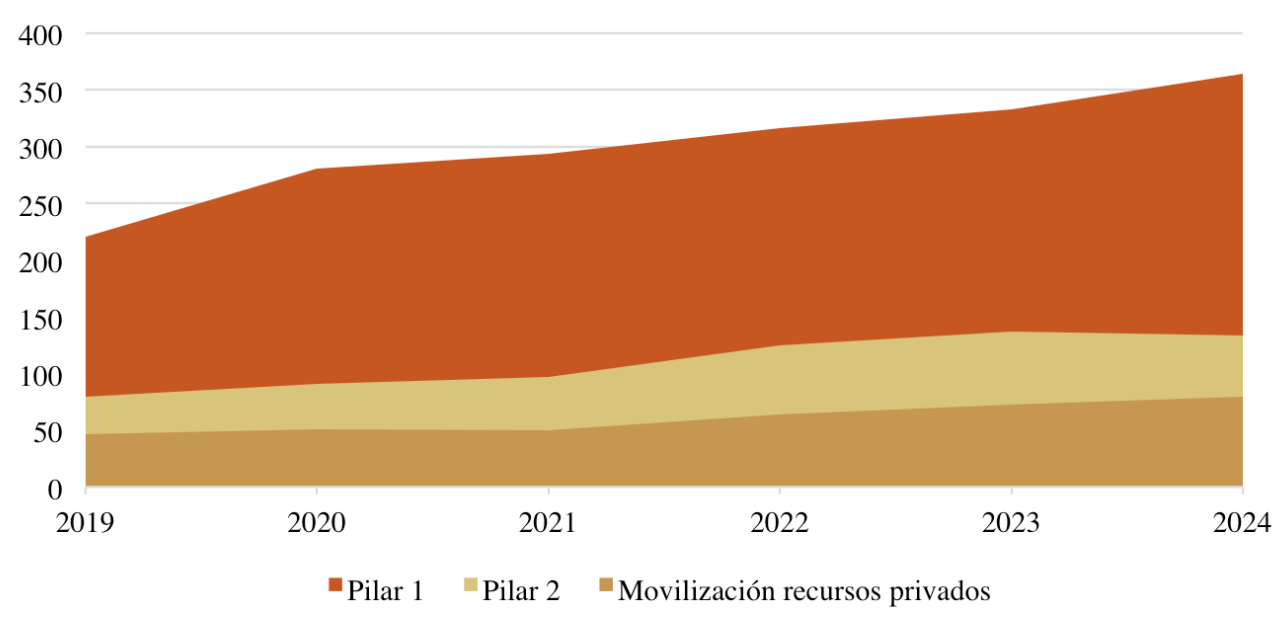
3.3.2. The creation of TOSSD

TOSSD is, to date, the most ambitious and consolidated attempt to respond to the double expansion experienced by the development finance space. It is an initiative promoted by the DAC as the second component of its aid modernization process, launched in 2012. The first steps towards creating this metric were particularly unfortunate, surrounding the process with considerable secrecy, lacking participation from developing countries, and putting forward controversial conceptual and statistical proposals. The criticism received forced the DAC to redirect the process and embark on a path involving greater efforts in communication and dialogue, both with recipient countries and with international organizations. At the same time, some initial proposals were corrected or refined, giving greater solidity to the final proposal.

This improvement was helped by the implementation of pilot studies in several developing countries, which enriched the reporting criteria on the basis of evidence from cases with very different international financing structures. To organize this process in a more shared way and systematize experiences, a Working Group was created, involving not only OECD donors but also aid recipients and South–South cooperation providers. The *Compendium on TOSSD*, published in 2016, outlined some of the concepts and recording criteria; this publication subsequently became a kind of manual with reporting instructions, which has been updated and improved over time[17]. Finally, in 2024, the DAC transferred its role as incubator of the concept to the newly created International Forum on TOSSD (IFT), a platform bringing together donors, South–South cooperation provider countries, recipient countries, and international organizations. It currently has 32 members and eight observers.

In line with its original purpose, the new measure integrates all resources mobilized with official support that have a direct impact on sustainable development, whatever their level of concessionality. Built around two basic pillars—cross-border resources and expenditures related to global challenges and public goods—the metric incorporates, as a third component, the estimate of private resources mobilized with public support. The figures reported in 2024 —USD 577 billion— confirm the breadth of TOSSD's perimeter, which is 2.7 times larger than the resources channelled as ODA —USD 214 billion; the multiplier would be 2.3 if mobilized private resources were excluded. The evolution over time reveals an upward trend in the TOSSD metric, although part of this growth may be due to better recording of activities (Figure 3.2).

Figure 3.2. Evolution of TOSSD, 2019–2024 USD billions, current prices



Source: IFT https://www.tossd.org/

17 https://www.tossd.org/content/dam/tossd/en/methodology-pdfs/reporting_instructions.pdf

The creation of TOSSD pursued a dual purpose: to offer a more complete and transparent map of financial resources mobilized with official support for sustainable development, and to create a universal metric capable of accommodating the contributions of both traditional donors and South–South cooperation providers. The extent to which these objectives have been achieved is limited. Transparency has been clouded by the ambiguity of some of the criteria adopted for reporting: many of those that raised doubts in ODA are now also present in TOSSD. Moreover, it is debatable whether a metric of official finance should include private resources as part of its aggregate. Providing information on this aspect is entirely appropriate; what raises doubts is whether it should be part of TOSSD itself.

Nor has it been possible to secure recognition of TOSSD as a shared metric among developing countries in general, even though the United Nations has adopted Pillar 1 as a monitoring indicator for the 2030 Agenda. The fact that TOSSD was born within an exclusive body such as the DAC may have influenced this outcome. The recent creation of the IFT to oversee the new metric, with a membership outside the DAC, is intended as an attempt to correct this burden, but so far it does not appear to have secured broad support among countries. Creating an integrative metric in a complex cooperation system requires not only adequate technical grounding, but also legitimacy at origin — something that, in this case, raises doubts among a broad range of countries of the South.

3.3.3. The mobilization of private resources

The contrast between an increasingly ambitious development agenda and shrinking aid resources led many donors and international organizations to turn their attention to the unexplored potential for mobilizing additional private resources. In pursuit of this objective, particular attention was paid to official financing mechanisms and institutions capable of leveraging resources and mobilizing the private sector. Going further in this direction, some argued that this mobilization of private resources was the most valuable contribution ODA could make to the development agenda; and aid that was capable of mobilising additional private resources was exaggeratedly described as 'smart aid'.

As often happens in a field as prone to fashions as development cooperation, this line of work was presented as a new and promising terrain. The opportunities offered by blended finance, the transformative potential of public-private partnerships, and the mobilizing capacity of financial instruments to reduce or distribute investor risk —equity, loans, guarantees, insurance— were all praised. Along these lines, multilateral development banks enthusiastically joined this emerging epiphany, attributing to the new instruments the possibility of shifting the scale of development finance *from billions to trillions*[18].

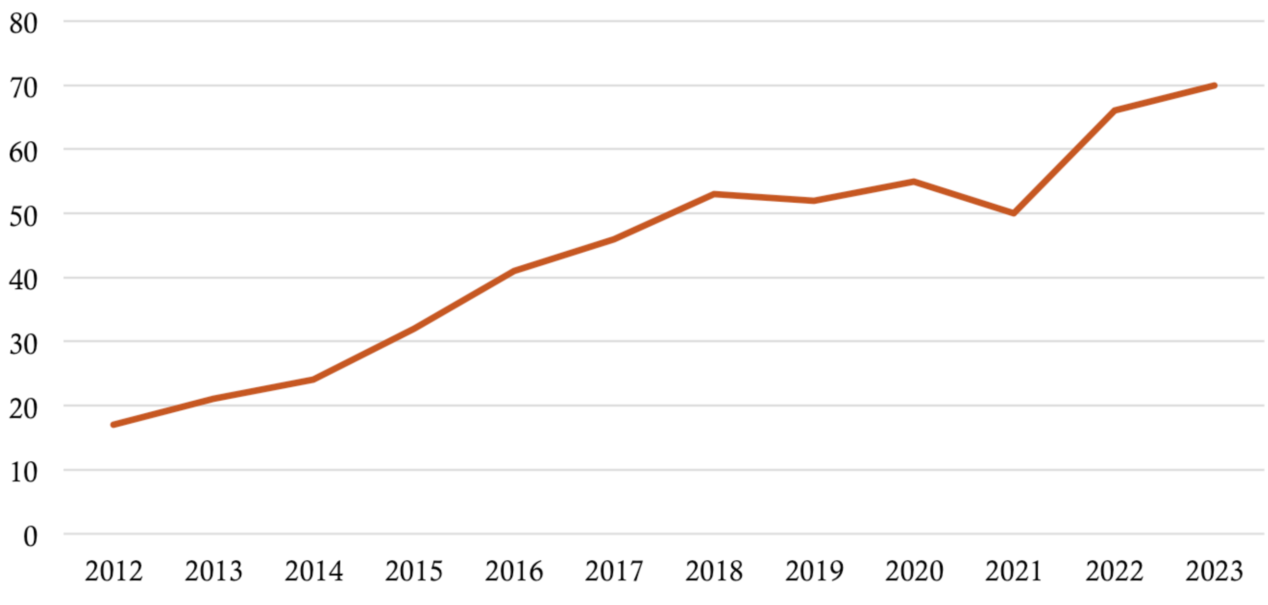
[18] https://documents.worldbank.org/en/publication/documentsreports/documentdetail/602761467999349576

Reality has not, so far, borne out such generous expectations. This is not to say that the mobilization of private resources for sustainable development is insignificant, but that it remains modest in scale and, moreover, its features are not always the most appropriate for a flow such as aid, which has a clear redistributive purpose.

As regards the volumes mobilized, the figures provided by the OECD are unequivocal: although the trend has been upward over the years, the amount reached in the latest available year, 2024, was only USD 79 billion —by no means negligible, but far from the promised *trillions* (Figure 3.2). In terms of instruments, if the whole period for which comparable data exist —2012 to 2023— is considered, direct investment, guarantees, and syndicated loans have been the mechanisms that have mobilized the largest amounts of resources: 29, 23, and 19 per cent respectively. Far behind are shares in Collective Investment Vehicles (CIVs), credit lines, and simple co-financing.

In terms of actors, multilateral development banks have shown the greatest capacity to mobilize resources, accounting for 71 per cent of the total over the period 2020–2023. Within these institutions, the leading role of the International Finance Corporation (IFC), part of the World Bank Group, is clear. Bilateral donors, for their part, are able to mobilize 24 per cent of the total, with the United States —followed at some distance by France, the United Kingdom, Japan, and Germany— being the most active in this field, while Spain occupies a relatively modest position (Figure 3.3).

Figure 3.3. Evolution of private resources mobilized with public support USD billions, 2023 prices



Source: DAC

If the figures do not match the promises, some of the characteristics of the interventions reveal risks that should be avoided. For example, focusing on the distribution of resources shows that only 12 per cent of the total went to low-income countries. A very significant share, close to 38 per cent, cannot be easily localized, as it is partly directed towards global public goods; but the bulk of the funds, 50 per cent, goes to middle-income countries —28 per cent to lower-middle-income countries and 22 per cent to upper-middle-income countries. Clearly, this distribution is not the most consistent with a policy such as aid, which has a clear redistributive purpose at the international level.

Beyond the figures, two problems affect this field of action. The first concerns the necessary *additionality of resources*: it would make little sense to devote scarce and highly concessional public funds to financing private-sector operations that would have taken place anyway, even without such support. In that case, public support would merely inflate the private profitability of the operation, distorting competition and adding no value from a development perspective. Ensuring the financial and development additionality of resources is crucial, but there is no unequivocal procedure for estimating this factor. Thus, in many cases it is impossible to dispel doubts about the true development impact of mobilizing private resources.

The second problem concerns the difficult balance that must exist in these operations between the private interests of investors and the public interests that should guide the financier's decision. There may well be a broad area of convergence between both types of interests, but conflict between them may also arise. In that case, what matters is preserving the primacy of the public interest, since official resources have been mobilized to motivate the operation. Here too, however, it is not easy to shed light on the primacy of public purposes, related to the development impact of operations and their alignment with the priorities of the country concerned. Indeed, what is often criticized in this field of action is its limited transparency, which makes it difficult to clarify this issue.

In sum, the mobilization of private resources is a path that needs to be explored in order to increase the transformative capacity of public development finance. But it should be regarded as one component of this effort, not as a panacea. Expectations should be properly calibrated, control mechanisms established to ensure that operations genuinely contribute to development, and the distributive biases generated by these instruments prevented from undermining the redistributive purpose towards which development finance should be oriented.

Finally, there is one further problem affecting this component, related to the TOSSD metric. Although this was not always the case, TOSSD now reports separately on private resources mobilized with public support and incorporates their magnitude into the aggregate TOSSD figure. While the first part of this approach is entirely appropriate, as it makes it possible to track the evolution of this financing component, the second is much more debatable. If TOSSD is a metric of official finance, the chapter on private resource mobilization should remain outside the metric's aggregate result.

3.4. STANDARDS: RECOGNIZING DIVERSITY

In addition to defining the ODA metric and, more recently, TOSSD, the DAC has been able to promote and agree on some basic standards to guide aid management. The question underlying this section is whether those standards should be considered universal or whether, instead, they should be regarded as applying exclusively to DAC members, who are the ones that agreed them, without necessarily extending them to all other cooperation providers. The latter implies accepting a cooperation system in which different standards apply according to countries' conditions; and, secondly, recognizing that in such a context it may be appropriate to engage in an open and inclusive dialogue on some minimum standards that give the whole system a sense of unity.

Many donors believe that the standards adopted by the DAC are based on the best practices of the most experienced donors and should therefore be strictly enforced for all new aid providers. Therefore, it is therefore not surprising that Chinese or Brazilian cooperation is criticized for its intensive use of tied aid, that Turkish cooperation is reproached for not directing its resources towards poverty reduction, or that Indian cooperation is questioned for not applying democratic conditionality, to give only a few examples.

What is argued here is that this approach is inappropriate, a judgement that can be developed in three successive steps. The first appeals to an immediate and simple point: it is not appropriate to criticize a country for failing to apply a standard it has not adopted and in whose definition it has not participated. Many of the standards applied to ODA have been defined within an institution such as the DAC, whose membership is composed exclusively of OECD donors. If a standard is to be generally applicable, its definition should be the product of a dialogue open to all cooperation providers. This is the case, for example, with the principles of cooperation effectiveness agreed in Busan, but not with many others that form part of the DAC acquis.

Second, some of the standards most firmly established in DAC doctrine appear relevant for North–South cooperation, but it is more debatable whether they should be applied to the whole of South–South cooperation. One example may illustrate this point: as noted earlier, for years the DAC has recommended that donors minimize tied aid, a recommendation that becomes more pressing in the case of ODA directed to LDCs. This recommendation is entirely appropriate in North–South cooperation, where the pronounced difference in capacities between countries suggests that resources should promote the recipient's capacities, something that does not happen if those resources are used to acquire goods or capacities from the donor country itself. This presumption cannot, however, be transferred to relations between countries at similar levels of development, as occurs more frequently in South–South cooperation, where tied cooperation may develop the capacities of both parties to the relationship. Moreover, it is difficult to demand a reduction in tied aid in cooperation that consists —as is the case with much South–South cooperation— of the exchange of experiences between partners.

In short, not all standards have universal validity. This suggests —and this is the third step in the argument— that if an inclusive cooperation system is to be built, one that reflects the diversity of countries' conditions, we must also be willing to accept the existence of different standards, with different levels of requirement and equally differentiated group of countries implied. In other words, moving towards a more integrated cooperation system must necessarily be accompanied by *greater tolerance of diversity*, allowing groups of countries to define different standards according to their conditions.

This diversity, however, must be compatible with the identification of some common *minimum standards* that can be shared by all. Just as in the field of trade shared rules coexist with the fact that some countries undertake more intensive processes of regional integration, cooperation should have common standards and metrics compatible with some groups of countries agreeing on more demanding rules or complementary metrics. These common minimums must be the result of an open dialogue involving all cooperation providers and even recipient countries, in order to ensure the fullest possible legitimacy of what is agreed.

3.5. METRICS AND STANDARDS: A PROPOSAL

Throughout the preceding paragraphs, proposals have been advanced in each of the areas analysed. The aim here is not to repeat the argument, but to provide a brief summary of the main suggestions. When the Center for Global Development (CGD), together with the Agence Française de Développement, took stock of an expert dialogue on the future of ODA reform, four alternatives were identified: (i) preserving ODA, with some refinements and minor improvements, although this option was considered insufficient; (ii) creating a new, broader and more ambitious metric beyond ODA; (iii) separating two spending concepts, one referring to traditional ODA and the other to GPGs; and (iv) creating a new global commitment, based on a universal metric involving contributions from all countries, as suggested by the Global Public Investment initiative (Calleja et al., 2024).

Initially, these possibilities were presented as alternatives. What is proposed here is to turn them into complementary options, excluding the fourth as operationally limited. In other words, the proposal is: (i) to preserve the nature of ODA, seeking to recover its full legitimacy; (ii) to create a new, broader metric that is genuinely shared by all countries; (iii) to disaggregate both ODA and the broader metric into three differentiated components, in order to ensure coherence between resources and agendas; and (iv) to acknowledge the diversity of standards across countries, while creating a common floor resulting from an open and inclusive dialogue.

Preserving ODA

The first objective should be to strengthen ODA as a recognizable metric of development finance. The aim should not be to expand this metric so as to make it better suited to the complex current landscape of development finance —for that purpose, a complementary metric is proposed— but rather to reinforce the nature and defining features of ODA as a metric that records resources of special quality, high concessionality, and a specific orientation towards development. Seeking to preserve ODA does not mean that the concept does not require reform. Among the reforms considered especially relevant are the following:

- Reviewing the inclusion within ODA of items spent in the donor country itself, on the grounds that they are difficult to justify within a development metric.
- Improving the measurement of cross-cutting priorities by making marker-based accounting systems more robust and consistent.
- Paying greater attention to "development impact" in ODA reporting, alongside the measurement of concessionality. This entails improving the reporting of Country Programmable Aid, as well as further strengthening recipient countries' role in reporting resources.
- Expanding coverage of the cooperation activities of relevant actors involved in channelling ODA. In particular, reporting should be improved on multilateral organizations as channels of ODA, as well as on cooperation promoted by subnational public entities, which are autonomous actors with cooperation models of their own.
- Improving information on resource mobilization in areas that have so far been inadequately treated. In particular, better information is needed on NGOs' capacity to mobilize resources from the official funds they receive; and a more appropriate procedure is also required for reporting and recording triangular cooperation operations.

Establishing a broader metric than ODA — beyond ODA

Even with the reforms suggested, ODA will always remain too narrow a metric to capture the increasingly broad range of development finance modalities and instruments, as well as the plural action of new cooperation providers operating outside the DAC, such as South–South cooperation. To overcome both limitations, work is needed to shape a metric capable of offering a more complete picture of the instruments, modalities, and actors operating in the field of development cooperation. Two basic proposals are made here:

- First, in defining this metric, it would be advisable to start from the most robust existing proposal, namely TOSSD, even though reforms to its content are required. In any case, it should be understood as one proposal among other possible options, and an inclusive dialogue process should be encouraged in order to ensure support for, and legitimacy of, the initiative.

- Second, while maintaining the measurement of private resources mobilized with public support, it should be reconsidered whether this component should be aggregated to determine TOSSD—or whatever metric is ultimately adopted—given that this is a concept referring to official finance.

Disaggregating the metrics

As argued in the preceding sections, both ODA and TOSSD —or whatever metric is ultimately agreed— should disaggregate at least three differentiated components: (i) operations related to humanitarian action, inspired by a basic principle of protection and relief, and deployed in the short term with the aim of protecting people and saving the lives of populations facing conditions of extreme risk; (ii) country development operations, aimed at combating poverty and inequality and laying the foundations for socially shared progress, operating preferably over the long term; and (iii) operations aimed at improving the provision of global public goods and improving the distribution of the burdens and benefits associated with that task, provided that the GPGs concerned are connected to the development agenda.

Diverse standards on a common minimum floor

Finally, it is necessary to accept that differentiated standards for different groups of countries, according to their respective conditions, should be able to coexist within the cooperation system of the future. This diversity must be compatible with the dialogical definition of some shared minimum standards: a kind of common floor on which space can be opened for diversity. The principles on cooperation effectiveness approved in Busan provide a good starting point for establishing that minimum floor.

4 CHAPTER 4. ELIGIBILITY AND GRADUATION

4.1. ELIGIBILITY AND GRADUATION: GENERAL CONSIDERATIONS

One of the tasks that the OECD Development Assistance Committee must necessarily address in the coming months is the revision of the eligibility and graduation criteria applied to countries for access to ODA funds —and, to a lesser extent, TOSSD. As is well known, one of the requirements for funds to be reported as Official Development Assistance (ODA) is that the recipient country be included on the list of potentially eligible countries. According to the rules established by the DAC in the early 1970s, this condition is met if the country belongs to the low- or middle-income groups, as defined by the thresholds set by the World Bank. For this classification, the World Bank relies on countries' GNI per capita, applying the Atlas method, and establishes income thresholds for each group, which are regularly updated to account for international inflation (Table 4.1).

Table 4.1. Country classification by income level, 2026

Category	GNI per capita threshold	Number of countries and territories
LDCs	Multidimensional threshold	44
Low income	$1,135 or less	25
Lower-middle income	$1,136–$4,495	50
Upper-middle income	$4,496–$13,935	54
High income	$13,935 or more	87

Source: World Bank and United Nations Department of Economic and Social Affairs

The key variable determining eligibility is therefore GNI per capita, with a threshold below which countries must fall in order to qualify for aid: this threshold corresponds to the income level defining high-income countries (which, in 2026, stood at $13,935). Complementarily, the DAC also compiles a list of international organisations eligible to receive and channel ODA, either fully —100 per cent of their resources— or partially —according to a specified share. A country's ODA is thus the sum of the assistance it manages directly and transfers to eligible countries, and that which it channels through international organisations previously accredited on this list[19].

[19] As is well known, in addition to these two major components, there are ODA funds that are spent within the donor country itself. These are known as 'in-donor costs', which have become increasingly significant in recent years as a result of the growth in funding allocated to hosting refugees.

Returning to countries, in 2005 a safeguard was introduced into the general rule to prevent European Union members (or strong candidates for membership), some of them middle-income countries, from being eligible ODA recipients; this restriction was also extended to G-8 members, directly affecting Russia. Finally, it is ensured that all countries classified as Least Developed Countries (LDCs) by the United Nations are included in the list of eligible recipients, regardless of their income level (some countries in this group are middle-income).

In addition, the DAC defines graduation criteria, which are the counterpart to eligibility rules. A country is deemed to cease being eligible for ODA (i.e. to graduate) once it attains high-income status. To avoid the effects of temporary fluctuations in GNI per capita, the country must exceed the high-income threshold for three consecutive years.

Based on these criteria, the DAC compiles the list of countries eligible for ODA. This list is updated every three years. The most recent revision took place in 2023, meaning that it should have been updated in 2026. However, in light of the ongoing reform process concerning eligibility and graduation criteria, this revision has been postponed to 2027.

Are the established criteria appropriate?

Throughout the history of the aid system, several countries have graduated from ODA eligibility (including Spain itself). Although graduation has always been perceived as a challenge, it was traditionally viewed in a positive light, as an indication of the progress achieved by the country concerned. Today, however, it is regarded with greater scepticism, as it is widely believed that the criteria and design of the process are inadequate and fail to properly account for the challenges and constraints countries face. Some recently graduated Latin American countries —such as Chile and Uruguay— have played a prominent role in articulating this critique.

In principle, if a sound system of eligibility and graduation is to be designed, the rules must be clear and transparent for all countries, and decisions must be grounded in robust criteria. Such criteria should ideally meet the following five conditions:

1. Be based on clear, accessible, transparent, easily interpretable, and sufficiently up-to-date information on the countries concerned.

2. Be estimated using sound statistical methods that command agreement and are standardised, allowing for both temporal and cross-country comparability.

3. Accurately and comprehensively reflect the key capacities and constraints characterising the countries analysed.

4. Their application should avoid generating undesirable effects or negative consequences for countries' development or the consolidation of their achievements.

5. Ensure a relatively symmetric and equitable treatment of countries in similar circumstances.

Furthermore, in the context of graduation, it is important to establish a transition framework that supports countries' adaptation and minimises the costs and uncertainties associated with the withdrawal of ODA. This argues in favour of a gradual graduation process, incorporating alternative support mechanisms to help consolidate development gains, as well as monitoring and early-warning systems to mitigate risks of regression or crisis.

Taking these considerations into account, it becomes clear that the (single) eligibility and graduation criterion used by the DAC performs reasonably well with respect to the first two conditions but responds only partially and imperfectly to the remaining three. The information provided by GNI per capita is partial and limited; its exclusive use may obscure some countries' vulnerabilities and risks; and it is not evident that countries with similar GNI per capita possess comparable capacities to address the diverse challenges of sustainable development. Moreover, the design of the graduation process does not reflect the prudential criteria required for a cost-minimising transition. The DAC's recent reform —anticipating graduation decisions— has somewhat mitigated this weakness but has not fully corrected it.

The system is therefore imperfect and open to substantial improvement. In particular, it is criticised for: relying on a single economic dimension for both eligibility and graduation; using GNI per capita as the sole indicator, thereby overlooking critical aspects of development; and designing an overly abrupt graduation process, forcing countries into a stark "all-or-nothing" transition without clear alternative support measures or adequate monitoring.

This critique has intensified in recent years due to the growing number of middle-income countries expected to undergo graduation in the near future. The most significant case, given its geopolitical implications, is the imminent graduation of China, which is expected to reach the relevant threshold in 2026 and complete graduation by 2029. Other countries —such as Guyana, Panama, and Nauru— are also approaching graduation.

Beyond technical considerations, there is a political economy dimension that must be underlined. Any classification of countries entails an exercise of authority and power by the entity that defines who is included and who is excluded (Farias, 2024). Reflecting the hierarchical and unilateral nature of aid, the DAC established its criteria without the participation of developing countries, which are directly affected by these decisions. Consequently, critiques of the eligibility and graduation system also question this vertical structure and call for greater dialogue and agreement with developing countries in any future reforms.

Is eligibility necessary?

Although there are valid grounds to question the DAC's graduation process, some critiques go further and challenge the very existence of eligibility and graduation. It is argued that, since the 2030 Agenda for Sustainable Development is universal, international resources aimed at supporting it —such as ODA— should also be universal, or at least accessible to any country facing structural deficits, regardless of income level.

This position is difficult to sustain. By their nature and purpose, ODA resources are necessarily scarce and must therefore be allocated selectively. From a development perspective, they are "high-quality" resources, a characteristic that derives from: (i) their public origin, as they are funded by taxpayers in donor countries; (ii) their explicit and specialised development purpose; and (iii) their concessional nature, implying a high grant element. As these resources are provided on favourable terms, it is therefore reasonable to define strict conditions governing access, ensuring that they are directed to countries where they are most needed and most appropriate.

This is not an unusual principle: similar eligibility rules apply to social protection programmes within countries. ODA simply extends this logic to the international level, with an important caveat. Countries remain free to provide transfers to others even if they do not meet eligibility criteria; the only implication is that such transfers will not be recorded as ODA. Thus, eligibility and graduation rules apply to the international accounting of ODA, not to countries' sovereign decisions.

The debate should therefore focus not on whether eligibility and graduation should exist, but on the appropriateness of the criteria, their implementation, and the processes through which they are determined.

The distinction between ODA and TOSSD

As noted above, the relevance of eligibility rules is linked to the rationing of scarce concessional resources. It is less clear whether similar rules should apply to development finance involving non-concessional resources, such as part of TOSSD.

There are arguments supporting both positions. One could argue against eligibility, given that many TOSSD resources are provided on near-market terms. Alternatively, eligibility rules could be justified, since some resources are concessional and, more broadly, because they are public and allocated through discretionary processes reflecting donor preferences.

This ambiguity is reflected in the TOSSD Reporting Instructions. To qualify as TOSSD, a flow must contribute directly to at least one Sustainable Development Goal (SDG) target and must not produce negative effects on any others. Additionally, the recipient country must be included on the TOSSD eligibility list.

As with ODA, this list relies on World Bank GNI per capita classifications, requiring countries to be low- or middle-income. However, this condition is relaxed through additional criteria: high-income countries may also qualify if they meet at least one of three conditions—low inequality-adjusted human development, high climate vulnerability combined with low adaptive capacity —as measured by ND-GAIN—, or high multidimensional vulnerability (as measured by the UN MVI). Furthermore, an opt-in mechanism allows countries to request inclusion even if they do not meet these criteria but the reasons for the request are properly substantiated.

The multiplicity of options makes eligibility rules under TOSSD highly flexible, to the point that they are almost non-binding. The framework even includes a cautionary clause to prevent traditional donors from positioning themselves as recipients. Correspondingly, TOSSD currently lacks formal graduation procedures.

Should eligibility and graduation be symmetric?

So far, eligibility and graduation have been treated as symmetric processes, albeit with opposite effects. This is the case for ODA: the same criterion —the minimum threshold that defines the high-income group— determines both eligibility, below it, and graduation, above it, with the additional requirement of three consecutive years confirming the threshold in the later. However, this symmetry does not always hold. The case of LDCs provides a useful example. Recognising the challenges of graduation, more stringent criteria are applied to it than to eligibility.

Under the current framework (2023 review), for both processes of eligibility and graduation of LDCs a panel of 15 indicators grouped into three dimensions is used: GNI per capita, the Human Assets Index (HAI), and the Economic and Environmental Vulnerability Index (EVI). Eligibility requires meeting thresholds across these three dimensions. In turn, for graduation a threshold is also set for these same indicators, but at a more demanding level than that used for eligibility, and countries that exceed two of these three thresholds are considered ready to graduate. In other words, graduation thresholds are more stringent than eligibility thresholds —meaning that an LDC close to graduation might not have been eligible for that category had it not already been a member of the group. This asymmetry between eligibility and graduation thresholds is deliberate: it is intended to ensure that countries approaching graduation have achieved sufficient progress in at least two of the three dimensions considered to manage the transition.

Complementarily, there is also a difference in the duration of the processes. The inclusion of a country in the list of eligible countries is immediate: once it is confirmed that the country falls below the thresholds at the time of the annual review, and the proposal is approved by the Committee for Development Policy (CDP) and the United Nations Economic and Social Council (ECOSOC), the country is invited to join the list of LDCs, with its inclusion taking effect in that same year, provided the country expresses its consent —some countries have declined this invitation, in some cases repeatedly. By contrast, graduation requires that a country exceed the thresholds in two of the three dimensions considered over two consecutive triennial review cycles (i.e. over six years). During the final triennium, a smooth transition is designed in consultation with the country, with defined support measures that may extend over a longer period (five or six years), during which the country is monitored by the CDP and ECOSOC to ensure that the transition is appropriate. It is, therefore, a much more gradual process, and one that is more closely supported than that provided by the DAC to countries graduating from ODA (see Box 4.1).

Box 4.1: Inclusion and graduation criteria for LDCs

For inclusion and graduation processes, three dimensions are used, two of which are measured through composite indices based on several indicators. These are:

- *GNI per capita*, estimated using the World Bank's Atlas method.
- *Human Assets Index (HAI)*, a composite indicator of human capital comprising six indicators.
- *Economic and Environmental Vulnerability Index (EVI),* a composite indicator of economic and environmental vulnerability composed of eight indicators.

Inclusion Process
Inclusion requires that a country fall below the specified thresholds for all three indicators.

Inclusion criteria (2024):

- GNI per capita below USD 1,088.
- HAI below 60.
- EVI above 36.

The inclusion process is relatively swift. In January, the Committee for Development Policy (CDP) identifies that a country meets the inclusion criteria, and the United Nations Department of Economic and Social Affairs (DESA) communicates this to the country. Meanwhile, the CDP prepares an assessment note, and the country prepares its response regarding inclusion. In March, the CDP confirms the country's eligibility, DESA formalises the invitation, and the CDP submits its recommendation to the United Nations Economic and Social Council (ECOSOC). Once ECOSOC endorses the invitation, the country formally expresses its acceptance to the Secretary-General, and the General Assembly takes note of the CDP's recommendation. From that point onwards, the country becomes a member of the group.

Graduation Process

The graduation process is slower and requires that a country meet at least two of the following three thresholds:

- *GNI per capita* above 20 per cent of the inclusion threshold, i.e. exceeding USD 1,306 per capita (a country may graduate solely on the basis of income if its GNI per capita exceeds USD 3,918).
- *HAI* above 10 per cent of the inclusion threshold, i.e. exceeding 66.
- *EVI* below 10 per cent of the inclusion threshold, i.e. below 32.

The graduation process unfolds in several stages:

1. *Year 0:* The CDP identifies that the country meets the graduation criteria and informs DESA, which communicates this to the country.
2. *Years 0–3:* UNCTAD prepares a vulnerability profile of the country, and DESA prepares an impact assessment of graduation; both are consolidated by the CDP. At the same time, the country prepares for graduation and engages in consultations with partners and UN entities.
3. *Year 3*: The CDP confirms the graduation conditions and issues recommendations for the subsequent triennium. ECOSOC endorses the recommendation, and the General Assembly takes note.
4. *Years 3–6*: The country develops a transition strategy, and the CDP prepares a note on this strategy; the United Nations Resident Coordinator Office (UNRCO) supports this process; the United Nations provides technical assistance where needed; international partners participate in consultation mechanisms coordinated by the UN; and the CDP monitors the process.
5. *Year 6:* Graduation becomes effective.
6. *Post-graduation*: The country implements the transition strategy, partners provide the agreed support, and the CDP monitors the process, at least during the first three years[20].

4.2. PROBLEMS ASSOCIATED WITH THE ELIGIBILITY AND GRADUATION CRITERIA ADOPTED BY THE DAC

Although many criticisms could be made of the way in which the DAC has defined countries' eligibility and graduation processes, this section focuses on the four most important. This critical assessment will also serve to substantiate the proposals presented in the final subsection.

4.2.1. A unidimensional perspective

Development is a process of change that unfolds —although not necessarily harmoniously or linearly— across multiple dimensions of social life. It does not involve economic growth alone, but also changes in productive structures and in the strength of institutions, in social behaviour patterns and levels of collective well-being, in the configuration of institutions and political life, and in the prevailing tone of social values. It is therefore a complex process of change, and one that is multidimensional in nature.

Although there are links and complementarities among the different social dimensions, each follows its own logic of transformation and requires activation through specific policies. The assumption of

[20] https://policy.desa.un.org/publications/category/LDC%20Handbook

modernisation theory —that change across the various dimensions of society follows a harmonious sequence, with economic growth acting as the engine of transformation— has not stood the test of time. There is no such thing as a dominant dimension of development that would exempt a country from the need to promote change across the remaining dimensions of social life. A country may achieve progress in one particular dimension while displaying deep shortcomings or imbalances in many others; and these shortcomings may, in turn, become obstacles that block further social change.

These asymmetries arise not only in the initial stages of development, as a result of the uneven deficits from which a country starts. The development process itself also generates such asymmetries endogenously, as a consequence of the interrelations among the different spheres of social life and the differing dynamics to which change in each of them is subject. As Hirschman (1958) rightly noted, development is, in essence, a sequence of successive and interconnected disequilibria. Achievements in one field may require changes in others which, however, do not always occur at the required pace. Bottlenecks thus emerge that are not the result of absolute deficits, but of mismatches among processes of change across different dimensions. This is the logic underlying, for example, "progress traps", also referred to as middle-income traps, which hinder the consolidation of development gains in countries that have overcome the most acute stages of poverty.

These problems can only be identified if a multidimensional view of development is adopted: that is, if diagnosis and policy address each of the dimensions of collective life —economic, social, political, environmental and cultural— in a specific and differentiated way. Attempting to compress all these dimensions into a single indicator that refers to only one of them is not merely reductive; it is also a source of erroneous decisions, because it blinds the analysis to the obstacles that may condition the continuity of change.

This was also the conclusion reached by the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP), coordinated by Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi. In its report *Mis-measuring our Lives*, the Commission states: "There is no single indicator that can capture something as complex as our society. Trying to capture what is going on by using a set of numbers that is too small can be grossly misleading" (Stiglitz et al., 2010: xxv). The international community has understood this as well when defining the goals towards which development efforts should be collectively directed, as in the case of the 2030 Agenda. The aim was not to define a single aggregate objective for countries, but rather to establish goals across a wide range of social dimensions, on the assumption that only progress across all of them can sustain a genuine development process.

Given the broad consensus around this view, it is striking that the DAC has maintained for so long an eligibility and graduation procedure based on an aggregate variable —GNI per capita—which, although robust and relatively homogeneous, refers primarily to only one dimension of social life, the economic dimension, leaving outside its scope perspectives and areas of analysis that are highly relevant to the development process.

The critique must, however, be nuanced. By its very nature, GNI is a synthetic indicator that expresses the aggregate value of the final goods and services generated by the productive factors and sectors of activity of a country over a given period of time. It is therefore not accurate to argue —as is sometimes done— that by relying on GNI, key dimensions of development, such as education or health, are entirely excluded from scrutiny. These activities, and many others, are indeed part of the measurement of GNI. The problem lies not so much in the range of activities considered —which is broad, albeit with important gaps, as will be seen— but in the single perspective through which these activities are identified and valued: namely, the market value of the transactions they generate. In other words, education is considered, but the perspective adopted by GNI is not to measure its effect on human capabilities, but rather its impact on the monetary value derived from the transactions generated by its provision.

The perspective assumed by GNI is therefore essentially economic, because it is the market criterion that governs both the selection of the activities reported and the value assigned to them. Treating GNI per capita as the metric of the aggregate well-being of a society implies assuming that, in an economy with perfect markets, prices adequately reflect social preferences. This assumption is, however, untenable once it is acknowledged that in every society most markets are imperfect or, as in the case of many environmental activities, simply do not exist. Under these conditions, it is advisable to adopt a more complex and multidimensional perspective which, without abandoning the information provided by GNI per capita, makes it possible to construct a broader panel of variables that offer information on areas relevant to development—areas that are difficult to translate into market terms and must therefore be assessed using metrics other than those provided by markets.

As the CMEPSP itself noted: "(...) we should expect that a revised GDP measure will continue to be used as a measure of market activity; but it will be supplemented by measures that reflect more broadly what is happening to most citizens (measures of median income), what is happening to the poor (measures of poverty), what is happening to the environment (measurements of resources depletion and environmental degradation) and what is happening to economic sustainability (measurements of debt)" (Stiglitz et al., 2010: xxvi).

4.2.2. Gaps and shortcomings of GNI per capita as a development metric

As noted above, GNI expresses the aggregate market value of the final goods and services generated by the activities of a country's productive factors —land, capital and labour— over a given period of time, most commonly one year. By its very design, GNI is unable to provide information on certain areas that are nevertheless crucial for diagnosing a country's development. The discussion here will focus on six major shortcomings.

The absence of normative preference

GNI is constructed by adding up the market values of the final goods and services produced in a society. This aggregate cannot incorporate any weighting other than that reflected in the price system. Once it is accepted that this system is unable to properly reflect social preferences —because of the accumulation of market failures present in any society— the resulting aggregate is devoid of any normative preference. For example, an investment of one million euros in education will have the same effect on GNI as an equivalent investment in armaments. Yet neither for the population nor for countries' future development can these two investments be considered equivalent. If the aim is to highlight the normative preference to be attributed to certain activities —such as education, health or nutrition, for example—this must be done by incorporating variables that identify and diagnose them, beyond their subsumption within the aggregate measure of GNI.

The exclusion of non-market activities

GNI records all market transactions involving goods and services, but it does not take into account activities carried out through channels outside the market. For example, it leaves out all activities related to the household economy and to the use of time in activities outside the professional sphere. Within this category, reproductive work and care activities are particularly relevant. These activities usually fall disproportionately on women and play a key role in determining individual levels of well-being. In quantitative terms, people devote a significant part of their lives to these activities, but this is not adequately reflected in GNI. An OECD estimate suggests that the time devoted to unpaid activities is similar to that devoted to paid work —somewhat higher in Germany and Italy, slightly lower in Finland and the United States, and virtually the same in the United Kingdom and France— yet this activity is not properly reflected in the determination of GNI.

The neglect of associated risks

Countries' progress is rarely linear. Rather, it entails changes that may, at times, generate potential future risks in the economic, social or environmental spheres. COVID-19, with its powerful negative impact on living conditions in many countries, illustrates the effects that such risks —in this case, for people's health and income— can have when they are not properly anticipated. GNI per capita is based on an aggregate valuation of supply, but it does not account for the future risks that may be embedded in the way that aggregate has been achieved. To address this gap, GNI must be corrected by some appropriate and comprehensive measure of countries' vulnerability. Vulnerability is understood here as the susceptibility of human groups to suffer damage to their achievements and levels of well-being as a result of adverse events of low probability or random occurrence.

The inability to incorporate the intertemporal dimension

GNI is conceived as a "flow variable": it measures the income generated over a given period, but it is unable to capture the evolution of so-called "stock variables", that is, those that accumulate over time and determine the composition of a country's assets. To illustrate this deficiency, consider two countries with similar levels of GNI per capita. The first makes prudent use of international financing to support growth, with the aim of moderating its level of indebtedness. The second, by contrast, launches an intensive borrowing strategy to expand the availability of resources. It is very likely that, in the short or medium term, the second country will achieve higher levels of GNI, but at the cost of putting its future growth path at risk, due to the accumulation of external liabilities. This vulnerability associated with the evolution of a stock variable —debt— falls outside the radar of GNI.

The exclusion of sustainability

GNI is unable to provide an adequate picture of problems related to environmental sustainability for at least two complementary reasons. First, many of these are activities for which markets do not properly exist —or are highly imperfect— meaning that prices either do not exist or do not adequately reflect social preferences. Second, the treatment of sustainability requires a temporal dimension that GNI does not incorporate, as just noted. Once again, an example helps identify this shortcoming. Suppose two countries have similar levels of GNI per capita. While the first manages its environmental resources appropriately, the second launches an intensive extractive strategy, progressively depleting its resources. In all likelihood, the second country's GNI per capita will grow faster in the short term than that of the first, but only at the cost of degrading its environmental assets, which may compromise its future development. GNI per capita is not only unable to capture this process; it may also send misleading signals, since it encourages the latter type of behaviour. The paradox becomes clear when one considers that an environmental disaster such as that caused by the sinking of the *Prestige* oil tanker off the Spanish coast, although it damaged the environmental setting and the sustainability of natural resources along the Galician coast, led to an increase in Spain's GNI as a result of the clean-up operations.

Distribution is ignored, and with it the situation of most citizens

For development, it is important to know not only how much is produced to meet the needs of the population, but also how what is available is distributed. It is doubtful that a process of income growth benefiting exclusively a narrow elite —the richest 1 per cent, for example— while the rest of the population remains excluded from progress can be regarded as development. Yet GNI per capita provides no information on this issue, since it simply offers an aggregate metric for the country as a whole. To address this shortcoming, it is not only advisable to include variables referring to levels of inequality, but also to mainstream this dimension across other areas and achievements, such as education, health or voice, among others.

The problems identified above do not exhaust the list of shortcomings associated with GNI per capita as an indicator of a country's level of development, but they are sufficient to justify the need to consider other perspectives, dimensions and indicators if a more faithful diagnosis of countries' development situation is to be achieved.

4.2.3. A deficient graduation process

The third set of problems affecting the criteria established by the DAC concerns the deficient design of the ODA graduation system. In principle, a country might be expected to interpret its graduation as good news, since it endorses the achievements it has attained. This has often been the case in the past. But the process may also be perceived as a challenge by the country concerned, which sees graduation as closing off advantageous sources of financing and technical support, while narrowing the spaces for international policy dialogue. The country's sense of risk is heightened if it considers that the achievements justifying graduation are fragile, or that the challenges facing its development exceed its actual capacities. These perceptions lie behind the criticisms of the DAC graduation process. Whether or not the country overstates the threats associated with graduation is less important than the fact that, once such perceptions exist, resistance to the process tends to intensify.

To avoid these problems, graduation must be designed in such a way as to minimise the risks associated with the process. Criteria that could contribute to this include: (i) establishing a prior diagnosis of the country's situation, anticipating the potential effects of graduation before it takes place; (ii) giving the process a sufficient time horizon to allow countries to adapt sequentially to change, while monitoring the process; (iii) establishing a formal reversal clause in the event that the country faces a significant risk; and (iv) defining a transition strategy agreed with the country concerned, through which alternative forms of support are provided to soften, during a transitional period, the withdrawal of ODA.

None of these criteria formed part of the original design of the DAC graduation process. No transition period is envisaged beyond the three years required to confirm that the country has entered the high-income group; although there have been some cases of reversal in the past, there is no clause regulating such reversals; nor was there, originally, any regulated requirement for a monitored transition strategy. The DAC itself is aware of these limitations and, as part of the ongoing review of the process, has decided to bring forward the announcement of graduation in order to lengthen the period between the start of the process and the moment when the country is removed from the list of aid recipients. Similarly, it suggests the possibility that donors may offer alternative support to facilitate a smooth transition, although these forms of support have not yet been specified. In its High-Level Meeting Communiqué of November 2023, the DAC anticipated this concern but did so in very vague and imprecise terms: "we will anticipate countries in transition to other sources of domestic financing and, where applicable, external financing, and explore with partner countries continued cooperation through other means."[21]

4.2.4. The shrinking group of poor countries

In addition to the shortcomings identified above, basing eligibility and graduation on GNI per capita has had another consequence, which also applies to the World Bank's own country classification: the progressive shrinking of the low-income country group in favour of higher-income categories.

This effect derives from the way in which the thresholds defining country groups are established. They are, in essence, absolute thresholds, defined by GNI per capita and adjusted only for international inflation. In a context of generalised growth, this means that countries gradually move beyond these thresholds, in a kind of rising tide that lifts the parameters for all countries. As a result, countries shift from the low-income group to the middle-income groups, and from these to the high-income group.

The data are unequivocal: whereas in 1996, 72 countries and territories belonged to the groups of LDCs and other low-income countries, by 2025 that figure had fallen to only 47 —and, of these, 44 were LDCs, which follow an eligibility criterion that, as seen above, differs from that of the World Bank. Of the remaining groups, the only ones showing a clear process of expansion are the upper-middle-income and high-income categories. The translation of this classification into the list of ODA-eligible countries, through the DAC's triennial reviews, provides a clear picture of this hollowing out of the lower strata in favour of higher-income groups (Figure 4.1).

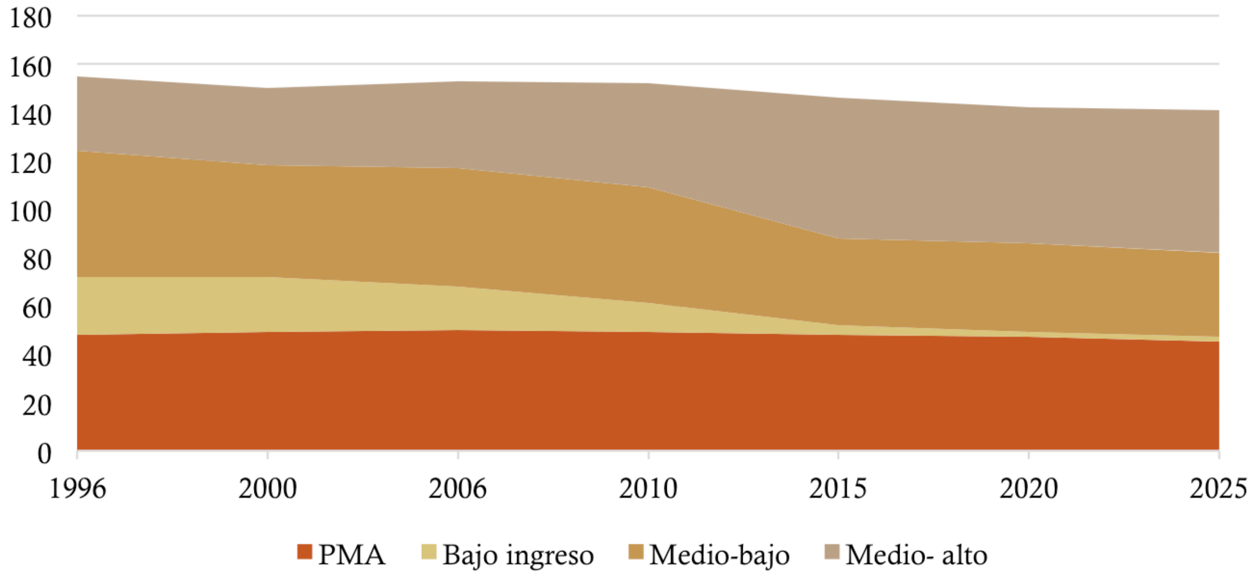
This process raises a first problem: if it continues, fewer and fewer countries will be eligible for aid. Moreover, these countries will increasingly be located in the middle-income strata, where it is less straightforward to justify the most generous components of concessionality, which are normally reserved for the poorest countries. Indeed, if one relied solely on GNI per capita, the group of the poorest countries on which aid should be concentrated would comprise barely 25 countries. Yet this would leave out of view at least another 35 countries which, although not low-income, suffer from serious structural weaknesses —including LDCs, SIDS, LLDCs and countries in situations of high or extreme fragility. In other words, GNI per capita is unable to capture even half of the core group of countries that should guide preferences in the allocation of ODA.

The problem is that the indicator used not only conceals part of reality, but also distorts the diagnosis, since the hollowing out of the lower income strata appears to signal the success of these countries and to justify a reduction in aid. This conclusion, however, is the result of a statistical illusion: the number of poor countries decreases simply because this group has been defined according to an absolute

21 https://one.oecd.org/document/DCD/DAC(2025)18/en/pdf

and, to some extent, fixed threshold; and through an indicator that leaves out of view a significant part of the obstacles and vulnerabilities that countries must overcome in order to consolidate their development.

Figure 4.1. Evolution of the number of DAC-eligible ODA recipients, by income group



Source: DAC

4.3. PROPOSALS AND RECOMMENDATIONS

In light of the preceding discussion, it seems appropriate to undertake a thorough review of the eligibility and graduation processes for ODA that have been in place to date. The DAC has committed itself to doing so, although the scope and ambition of the proposals to be made remain unknown. From an analytical perspective, this reform should proceed along two main avenues: (i) through a richer and more multidimensional definition of the criteria used for countries' eligibility and graduation; and (ii) through a redesign of the graduation process, in order to consolidate countries' achievements and mitigate their risks. Both avenues require an effort of dialogue, explanation and agreement, not only among DAC members, but also between them and their partners. The following sections examine these components, considering the areas they involve and the alternatives available in each case.

4.3.1. A multidimensional approach to eligibility criteria

If it is to remain consistent with the currently dominant understanding of development, and with that underpinning the 2030 Agenda, the DAC must move from an eligibility and graduation system based on GNI per capita towards a more complex system, better aligned with the multidimensional nature of development. This does not necessarily mean eliminating GNI per capita, but rather complementing it with other variables that express additional dimensions of development. Moving in this direction requires answering at least three related questions: (i) which dimensions —and, accordingly, which variables and indicators— should be considered?; (ii) should these dimensions be integrated into a single criterion, namely a composite indicator, or should they retain their autonomy, forming a kind of decision-making dashboard?; and (iii) in the latter case, how should eligibility and graduation be designed, given the existence of a plurality of criteria that may not be fully homogeneous?

Dimensions to be considered

The critique of the shortcomings of GNI per capita already points to some of the central dimensions that form part of the development process and that are not adequately captured by GNI per capita. These dimensions may be considered potential components to be incorporated into countries' eligibility and graduation criteria. This is not yet the moment to identify the variables or indicators through which each of these dimensions might be approximated; nor is it appropriate at this stage to discuss whether each dimension should be considered autonomously or integrated with others into a composite indicator. Both issues are discussed below. The aim here is simply to identify the most central dimensions to be considered. A comprehensive view would point at a minimum, to the following five dimensions:

- *The country's productive capacity*: even if the exclusive use of GNI per capita as a development metric is criticised, it is clear that a country's productive level—its capacity to generate goods and services for society and thereby raise the population's well-being—is one of the dimensions to be considered when assessing a country's situation.

- *Preferential social goods*: beyond the aggregate value of what is produced, it is important to know how the population's basic social needs are met, with particular attention to those related to the most central human capabilities. This area would include achievements in health, education and nutrition, in particular.

- *The distribution of achievements*: if the aim is to understand the welfare achievements of populations, aggregate variables are not enough. It is also necessary to consider how these variables are distributed among different social groups. Poverty levels and patterns of inequality are relevant in this regard. Ideally, inequality should be integrated into the measurement of each achievement —or at least of the most central ones.

- *Sustainability challenges:* sustainability is an essential dimension of the development process. This follows not only from the responsibility each generation must assume in managing the natural assets that sustain life, but also from a basic principle of intergenerational equity, which requires that future generations have similar development opportunities. In this dimension, rather than measuring the negative environmental impacts generated by a country's development, the aim is to consider the challenges the country must face in order to ensure environmental sustainability.

- *Country vulnerability*: diagnosing a country requires not only knowing its achievements, but also assessing the extent to which its population is susceptible to being seriously affected by an unexpected negative event in the economic, social or environmental spheres. This is what is captured by the measurement of vulnerability.

Criteria for selecting indicators and potential proposals

The dimensions set out above must be translated into variables and indicators that can ultimately be incorporated into measurement. In an analytical framework, these variables and indicators should meet a set of normative criteria that can be made explicit:

- *Simple:* while it is necessary to build a multidimensional system of indicators to characterise countries, unnecessary complexity should be avoided, seeking the simplest possible structure that still provides a comprehensive view of the country's situation.

- *Substantive*: the indicators should refer to the most crucial aspects of social reality, those that determine a country's development prospects. This criterion argues against incorporating circumstantial or minor aspects into the development diagnosis.

- *Available:* the indicators should be easily available, based on robust analytical construction criteria, and provide up-to-date information that can change in line with countries' evolving circumstances.

- *Universal*: they should provide information for the vast majority of developing countries, allowing comparisons across countries and over time, so that their application does not generate unfair differential treatment.

- *Only limitedly endogenous*: the variables should not respond directly to government action, so that aid does not become a reward for the most negligent or irresponsible governments.

- *Transparent and interpretable:* finally, the indicators should provide clear information, follow transparent calculation procedures and allow an unequivocal reading of the information they supply.

The degree to which the selected indicators meet these criteria may vary, but the point is to anticipate the ideal towards which the final indicators should aspire. Some of the dimensions identified may be well captured by an unequivocal indicator that meets many of the qualities listed above. This, however, is not usually the case. For all dimensions, more than one indicator could be proposed as a candidate;

and most potential indicators have, to a greater or lesser extent, weaknesses or limitations that must be properly weighed. For this reason, the identification of indicators to form part of the eligibility and graduation dashboard should be the subject of debate, not only among statistical experts, but also among representatives of donor countries and their partners.

The purpose here is not to replace that process, but only to offer a reasoned proposal that identifies possible candidates for subsequent debate and negotiation (Table 4.2).

Economy

The economic dimension is well captured by GNI per capita. This variable expresses the level of resources available to a country and allows for a straightforward comparison of its productive capacity with that of other countries that also position themselves as potential aid recipients. GNI is a macroeconomic aggregate similar to GDP, with the difference that it incorporates the primary income earned by national factors abroad and deducts the primary income earned by foreign factors within the country. It is a widely available variable and is calculated according to procedures that are relatively standardised at the international level. Ideally, one would use measures of GNI per capita in purchasing power parity terms, but given the fragility of such estimates, it is acceptable to rely on a measurement in dollars at constant prices, as in the World Bank's Atlas method.

Table 4.2. Proposed indicators

Dimension	Aspect to be measured	Possible indicator	Possible alternative
Economic	Productive capacities to generate goods and services for society	GNI per capita	
Preferential social goods (human capabilities)	Population health and nutrition levels; population education levels	Human Assets Index (HAI), composed of three education indicators and three health and nutrition indicators	Human Development Index (HDI), composed of three components related to economic capacity, health and education
Inequality	Poverty; inequality	Inequality-adjusted HAI	Inequality-adjusted HDI
Sustainability	Climate change adaptation; biodiversity protection	ND-GAIN	
Vulnerability	Economic vulnerability; social vulnerability; environmental vulnerability	Multidimensional Vulnerability Index (MVI)	Economic and Vulnerability Index (EVI)

Source: Author's elaboration

Preferential social goods

The dimension referring to preferential social goods concerns those that most centrally condition the development of people's capabilities: health, education and nutrition. Various indicators could account for these aspects, but DESA produces a composite indicator that integrates them and is used for the eligibility and graduation of LDCs: the Human Assets Index. This indicator is a simple average of the normalised values of three indicators relating to health and three relating to education (Table 4.3). The fact that it is also used in the eligibility and graduation of LDCs provides an additional reason to rely on this indicator, so as to harmonise procedures across different bodies in the field of aid. Alternatively, the Human Development Index could be used, but this indicator is more aggregated and includes an economic dimension that has already been considered.

Table 4.3. Composition of the Human Assets Index

Area	Indicator
Education	Lower secondary completion rate
	Adult literacy rate
	Gender parity in lower secondary completion
Health	Under-five mortality
	Prevalence of stunting among children under five
	Maternal mortality rate

Source: UNDESA

Inequality

The dimension of inequality and poverty seeks to capture the difficulties a country faces in ensuring that development gains reach the most disadvantaged segments of the population. This is a complex dimension because, in most cases, the possible indicators isolate the criterion of exogeneity defined above. This is not merely a technical problem, but one that affects the incentive framework associated with international rules. It would be hardly acceptable for aid—which is, in effect, forced savings from the middle classes of rich countries—to be used to compensate for the lack of distributive commitment on the part of governments and wealthy elites in partner countries. Aid cannot reward resistance to redistributive action in favour of the least advantaged.

The TOSSD metric has sought to incorporate this dimension as a complementary variable in country eligibility, using the Inequality-adjusted Human Development Index (IHDI), an indicator produced by UNDP since 2011. However, this option presents the problem of making information across dimensions redundant, since GNI per capita appears both as a criterion in its own right and as a component of the Inequality-adjusted Human Development Index.

From our perspective, the most reasonable option for overcoming this problem is to incorporate into the Human Assets Index a correction factor for its component indicators according to inequality in each achievement. In other words, inequality is mainstreamed and treated as a factor that reduces the achievements obtained by the country in the development of human capabilities—essentially health and education. The same technical procedure used by UNDP to adjust the components of the HDI could be applied here: namely, the Atkinson inequality index, assuming an inequality aversion parameter equal to 1[22]. If the HDI had been chosen to measure capabilities, then it would be reasonable to adjust that indicator instead, although this is regarded here as a less appropriate option.

Sustainability

The fourth-dimension concerns sustainability. This is an indispensable dimension in the characterisation of countries and is not captured by any of the dimensions considered so far—although, as will be seen, it is partly incorporated in the measurement of vulnerability. However, this is an area in which it is difficult to find indicators that are both unequivocal and appropriate for the intended purpose. Beyond the fact that this is a relatively recent field of statistical measurement, two issues accentuate the difficulties. The first is that, in many cases, the problem to be captured is global, whereas the indicators used for eligibility and graduation must necessarily be national. Consider climate change, for example: a country's CO_2 emissions affect the global climate, but this is not necessarily a good indicator for capturing country's national sustainability challenges. The second problem is that many available indicators either adopt a partial approach —such as the ecological footprint— or focus on the country's impact on the environment, without properly capturing the sustainability challenges faced by the country itself.

Two relatively recent indicators may be considered as possible alternatives. The first refers specifically to adaptation to climate change: the Notre Dame Global Adaptation Index (ND-GAIN)[23]. This indicator has two components. The first measures a country's vulnerability, sensitivity and adaptive capacity in relation to climate change risk; the second refers to the capacity that the same country has shown, in economic, social and governance terms, to address the effects of climate change. The vulnerability component uses up to 36 indicators covering six sectors: health, food, ecosystems, habitat, water and infrastructure. The second component uses six indicators referring to investment in the economic, social and governance domains. The aggregate indicator is obtained by normalising all indicators, calculating the arithmetic mean for each sector and estimating the aggregate mean for each of the two dimensions. Once the two components are available, the aggregate value is obtained

[22] The inequality index is defined as A = 1- (g/m), where g is the geometric mean of the indicator across population groups and m is the arithmetic mean of that same indicator. In turn, the aggregated value is obtained by multiplying the original value by the complement of the inequality index, i.e.: I = I (1-A).
[23] https://gain.nd.edu/our-work/country-index/

by subtracting the vulnerability index from the readiness index and converting the result to a 0–100 scale. That is:

ND-GAIN score = (Readiness score – Vulnerability score + 1) × 50

The higher the readiness score in relation to the vulnerability score, the better prepared the country is to face the consequences of climate change, and the closer its ND-GAIN value will be to 100. Thus, if this indicator is to be used as a country eligibility criterion, those countries with lower ND-GAIN values should be considered. Some of the components of this indicator are similar to those included in the Multidimensional Vulnerability Index, discussed below, although in the case of ND-GAIN the measurement is more specifically focused on climate change.

The other recently created sustainability indicator adopts a broader approach: the Environmental Performance Index (EPI). The EPI is composed of 58 indicators, grouped into 11 major sectors which, in turn, correspond to three broad objectives: climate change —largely focused on mitigation— environmental health —relating to water or air— and ecosystem vitality, including biodiversity protection. The main problem with this indicator is that it is not open access, making it difficult to use for aid eligibility and graduation purposes.

Vulnerability

The final dimension to be considered concerns countries' vulnerability: that is, their propensity to be negatively affected by factors that are difficult to predict. The growing relevance of vulnerability rests on two recent trends. On the one hand, there has been an intensification of risks —economic, climate-related, health-related or humanitarian— as a result of the changes and international interdependencies fostered by globalisation, in a context of fragile global governance. On the other hand, there is growing awareness of the need to invest more in preventive action in order to avoid the costs of crises once they occur. Vulnerability seeks to measure the probability that a given society will be affected by such crises, thereby allowing for better-targeted preventive action.

Given the diverse nature of potential crises, any vulnerability indicator that aims to be appropriate must necessarily be multidimensional. Until recently, no accepted indicator meeting these characteristics existed. In recent years, however, the United Nations, drawing on robust and publicly available indicators, has developed the Multidimensional Vulnerability Index (MVI), which responds reasonably well to the criteria set out above. The MVI is built around two broad dimensions: one referring to structural vulnerability, which measures the country's exposure to economic, environmental and social risks; and another relating to lack of resilience in facing risks in the same economic, social and environmental domains. In each of these dimensions, nine criteria are considered—three for each domain—and a total of 26 indicators are used: 13 referring to vulnerability and 13 to lack of resilience (Table 4.4).

Table 4.4. Composition of the Multidimensional Vulnerability Index

Dimension	Domain	Criterion
Structural vulnerability	Economic	Exposure to fluctuations in international trade and finance
		Exposure to fluctuations in export earnings
		Exposure to fluctuations in the prices of strategic imports
	Environmental	Exposure to natural disasters
		Exposure to extreme weather events
		Exposure to pressure on ecosystems
	Social	Exposure to global health shocks
		Externalities of violence in the region
		Stress due to inflows of internationally displaced populations
Lack of resilience	Economic	Lack of capacity to integrate into international markets
		Lack of economies of scale
		Low domestic economic capacity
	Environmental	Inadequate water supply
		Lack of resilience of the agricultural system
		Lack of resilience to heat shocks
	Social	Demographic pressure
		Ineffective provision of social services
		Lack of gender equity

Source: Author's elaboration

Although the MVI covers a broad spectrum of risks, there is one area it does not address and which nevertheless conditions a country's development prospects: the level of external debt accumulated by the country. This is unquestionably a risk factor, one that has generated crises and significant setbacks in development levels in many countries in the past. According to the report of the High-Level Panel on the MVI, this omission does not reflect a disregard for the importance of this issue, but rather the impossibility of finding reliable and up-to-date data with which to construct an indicator for this aspect.

A Single metric or a dashboard?

Since the proposal set out here includes indicators across different areas of social reality, integrating them into a unified framework requires transforming the respective metrics into comparable units. The use of a max-min criterion for this process is relatively well established in the treatment of indicators; it is the method used by the HDI, for example. In turn, where an aggregate indicator must be constructed from the simultaneous consideration of several sub-indicators, the most common procedure is to use an average —arithmetic or geometric, depending on the case— without weighting the different components. This is the most reasonable option, given the absence of a robust basis for assigning different weights to the various aspects included in complex indicators such as those proposed here. Finally, whether to use an arithmetic or geometric mean depends on the view taken regarding the complementarity among the various dimensions and on the desire to make inequalities among their respective values visible. The geometric mean presupposes lower complementarity and therefore gives greater emphasis to differences.

While procedures for normalising and aggregating indicators are relatively well established in international practice, the decision as to whether eligibility and graduation should rely on a composite indicator —integrating all these dimensions— or preserve the autonomy of each of them requires further discussion. The apparent advantages of a composite indicator are clear, insofar as it simplifies the decision function: either the country is below the threshold—in which case it is eligible —or it is above it— in which case it may graduate. This option is appropriate when the dimensions considered are thought to be highly complementary, such that deficiencies in one can be acceptably offset by achievements in others. This, however, does not appear to be the case for the dimensions considered here.

The case of Tuvalu, a small Pacific archipelago state, may serve to illustrate the problem. According to United Nations data, Tuvalu's GNI per capita in 2025, at slightly over $8,300, places it in the upper-middle-income category, well above the LDC graduation threshold for this criterion, which stood at $1,300. Yet it is a country with a very high vulnerability index, at 55, largely because 100 per cent of its population lives in areas less than two metres above sea level, suggesting that they could be submerged as a result of climate change. Can this vulnerability be offset by the country's economic achievements? Hardly. In such circumstances, where complementarity among dimensions is limited, it is preferable to preserve the autonomy of each dimension, setting eligibility and graduation thresholds for each of them. This is what the LDC eligibility and graduation system does: although it allows exceptional recourse to a single GNI per capita criterion for graduation when that value triples the established threshold, in ordinary cases it requires the country to exceed the thresholds in at least two of the three dimensions.

This same preference for a dashboard of differentiated dimensions, rather than a single composite indicator, is also suggested by the CMEPSP report. After justifying the need for a broader approach that goes beyond GDP, the report states: "This means working towards the development of a statistical system that complements measures of market activity by measures centred on people's well-being and by measures that capture sustainability." It continues, very explicitly: "Such a system must, of necessity, be plural – because no single measure can summarize something as complex as the well-being of the members of society, our system of measurement must encompass a range of different measures" (Stiglitz et al., 2010: 11). This is therefore also the option defended here.

In line with the argument developed above, our proposal suggests five initial dimensions for constructing eligibility and graduation criteria. However, as already noted, one of these dimensions —

inequality— could be incorporated as a correction factor for another, namely human capabilities. In practice, therefore, four broad groups of indicators are being used. Complementarily, if the number of dimensions is still considered too high, they could be reduced to three, insofar as some environmental challenges are already covered by the environmental dimension of the Multidimensional Vulnerability Index. This option is regarded as more controversial, given the relevance that sustainability has —and is set to have— in development strategies. The existence of this dimension provides an incentive to take such issues into account in aid allocation processes, and also to continue improving the indicators.

Whatever dimensions are ultimately agreed, from the point of view of eligibility and graduation procedures, the use of a dashboard of variables requires defining thresholds for each dimension, while also establishing a decision rule for cases in which values across dimensions diverge.

As regards the definition of thresholds, two recommendations should be followed. First, if the hollowing out of the group of countries with the weakest indicators is to be avoided, thresholds should be defined in relative rather than absolute terms: that is, according to the distribution of indicator values across countries —for example, by making eligible those countries that fall below 60 per cent of the median or average of developing countries. In this way, the threshold rises as the set of countries improves its parameters. This is what is done, for example, in the application of HAI and EVI indicators for LDC inclusion and graduation. The second recommendation, to which we return below, is that it would be advisable to replicate the procedure of setting graduation thresholds above those defined for eligibility, thereby strengthening safeguards when assessing the achievements prior to graduation.

In addition to setting thresholds, precise decision rules are also needed for cases in which a country meets the requirement in one dimension but not in others. No formula is free from objections. The issue, rather, is to agree on a criterion that appears reasonable and can generate an acceptable consensus among donors and partner countries. One admissible criterion could be, for example, to require that a country fall below the required threshold in at least three of the four indicators. The same rule could inspire graduation, referring to countries that exceed the graduation thresholds in at least three dimensions.

4.3.2. Redesigning the graduation process: a pragmatic reform

Beyond the shortcomings of the selected variable, the design of the graduation process established by the DAC is itself notably deficient. The DAC treats graduation as a purely bureaucratic matter, based on the assumptions that: (i) the level of GNI per capita adequately reflects the robustness of what has been achieved in development terms; (ii) these achievements are virtually irreversible; and (iii) the withdrawal of aid will have only limited effects on the country. None of these assumptions holds, and each point to a line of reform of the graduation process. Two options are presented here: one more pragmatic and the other more ambitious. It is recognised that the latter would require a reformist impetus that is probably absent among many DAC members; even so, it is formulated in order to identify its advantages. The more ambitious option is left for the following section, while the focus here is on the pragmatic one.

Gradualism and the duration of the process

A first aspect of reform involves broadening the time frame for graduation, so that the country can foresee its effects and anticipate them through a gradual process of adaptation to change—which necessarily requires time. At present, the country has only three years: the period required to confirm that its GNI per capita exceeds the threshold defining the high-income country group. In the third year, graduation is executed and the country ceases to be eligible for ODA. This period is too short and limits the country's capacity to prepare for change. It is difficult for a country to prepare for a change when it does not even know whether that change will occur, given the possible variability of GNI per capita.

A reasonable alternative would be to set three years to confirm graduation, requiring the country to meet the established graduation criteria throughout that period. Once those three years have elapsed, the decision to graduate the country would be made final, although it should not be implemented until a further three years have passed. This second period would be used for the country to prepare for graduation —once it knows that the decision is final. To this end, a commission should be established, composed of the country, the OECD and donor representatives, to participate in monitoring the country and to agree on a smooth transition strategy led by the country itself.

In the sixth year after the country first meets the graduation criteria, this strategy would become effective, activating the alternative forms of support to ODA that had been agreed. During the transition period, the commission referred to above should closely monitor the country to ensure an early response should any adverse effect arise that puts the country's achievements at risk.

Reversal clause

To provide a protective floor for the graduated country, it may be useful to establish a reversal clause, allowing the country to be reinstated among those eligible to receive ODA if it suffers an internal or external shock that jeopardises its development process. The reversal clause should be active from the start of the second triennium —that is, once graduation has been decided— until the end of the transition strategy. The country's return to aid-recipient status should be automatic and should not depend on an assessment of the extent to which it meets eligibility criteria.

Smooth transition strategy

It is important that graduation be accompanied by the preparation and implementation of a smooth transition strategy that anticipates risks, designs possible responses and determines the international support to be made available to the country once access to ODA comes to an end. This strategy should be prepared after the decision to graduate the country has been made, but before that decision becomes effective —that is, in the timetable outlined above, during the second triennium. It should be designed by the country, with the participation and support of the OECD and the main bilateral and multilateral donors that have been operating in the country.

The specific contents of smooth transition strategies will vary according to country circumstances, but three broad elements should be present in all of them:

- First, an analysis of the risks and challenges the country faces in consolidating its development achievements, improving its international position and managing the tensions and shocks that the process may entail.
- Second, a design of the policy reforms considered most effective and feasible for addressing the challenges identified, also specifying their order of priority and the means and conditions that could make them viable.
- Finally, an inventory of the international support available to the country during the transition, to ensure that the designed strategy can be implemented.

It is important that the smooth transition strategy be led by the affected country itself, so as to ensure ownership of the policy by the actor responsible for putting it into practice. But it is also important that donors actively collaborate in its design and commit to implementing support measures that can partly compensate for the withdrawal of aid.

Monitoring and reporting

Finally, the fourth component of graduation should be the establishment of a robust monitoring and reporting procedure to closely track the country's evolution both during the three-year preparatory period and throughout the duration of the transition strategy. The idea is that any emerging difficulty can be rapidly identified and met with an appropriate response through domestic policy and international support.

4.3.3. Segregated graduation: a more radical proposal

The proposal set out in the previous section is intended to reduce the risks associated with the graduation process and to allow countries to undertake this transition with confidence and maximum international support. Even with the suggested reforms, however, two issues are not fully corrected. The first concerns the degree of autonomy of the dimensions involved in the diagnostic process. The use of a dashboard of independent indicators, with eligibility and graduation thresholds defined for each, is a way of responding to the deeply multidimensional nature of development. However, the decision to include or exclude a country from the list of eligible recipients remains a single one. In other words, the multidimensionality of the indicators collapses at the point of decision, which takes the form of a single act. The second problem derives from this same fact and concerns the way in which eligibility and graduation thus become a dilemma: the country either enjoys ODA support or is excluded from it; that is, it is either considered eligible for everything or excluded from everything.

One way to address these two problems is to conceive a relatively autonomous system of eligibility and graduation for each of the main dimensions of development: economic, social and environmental. This would mean that a country could graduate in one dimension while continuing to receive support in the others, if it still shows significant weaknesses there and remains below the graduation threshold.

In operational terms, this first requires setting indicators for each of the three dimensions identified (Table 4.5). Based on the discussion above, one possible option would be:

- *Economic:* GNI per capita, adjusted by the economic components of vulnerability and lack of resilience in the MVI.

- *Social:* the HAI, adjusted by inequality and by the social components of vulnerability and lack of resilience in the MVI.

- *Environmental:* the ND-GAIN, adjusted by the environmental components of vulnerability and lack of resilience in the MVI.

For each of these dimensions, a threshold would be established below which the country is eligible; and another threshold, relatively higher than the eligibility threshold, above which the country would graduate from that area of development action.

Table 4.5. Eligibility and graduation criteria in segregated processes

Dimension	Variables
Economic	GNI per capita Economic component of the MVI
Social	HAI Social component of the MVI
Environmental	ND-GAIN Environmental component of the MVI

Source: Author's elaboration

This characterisation should be accompanied by a differentiation of aid resources —and, in some cases, instruments— according to the three dimensions. Thus, there would be funds and actions aimed at strengthening the country's economic and productive development; funds and measures directed at reducing social deficits and improving human capability development; and funds and actions designed to address the country's environmental challenges. In other words, ODA would maintain three differentiated funding windows, as suggested in Chapter 3 of this report. In this way, graduation in one dimension would deny the country access to the funds and instruments specific to that dimension but would not prevent it from continuing to receive aid corresponding to the other two.

This design of graduation is undoubtedly more complex than the previous, pragmatic proposal, but it has clear advantages: (i) it reduces the drama of graduation processes, since a country graduates from part of the system but not necessarily from all of it; (ii) it more fully respects the relative autonomy of the different dimensions of development; and (iii) it makes the graduation process more sequential and better adapted to country conditions.

4.3.4. An open and dialogic process

Finally, if progress is to be made towards an increasingly inclusive and legitimate aid system, eligibility and graduation criteria must be shared with partner countries. As noted above, the establishment of these classification criteria —who is admitted and who is not— is one of the clearest expressions of the vertical structure of voice and power through which the international aid system has been organised. It is reasonable for partner countries to regard this system as external and imposed if they are not even heard when decisions are made on the criteria that determine who may receive ODA. Even if these criteria are discussed and shared, donors will continue to retain a high degree of discretion in deciding actual patterns of resource allocation. But at least consensual criteria will have been established to determine who is eligible to be supported through ODA and how that status is lost.

The DAC often gathers partner views through controlled consultation procedures, selectively inviting some countries to attend working meetings. This way of working is clearly unsatisfactory, since it resembles validation of decisions already taken by the DAC more than an open and honest discussion on the criteria to be adopted. On this issue, it seems important to change the procedure and move towards a genuinely dialogic process: what may be lost in time spent on mutual persuasion will probably be gained in the legitimacy and sustainability of what is agreed

5 CHAPTER 5. NEW ACTORS, NEW PROVIDERS

5.1. THE BROADENING OF THE COOPERATION SPACE

Since the 1980s, the cooperation system has undergone a process of growing complexity, due to the presence of new official providers of funds, a greater diversity of actors operating within the system, and more plural mechanisms for channelling resources. This process has a positive side, insofar as the new entrants bring new visions and priorities, broaden the field of development action and foster innovation. Yet it also has negative implications, given its effects on aid fragmentation, in a context of weak coordination among actors and limited predictability of funds.

The increase in the number of actors has been driven by three mutually reinforcing factors. First, the expansion of the development agenda has encouraged actors operating in areas that were previously insufficiently addressed —such as environmental issues, for example—to assume a more prominent role within the cooperation system. Second, the contrast between an expanding agenda and relatively stagnant resources has led donors to seek new institutions and instruments to mobilise additional resources, generally from the private sector. Finally, the search for direct and mobilising responses to emerging or neglected global problems has led to the creation of a large number of funds operating in the multilateral sphere.

In addition to new actors, new official cooperation providers have also entered the system. In some cases, these are high-income countries that have consolidated their cooperation policies and have recently joined the DAC. This is particularly the case for a group of Eastern European countries that transitioned to a market economy and became members of the European Union. In other cases, however, they are developing countries —especially middle-income countries and emerging markets— that have established their own South-South cooperation programmes. This latter field is especially populated, with countries representing highly varied models and levels of commitment, thereby expanding the space of development cooperation.

As already noted, this expansion in the number of actors and financiers has enriched the field of development cooperation, but at the cost of confronting it with new challenges. On the one hand, it has accentuated the mismatch between the aid system and the broader cooperation system, since many new actors and providers of funds operate outside the boundaries of ODA. So today more than ever, it is inappropriate to identify the broad cooperation system with the narrower and more clearly defined field of ODA. This fact requires reconsidering both development finance metrics —as discussed in Chapter 3— and the governance architecture of the system, which will be addressed in Chapter 6.

Alongside this effect, however, the proliferation of actors, in a context of low resource growth, has led to increasing fragmentation in development finance: more activities, more transactions and a smaller average scale of operations. In addition to the transaction costs this entails, it can also make coordination more complex, limit the predictability of funds and hinder development policy coherence. It is therefore legitimate to ask what effects this process may have on the effectiveness of cooperation. This chapter is devoted to these issues.

5.2. A PLURALITY OF ACTORS

5.2.1. Diversification of the agenda, diversification of actors

In line with the prescriptions of the neoliberal thinking then in vogue, aid provision in the 1980s was made conditional on recipient countries implementing structural adjustment programmes agreed with the IMF and the World Bank. The focus of assistance programmes at that time revolved around restoring macroeconomic equilibrium, in the expectation that development would follow more or less spontaneously from this therapy. The limited success achieved led aid, in the second half of the following decade, to move away from these economic contents and to orient itself more strongly towards social purposes, which rose in donors' priorities. This shift was encouraged by the growing influence of civil society organisations, many of them structured around powerful international networks, which denounced the worsening of social deficits in developing countries caused by neoliberal policies. Also influential were the successive international conferences convened by the United Nations during that period, all focused on social dimensions and resulting in action programmes with implications for development cooperation[24]. In addition, objectives relating to environmental sustainability and governance also took on increasing importance in the development agenda at the turn of the century.

In any case, the shift in priorities led to a broadening of the areas of work of cooperation, in line with the diversity of issues contained within the social, institutional and environmental dimensions. A highly expressive example of this process is the transition from the Millennium Agenda, centred on eight major goals, to the more plural, comprehensive and ambitious 2030 Agenda for Sustainable Development, with its 17 SDGs. In the wake of this expansion of the agenda, actors linked to these new areas of work became part of the cooperation system. The area in which this process was perhaps most significant was the environmental field, where specialised actors operated that had previously participated only marginally in international development action. More recently, the field of migration has joined this process, also involving a network of specialised actors —NGOs and foundations— with limited prior connection to development cooperation.

[24] In particular, the Education for All Conference in Jomtien in 1990; the Rio Conference on Environment and Development in 1992; the International Conference on Population and Development in Cairo in 1994; the World Summit for Social Development in Copenhagen in 1995; and the World Conference on Women in Beijing in 1995

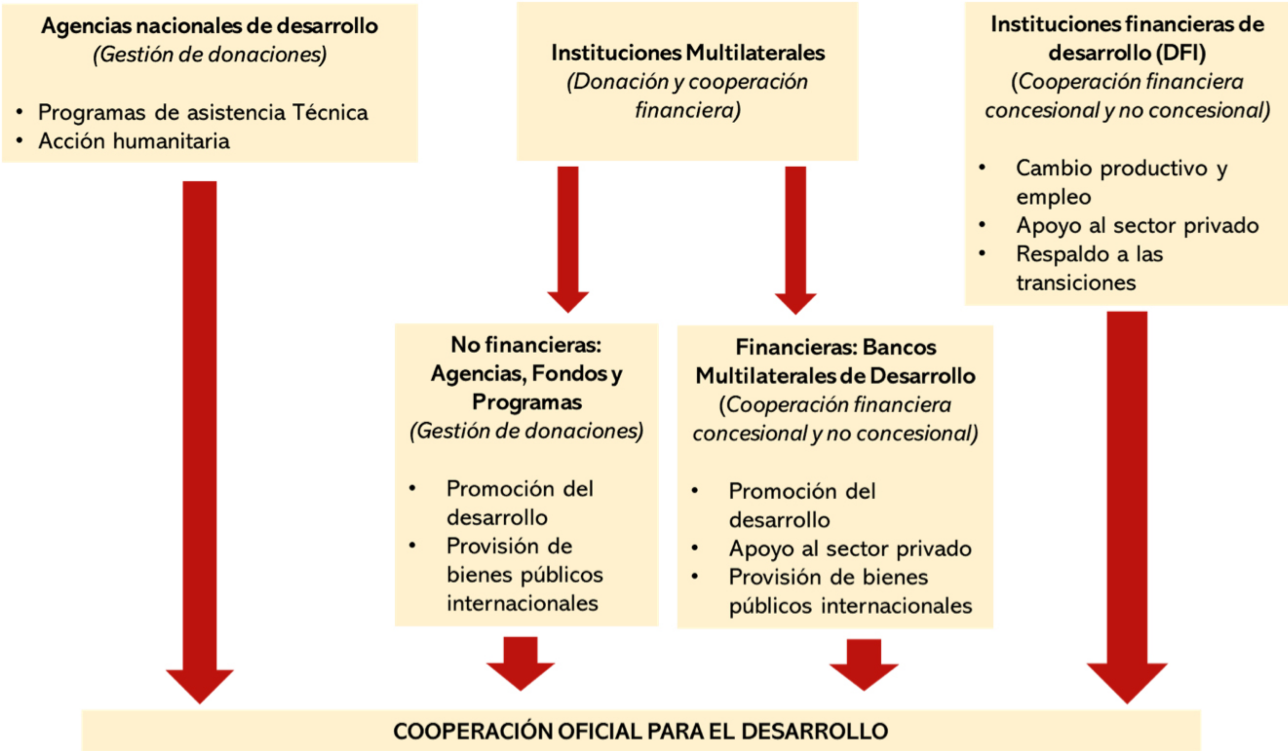
5.2.2. Private sector involvement

Another factor contributing to the expansion in the number of actors in the cooperation system has been donors' manifest interest in involving the private sector in development action. Although this demand was already present in the Monterrey Consensus, the outcome of the first International Conference on Financing for Development, it was at the third Conference, in the Addis Ababa Action Agenda, that this issue became central to the search for resources to make the ambitious 2030 Agenda a reality. The aim was to enable instruments capable of aligning private-sector investment with the objectives of sustainable development. This search included a wide range of mechanisms, such as co-financing, public-private partnerships, the blending of concessional and non-concessional resources, the promotion of venture capital, and the reduction of investment costs and risks through public resources. To activate these levers, donors strengthened —and, in some cases, created— specialised financial institutions for development action, namely Development Finance Institutions (DFIs), which added their activity to that of old and new Multilateral Development Banks.

The changes described have meant that the international development cooperation system now rests on a plurality of institutional pillars, with differentiated missions (Figure 5.1). Development agencies still exist in many cooperation systems, conceived as specialised institutions for managing grants and implementing technical assistance programmes. In many cases, these agencies also manage humanitarian action. This institutional response is, however, in retreat among traditional donors, several of which have closed their development agencies and transferred the corresponding responsibilities to one or more ministerial departments. Meanwhile, the opposite dynamic prevails among Southern providers, where an increasing number of countries now have a development agency, including the powerful China International Development Cooperation Agency.

The second major pillar is the multilateral system, which itself comprises two distinct types of institutions. A large share of these institutions are non-financial in nature—for example, United Nations agencies, funds and programmes. They operate mainly by channelling grant resources, based on mandatory and voluntary contributions from partner countries. Their main areas of activity are humanitarian action, technical assistance and the provision of international public goods.

Figure 5.1. Institutional pillars of official development cooperation



Source: Author's elaboration

The second subcomponent of multilateral action is represented by Multilateral Development Banks (MDBs), whose function centres on financial cooperation, whether concessional or non-concessional, based on their capital endowments and their capacity to raise resources in international capital markets. Their main activity is oriented towards investment in infrastructure, productive transformation and employment, and the provision of international public goods. Multilateral development banking is currently undergoing a much-demanded process of renewal in its management practices and strengthening of its capacities. Traditional institutions, such as the World Bank and the more established Regional Development Banks —the Inter-American Development Bank, the African Development Bank and the Asian Development Bank— have been joined by other regional banks, some created by developed countries, including the European Investment Bank and the European Bank for Reconstruction and Development, and others promoted by developing countries themselves, such as the Asian Infrastructure Investment Bank, the Development Bank of Latin America, the New Development Bank and the Islamic Development Bank.

Finally, the third major pillar is the network of countries' development finance institutions, including national public banks, which are geared towards financing productive transformation, the ecological transition and private-sector support, channelling both concessional and non-concessional financial resources for this purpose. Today, many donors have institutions of this kind, which have become increasingly prominent within development cooperation systems. The recent decision by the Trump

Administration to dismantle the development agency USAID and, instead, generously finance the US International Development Finance Corporation is an example —undoubtedly an extreme one— of this rebalancing in the vectors of development cooperation action. With less radical change, it is common across many countries for institutions of this type to have been strengthened, thereby promoting a more active policy of support for the private sector. Spain has also sought to move in this direction, although the formula adopted —a fund without legal personality, the Spanish Fund for Sustainable Development (FEDES)— falls well short, in terms of operational capacity, of what exists among the most active donors in this field.

The list of donor DFIs has been joined by public banks from developing countries which, in addition to operating domestically, often promote international operations—for example, the powerful China Development Bank (CDB) or Brazil's BNDES. Together, this network of institutions constitutes a powerful architecture for mobilising official and private resources in support of sustainable development and the provision of international public goods; and among these tasks is the support and promotion of the private sector in developing countries.

5.2.3. Global public funds

The third channel through which the number of actors in development cooperation has expanded relates to the emergence of new institutional responses for managing multilateral cooperation, linked to the creation of global public funds. With variable membership structures, these funds mobilise official resources —and, in some cases, private resources as well— and direct them towards addressing emerging problems or issues that had previously received limited attention within multilateral action. The use of such funds is often presented as an expedient way to give visibility to a relevant problem and to establish an institutional mechanism to address it.

There is no doubt that a significant share of the funds created meets these criteria and provides a useful response to important areas of work that had been underfunded. However, this is not the general case. Frequently, donors have created funds driven by other motives: enhancing their visibility and reputation on the international stage; signalling to domestic public opinion that they are actively addressing socially sensitive issues; bypassing the rigid bureaucracy and complex decision-making processes of multilateral institutions; or simply preserving their autonomy or reinforcing their international leadership.

This approach, although sometimes justified, has two negative consequences. First, the creation of these funds can weaken the institutions of the multilateral system, which they partially substitute. This particularly affects United Nations agencies, as many of the new funds operate in areas within their mandate. Even when the management of a fund is entrusted to a multilateral institution, the resources tend to be tied to the specific activities of the fund rather than to strengthening the strategic autonomy of the multilateral institution. Second, the proliferation of funds has contributed to increasing complexity in the development finance system, with institutions whose mandates overlap and whose levels of coordination are limited. This raises transaction costs and makes coherence and aggregate efficiency more difficult to achieve.

Perhaps the area where this phenomenon has been most pronounced is climate finance, where it is estimated that nearly 80 funds are currently operating—multilateral, regional or bilateral—in some cases with overlapping mandates and largely coincident partners. This institutional expansion has not been accompanied by a parallel increase in resources, so that the multiplication of actors has resulted in growing fragmentation of aid.

5.3. NEW OFFICIAL PROVIDERS

In the most recent phase of the history of development cooperation, there has not only been an increase in the number of actors promoting and managing interventions, but also in the number of those providing official resources to the system. This process has been driven by two main vectors: the expansion of DAC membership and the growing number of providers from the so-called Global South.

The first of these processes involves a group of Eastern European countries which, after completing their transition to market economies, sought to integrate more actively into international markets and to join the European Union. As part of this process, they established their own international cooperation policies and applied for membership in the DAC. In some cases, the volume of their aid remains limited and is largely linked to their contributions to the European Union and to multilateral organisations of which they are members. Nevertheless, they have contributed to increasing the representativeness of the DAC. Indeed, between 2000 and the present, DAC membership expanded by 10 countries, from 24 to 34 members, representing a 41 per cent increase in membership. This growth is more modest when measured in financial terms, as the contributions of new members accounted for only 3.2 per cent of total ODA in 2024. The countries that joined during this period include Korea, the Czech Republic, Iceland, Poland, Slovenia, Slovakia, Hungary, Estonia, Lithuania and Latvia.

Further accessions to the DAC may occur in the near future, given that some countries—such as Mexico, Chile, Costa Rica and Colombia—have become members of the OECD and maintain active cooperation policies. Other countries have expressed interest in joining the OECD and are awaiting final decisions —for example, Brazil, Peru, Indonesia, Thailand and Argentina. However, there is no clear indication that these countries are interested in joining the DAC in the short term. A similar situation may arise from the possible accession to the OECD of countries that are recent members of the European Union or candidates for membership. The former group includes Bulgaria, Croatia and Romania, as well as Malta and Cyprus —indeed, Romania is already an associate country, and Croatia and Bulgaria participate in DAC meetings. The latter group includes countries such as

Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia and Ukraine. However, in most cases these countries lack institutionalised cooperation policies, making their potential accession to the DAC more distant.

Beyond DAC expansion, the number of countries outside the OECD that have developed their own development cooperation policies has also increased. Many of these countries are part of what is known as South-South cooperation (Mawdsley, 2012, 2019). The absence of agreed reporting systems makes it difficult to determine the precise scale of this type of cooperation, but internal estimates suggest that it accounts for at least 15 per cent to 20 per cent of total ODA. In any case, this figure is of limited relevance, as many of these providers consider that their activities do not fit within the parameters of ODA. In many cases, their cooperation is based more on the exchange of experiences than on the mobilisation of financial resources; however, where financial flows are significant, the data confirm their growing importance. For example, between 2010 and 2019, China extended loans to developing countries amounting to $243 billion, a volume equivalent to that of Japan, France and Germany combined. Moreover, among the ten largest lenders to the developing world, six are emerging providers—China, Russia, India, Saudi Arabia, Kuwait and the United Arab Emirates (World Bank, 2021).

Some of these countries argue that their cooperation differs from traditional aid, emphasising as defining features the horizontality of relationships, the proximity of development conditions, the pursuit of reciprocity, and respect for sovereignty. In practice, however, South–South cooperation does not always conform to these principles; rather, it is characterised by considerable heterogeneity, with some providers replicating patterns typical of traditional aid (Santander and Alonso, 2017). These providers are often criticised for failing to comply with DAC standards —such as the untying of aid— but it may be argued in their defence that they did not participate in the definition of those standards, and that traditional donors themselves do not always adhere to them.

Within the heterogeneity of non-DAC cooperation, four groups can be distinguished. The first comprises the Gulf States, which are high-income countries with a long tradition of international aid. Their resources have been largely directed towards countries in their region and in Africa with significant Muslim populations. These countries are relatively aligned with many of the DAC's technical reporting criteria, and four of them —Saudi Arabia, Kuwait, the United Arab Emirates and Qatar— participate in DAC meetings and working groups, although they are not OECD members.

A second group consists of a broad range of middle-income countries that have developed cooperation policies based primarily on the exchange of experiences with neighbouring countries. This group includes many Latin American countries, although there are differences among them in terms of institutional development and technical capacity. The work of the Ibero-American General Secretariat (SEGIB), as a platform for dialogue and unified reporting, has facilitated a degree of convergence among these models and linked South-South cooperation with regional integration processes.

The third group includes countries that, due to their economic and demographic size, aspire to exercise a degree of international leadership, at least within their regions. Some, such as Turkey, operate cooperation policies with a high capacity to mobilise resources, much of which is linked to their role in managing migration flows to Europe. Others, such as India, mobilise fewer resources in relative terms but maintain active cooperation with countries in the Pacific and East Africa. This group also includes Russia, whose development cooperation has weakened in recent years, and Brazil, which, while part of Latin American South-South cooperation, maintains sustained engagement in some African countries, particularly Lusophone ones.

Finally, due to its scale and global projection, China constitutes a singular case. Building on its remarkable economic growth, China has consolidated the institutional framework for managing its cooperation policy through the creation of the China International Development Cooperation Agency (CIDCA) and the China Development Bank (CDB). At the same time, it has developed an ambitious policy articulated around the Belt and Road Initiative and grounded in three key strategic frameworks: the Global Development Initiative (GDI), the Global Security Initiative (GSI) and the Global Civilization Initiative (GCI). The GDI, in particular, defines China's approach to cooperation, which is presented as going beyond narrow economic rationality and seeking a "balance between moral considerations and self-interest" (Xinhua Institute, 2023). Since its launch and up to 2024, the GDI has mobilised nearly $20 billion, supporting around 1,100 projects (Zhao, 2024).

To better understand the heterogeneity of South-South cooperation, it is useful to examine the degree to which these providers are integrated into the international cooperation system. Calleja et al. (2023) construct an indicator based on four components: (i) the country's participation in international agreements and forums—including the United Nations; (ii) its willingness to report on its policies to international repositories; (iii) its participation in triangular cooperation; and (iv) its voluntary contributions to regional or multilateral development institutions. According to this indicator, the most open cooperation models include those of the Gulf States —Qatar, the UAE, Kuwait and Saudi Arabia, as well as Israel—many Latin American countries —Chile, Uruguay, Argentina, Peru, Brazil, Colombia, Costa Rica and Mexico— and some North African countries, such as Tunisia, Egypt and Morocco. Lower levels of openness are observed in some high-income but small countries —such as Singapore, Malta, Cyprus or Taiwan— as well as in low-income countries that are either less democratic —such as Cuba, Venezuela or Algeria— or have experienced recent instability —such as Pakistan or Iraq. In this classification, India displays a medium level of openness, while Russia ranks very low. China, for its part, has a level of openness slightly below the average.

In sum, these models are diverse, exhibiting differing levels of ambition, institutional consolidation, and international projection. Taken together, however, they constitute a highly dynamic field that, beyond historical fluctuations, is likely to gain increasing relevance in the future. Their most significant contribution lies not so much in financial terms, but in the enrichment they bring to the cooperation system by making it more inclusive. The trend towards convergence in cooperation models that the DAC encouraged in the past has now given way to a process of diversification and competition among different models of cooperation, many of them led by developing countries themselves. As a result, aid recipients now have access to a more diverse range of partners and sources of financing, albeit at the cost of navigating a more fragmented cooperation system

5.4. AID FRAGMENTATION AND DISPERSION

The expansion in the number of funding providers and of actors involved in channelling resources, in a context of limited resource growth and weak coordination, has resulted in increased levels of dispersion and fragmentation in cooperation. The number of transactions has grown, as has the diversity of procedural requirements attached to each of them. This gives the system unnecessary complexity and shifts the administrative burden onto developing countries, which are the ones required to respond to funders. But how serious is this process, and what effects does it have on aid effectiveness?

The World Bank (2022) undertook a detailed study of the levels of fragmentation in official development finance provided by DAC donor countries. Its findings are indicative of the severity of the problem. In the year studied (2019), donors' official finance was channelled 70 per cent through bilateral channels and 30 per cent through multilateral ones. The sum of these two financing channels —including resources raised on the market by multilateral development banks and those derived from repayments of previous operations— was managed 25 per cent by recipient country governments, 22 per cent by NGOs, 17 per cent by donor agencies, 16 per cent by multilateral organisations, 9 per cent by the private sector, 5 per cent by universities, and 6 per cent by other actors.

Between 2000 and 2019, the number of bilateral donors rose from 25 to 43, while the number of multilateral donors increased from 22 to 27. This expansion in the number of donors did not alter the high concentration at the source of funding: indeed, 60 per cent of total funds were provided by the 10 most active donors. More telling than the number of donors, however, is the expansion in the number of agents that channel or manage resources. In this case, the number rose from 191 in the five-year period 2000–2004 to 502 in 2015–2019, an increase of 162 per cent. In barely fifteen years, 266 new bilateral entities and around 45 new multilateral entities entered development action. This process affected most donors: whereas in 2000–2004 only 12 per cent of them had more than five institutions managing official finance, by 2015–2019 this was the case for almost half of them (46 per cent).

The same process can be seen from the recipient's perspective, by considering the number of agents operating in each country. The data confirm the explosive nature of the process: while in 2009 only 22 countries had more than 80 donor-linked entities operating in their territory, by 2019 this was the case for 92 developing countries. This trend points to three worrying outcomes: first, the system has become more complex, without this entailing greater availability of funds for recipients; second, transactions have become more fragmented, with more actors carrying out smaller transactions; and third, the difficulties of coordination and of giving the system a certain sense of unity have increased.

The second of these features deserves further clarification. The number of transactions recorded by the World Bank almost quadrupled between the beginning of the century and the end of the first decade, rising from 51,229 to 203,727, before stabilising above 200,000 throughout the second decade. Although the process is fairly widespread, fragmentation is greatest in the field of grants —more than in reimbursable cooperation— and in social sectors more than in other areas of cooperation. As a consequence, the size of interventions fell markedly over the period. Although this trend varies according to the instruments and sectoral areas considered, the average figure declined from $2.2 million in 2000 to $1.2 million in 2009, and stabilised around that level during the second decade of the century.

This picture is completed by evidence that, during the period considered, there was no increase in the relative weight of those cooperation modalities that might have mitigated this fragmentation process. There was no increase in the use of pooled or basket funds, budget support instruments, or willingness to operate through multilateral channels with core contributions. In all these cases, funds are channelled through modalities that require donor coordination. It is striking that this process of fragmentation and proliferation of interventions occurred at the same time as donors were proclaiming their commitment to the aid effectiveness agenda, which pointed precisely in the opposite direction, seeking greater harmonisation among donors and stronger ownership by recipients. This offers further evidence of the limited effect that the effectiveness agenda has had on donor behaviour, something also confirmed by empirical studies (Fløgstad and Hagen, 2017).

Aid fragmentation not only raises the system's transaction costs and increases the administrative burden on recipients, but also makes donor coordination more difficult and may undermine the predictability of flows. Through these channels, too, cooperation effectiveness may be affected, reducing its impact on the recipient. It is therefore important to consider what the studies tell us in this regard.

5.5. EFFECTS ON COOPERATION EFFECTIVENESS

5.5.1. The costs (and benefits) of fragmentation

In principle, the process under study could be expected to have effects of opposite signs on aid effectiveness. On the one hand, the proliferation of actors and the fragmentation of cooperation —a larger number of agreements and transactions— are expected to increase the system's transaction costs, thereby penalising its aggregate efficiency. These costs, moreover, are distributed asymmetrically, affecting recipients particularly severely, since they must bear the greatest administrative burden involved in dealing with a variety of donors, each with its own management criteria. In addition, the proliferation of activities makes coordination and leadership by recipient countries more difficult, undermining ownership processes, which may also affect cooperation effectiveness.

Not all impacts, however, are negative. The proliferation of actors expands the range of financing options available to the recipient country, allowing it greater room for manoeuvre in its strategic decision-making processes. This situation may be especially useful when donor and recipient priorities are not properly aligned. Obviously, this strategic room for manoeuvre is reduced if donors, whatever their number, operate in a coordinated manner; but the very increase in the number of actors involved makes such coordination more difficult. Alongside the diversity of financing sources, another potential benefit of actor plurality is associated with greater capacity for innovation, competition and emulation among them, which may make cooperation richer and more effective. What, then, is the balance between these opposing factors?

The World Bank study cited above (2022) offers a simple empirical approximation and seeks to relate fragmentation to the evolution of the indicators produced by successive monitoring rounds of the Global Partnership for Effective Development Cooperation (GPEDC) in 2014, 2016 and 2018. The results obtained are somewhat ambiguous: (i) on the one hand, the increase in transactions appears to be correlated with donors' use of recipient country systems and with the proportion of resources channelled through budgets; (ii) in the opposite direction, donors' use of national results monitoring and evaluation frameworks declines; and (iii) finally, there is no evidence of more intensive use of recipients' public financial management (PFM) frameworks, nor of any improvement in resource predictability. The results therefore do not support conclusive positions. Their scope is affected not only by the weakness of the methodology used, but also by deficiencies in the underlying information sources. A recent study confirms this caution and underlines the limited consistency between the indicators designed by the GPEDC and measures of cooperation effectiveness (Gisselquist et al., 2023).

The importance of the issue has attracted the attention of researchers, who have produced various studies on the subject. Their conclusions suggest that the plurality of actors operating in the same sector and country increases transaction costs (Acharya et al., 2006); that this process also increases the administrative burden on recipients (Roodman, 2006); that it makes donor coordination more difficult (Bigsten and Tengstam, 2013); and that it also ends up diverting specialised human resources away from national administrations (Knack and Rahman, 2007). All these partial negative effects seem to support those who consider the adverse relationship between fragmentation and aid effectiveness to be proven (Djankov et al., 2009; Kimura et al., 2012). This latter proposition, however, goes beyond what the evidence allows, since the empirical results remains ambiguous and only moderately robust. This ambiguity should not be surprising, since estimates of aid effectiveness themselves are subject to numerous indeterminacies and often yield uncertain results (Doucouliagos, 2016).

This caution is reinforced by the views of recipient countries themselves, which are much less categorical when assessing the disadvantages of aid fragmentation (Greenhill et al., 2013). It is also consistent with the mixed balance of effects found in some case studies (Klingebiel et al., 2016). In short, more evidence is needed to confirm the presumed negative impact of fragmentation.

This indeterminacy led researchers to consider other dimensions related to fragmentation, such as donor coordination and harmonisation (Bigsten and Tengstam, 2015). One of the most detailed studies on this issue confirms that the positive effect of donor concentration operates only in countries receiving large amounts of aid (Kimura et al., 2012). In countries with smaller flows, the advantages of concentration are offset by the negative effect that a narrowing of options has in terms of alternative sources of finance and greater competition among donors. Indeed, Gutting and Steinwand (2017) confirm that the presence of multiple donors has a positive impact in fragile states, which normally receive limited volumes of aid.

In an ambitious recent study, Gehring et al. (2017) sought to assess the effects of fragmentation on aid effectiveness. Among the study's most significant contributions are its use of different concepts and measures of fragmentation, with potentially different effects; its consideration of various dimensions on which impact can be measured—economic growth, school enrolment and bureaucratic quality; and its inclusion of both sectors of activity and country characteristics as conditioning factors.

Including all these specifications is important for characterising the phenomenon. For example, it is crucial to consider the sector in which cooperation operates. Social sectors are usually regarded as those with the highest levels of aid fragmentation, but this may be because interventions in these sectors tend to be smaller in scale and because there is greater consensus on the priority of the sector, leading all donors to promote interventions in it. However, this same convergence may result in greater alignment among donors, or in recipients having developed capacities to coordinate providers, thereby reducing the negative effects of fragmentation.

It is equally important to consider the characteristics of the recipient country. A plurality of actors may not be a drawback if the host country has strong institutions and high administrative capacity, or if, by virtue of its high geostrategic value to donors, it has strong bargaining power and leadership capacity to steer flows. The way donors manage their interventions also matters, beyond their diversity. For example, if donors are inclined towards coordination because there is a tendency to use programme-based aid or because their presence is channelled through pooled funds, then the negative effects of fragmentation may be significantly reduced.

Finally, the characteristics of the fragmentation index used are also relevant. Some of the most common indicators pay particular attention to the number of donors, which may be driven by the high presence of marginal donors contributing minimal amounts. Others, by contrast, focus more on capturing the opposite phenomenon: the concentration of operations, identifying what share of aid is provided by the largest donors. This latter aspect is important because the negative effect of fragmentation may be mitigated if there is a lead donor or a small group of donors setting the pattern for the rest.

The factors discussed do not exhaust all those that are relevant, but they are sufficient to show that the effects of fragmentation are conditioned by a variety of circumstances, which explains the ambiguity of the results. In the last study referred to above, the findings point to a negative effect of fragmentation on the recipient's economic growth dynamics, but only when there is no lead donor —that is, when the level of aid concentration is low. In any case, the effect operates mainly through aid rather than directly: fragmentation does not directly affect growth, but does so by reducing aid effectiveness.

When the effect of aid fragmentation on educational achievements is examined, however, a positive effect is found, reflected in higher school enrolment rates. This result may indicate that, in this sector, donors are more aligned and recipients have accumulated sufficient experience to play a more active role in aid coordination. In this way, the positive effects of fragmentation —greater diversity of donors and funds— offset the negative ones.

Across all the relationships explored, it is important to take the recipient's administrative capacity into account. Specifically, the negative effect of fragmentation on aid effectiveness is greater in the case of recipients with lower bureaucratic quality, which tend to coincide with the poorest countries. Indeed, the positive effect observed between fragmentation and school enrolment rates occurs mainly in countries with high administrative capacity, whereas the effect would be negative if only low-capacity countries were considered.

These findings do not remove the ambiguities, but they do suggest that caution is needed when prescribing that donor countries concentrate their areas of operation by reducing either the number of partner countries or the fields in which they work. Calls for greater selectivity in the identification of partners are not supported by the studies and may entail high costs if the donor has established solid relations with the country and contributes an added value that other donors lack. A similar argument applies to recommendations to move towards more focused cooperation models by abandoning areas of work in which the donor may have distinctive experience that others do not possess. What does seem to be supported is the positive effect of donor coordination and the negative effect that aid fragmentation has in countries with lower capacities.

5.5.2. Coordination: National Platforms

As noted, the costs associated with aid fragmentation are mitigated when there is sufficient coordination among donors. This conviction underpinned the Paris agenda on Aid Effectiveness, which included among its principles the need to advance donor alignment and harmonisation. The aim was for donors to subordinate their actions to the priorities, institutional systems and management procedures of recipient countries, while also coordinating among themselves, advancing in the division of labour and in the simplification and harmonisation of administrative requirements. These two aspects were more or less reflected in the two Busan principles, arising from the Fourth High-Level Forum on Aid Effectiveness, which refer to results-based management and inclusive partnerships.

Initially, coordination was assumed to be primarily the responsibility of donors. They define policies, allocate resources and choose aid modalities; and they are also the actors with the capacity to engage with their peers, complement efforts, divide tasks and harmonise procedures. Moreover, there are instruments that can facilitate these processes, particularly budget support and contributions to pooled or basket funds at the country level. In practice, however, evaluations of the aid effectiveness agenda indicate that little progress has been made in these areas. What cost does this inertia entail?

In a widely cited study, Bigsten and Tengstam (2013) undertook a tentative estimate of the reduction in administrative costs that donors could achieve through a more consistent application of harmonisation. Specifically, they considered two complementary harmonisation processes. The first would involve reducing the number of countries in which each donor operates, which would correspondingly reduce the number of actors present in the recipient country. The authors assume that the average number of partner countries per donor (109) is reduced by one standard deviation; this would lead to a 14 per cent reduction in costs. The second line of action would involve moving from project-based cooperation to programme-based cooperation, with the aim of increasing the share of programmes from 39 per cent of Country Programmable Aid (CPA) to 66 per cent. In this case, the cost reduction would amount to 24.3 per cent. Together, these two processes would imply, for donors alone —recipient cost savings were not estimated— a reduction in costs of close to 38 per cent.

Even greater gains would be achieved if donors were also willing to coordinate their aid allocations, taking into account the distribution of resources that maximises poverty reduction. A consistent application of this criterion would imply reallocating just over half of ODA resources (53 per cent), a figure that reveals the inadequacy of current allocation criteria. The benefit of this shift of aid, from privileged recipients ("darling countries") to relatively neglected ones ("orphan countries"), would amount to 44.5 per cent of resources. If it is acknowledged that such a shift is not always possible —because some countries benefiting from the change may face aid absorption problems, while some of those losing resources may still have high aid needs, for example because they are in post-conflict situations— that percentage would fall to 23.2 per cent, but would still remain substantial.

The limited progress made by donors in these areas, despite the potential benefits, suggests the presence of political economy constraints. The two most important are: (i) first, the coordination required at the global level for all donors to reduce the number of partners, divide tasks or reallocate resources is extremely difficult: incentives are limited, negotiation costs are high, and the likelihood of non-compliance is also high; and (ii) second, the political benefits countries derive from preserving their autonomy in selecting partners and allocating resources are likely to outweigh the benefits associated with cost reductions through coordination. Of the three mechanisms mentioned for improving coordination —reducing the number of partner countries, coordinating resource allocation, or resorting to shared instruments— the latter is therefore the easiest to apply, based on more intensive use of CPA. This change, however, requires a degree of trust transfer from donor to recipient and sincere support for strengthening the latter's institutional capacities.

In any case, experience suggests that coordination can advance more rapidly if the level at which decisions are made is lowered: moving from the global to the local. In other words, rather than expecting donors to act in concert to concentrate the number of partners or reallocate resources globally, the aim should be to promote more intensive coordination among donors operating in the same country. Reformulated in this way, the process is more manageable, involves more feasible negotiation, and can also generate significant cost savings for both donors and recipients. It also has the additional advantage of establishing a framework in which the recipient country itself can more easily lead the coordination process, subordinating the aid it receives to its own national priorities.

This is what the Integrated National Financing Framework (INFF) initiative, promoted by UNDP and actively supported by Spain, seeks to achieve. It offers a more realistic and pragmatic way to advance coordination on the ground and to lay the foundations for stronger recipient-country leadership, since the country itself must define the financing framework into which donor contributions are integrated. For this process to be activated, donors must invest in strengthening country capacities and accompany the country in exercising leadership. It is too early to assess the results of this initiative, but it represents a promising path, provided donors are willing to contribute without imposing attitudes or additional conditionalities.

5.5.3. Predictability of funds

Aid fragmentation can also affect another aspect that conditions aid effectiveness: the predictability of funds. There are sufficient reasons to believe that recipients, like consumers in general, prefer regular income flows to receiving the same average amount but with sharp temporal fluctuations. Predictable funds allow recipients to incorporate them in advance into their investment programmes, improving their aggregate impact. Conversely, changing and unpredictable flows tend to push resources towards short-term spending and consumption, with a lower transformative impact on the recipient.

The previous paragraph refers to two related but distinct concepts. The first is aid volatility, which measures variation over time: it is therefore an ex-post measure of frequent and intense changes in the volume of aid received by a country. The second is aid predictability, which indicates the extent to which recipients can rely on a forecast of future resources: it is thus an ex-ante concept. In principle, high volatility would be expected to imply low predictability, but this is not necessarily the case. For example, if aid variation follows regular patterns, it may not affect predictability. Nevertheless, the two variables are usually correlated.

Studies on the negative impact of volatility and unpredictability on aid effectiveness are conclusive and robust. Many periods and methodologies have been considered, and in all cases this relationship is confirmed (Lensink and Morrissey, 2000; Easterly and Pfutze, 2008; Rajan and Subramanian, 2005, among others). Variability in flows clearly penalises the impact of funds. Aid would have a greater transformative impact if recipients could operate with certainty within medium-term programming frameworks.

This contrasts, however, with the limited progress donors have made towards more programmatic and predictable aid. The simplest way to verify this is to identify the share of Country Programmable Aid in total bilateral aid. As noted above (Chapter 3), this share has declined from the early 2010s to the most recent figures for 2024, falling from 56 per cent to 46 per cent. The monitoring work carried out by the GPEDC on the implementation of the principles of the cooperation effectiveness agenda confirms this picture. According to the latest report, 2023–2026: "while predictability of funding is improving —over three quarters (77 per cent) of countries reported high or very high annual predictability— medium-term predictability is limited with only a third (36 per cent) development partners providing forward plans for the three years forward."

This result may be a consequence of the volatility of the environment, which makes donors reluctant to commit resources over the medium term without precise knowledge of the circumstances their economies may face at that time. Additionally, however, the very way aid is managed —based on intensive use of projects and on an undeniable mistrust of recipients' institutional and management capacities— makes it difficult to move towards instruments operating within longer time frames. Here too, the use of INFFs or national platforms integrating donors may be a useful mechanism for linking contributions to more integrated and predictable programming frameworks.

5.5.4. Policy Coherence

There is one final issue that deserves attention because it affects cooperation effectiveness and may be influenced by system fragmentation: policy coherence. This is a complex issue, which emerged at the end of the last century and on which little substantial progress has since been made. Coherence refers to the need for governments to pay attention to the interactions among their policies, seeking to reinforce complementarities and reduce the costs or interferences that may arise among them, with the aim of improving the intended impact. Since sustainable development is the result of a broad set of policies, it is reasonable that coherence should have emerged as a desirable objective. At the same time, the multiplicity of actors and aid fragmentation may make this objective more difficult to achieve.

A proper understanding of the issue requires two clarifications. The first is that coherence is not an objective that can be fully achieved in itself, but rather a goal to be approached without ever being fully realised. Human beings are not consistent in their decisions, nor is politics a terrain that leads to apodictic decisions. On the contrary, policymaking requires permanent negotiation among different —and sometimes conflicting— purposes, which makes full coherence difficult. The aim should therefore be not so much to achieve coherence, which is impossible, but to reduce the unnecessary incoherences of which we are aware.

The second clarification is that coherence is a contingent quality, serving a purpose that gives it content. Coherent with respect to what? Civil society calls on donors to ensure policy coherence in order to maximise development impact in partner countries. They have good reason to do so, since what aid policy claims to pursue is often contradicted, for example, by trade policies that are unfavourable to developing countries or by requirements in the handling of debt crises that show little understanding of those countries' circumstances. Yet when policy coherence is discussed, many governments and much of the public opinion associate this quality with the defence of national interests rather than the promotion of international development. In other words, positive impact on sustainable development is only one part of the purposes of government action, meaning that different and conflicting frameworks of coherence coexist.

Given these indeterminacies, it is not surprising that studies on this issue have faced considerable difficulties in translating the objective into quantitative terms and in developing robust analytical models capable of generating consensus among specialists. Instead, analysis has tended to shift towards the construction of qualitative taxonomies, descriptive analyses and the accumulation of case studies, sometimes built on different methodologies. None of this facilitates solid conclusions. Even so, some recommendations appear better grounded in experience. Three are noted here:

1. It is difficult to advance policy coherence if public decisions are not properly informed by *analysis of the development impact* generated by different options. In other words, to determine what degree of incoherence one is willing to accept in this field, political decision-makers need good knowledge of the impact that policies and decisions may have on developing countries. Creating a culture within public administration of measuring the development impact of policies seems an important first step towards advancing coherence.

2. Given the compartmentalised reality of most administrations, it is important to establish *horizontal dialogue and coordination mechanisms* involving most policy departments whose decisions have significant effects on developing countries. The same response should be established to promote dialogue among different levels of administration —central, regional and local— when they have competences in this area, as is the case in Spain. Indeed, this was one of the functions for which the Interministerial Commission for Cooperation for Sustainable Development and Global Solidarity and the Sectoral Commission for Cooperation for Sustainable Development and Global Solidarity were created, in accordance with the Law of 20 February 2023.

3. Finally, coherence requires a *mandate that cuts across the specific field of action* of each department. Its promotion should therefore be entrusted to a body which, by virtue of its higher hierarchical level or coordinating function, has authority over the various departments. How this function is materialised will depend on the characteristics of each administrative culture, but the higher the level of hierarchy involved in supporting policy coherence, the greater the likelihood that the process will not become bogged down in interministerial disputes.

Earlier pages defended the need to localise development action and to advance coordination among cooperation providers through the construction of national platforms in which their contributions are integrated. If this process succeeds, it will mean that an increasing share of decisions will be taken within countries themselves, rather than at the headquarters of development agencies. It is therefore important that this more local environment also include mechanisms for interdepartmental —and inter-provider— coordination, in order to ensure sufficient levels of coherence. At the territorial level, it is easier to detect complementarities and interferences among different policies by observing their effects on the country. These platforms can therefore also play a useful role in generating signals for decision-making at planning levels, thereby helping to improve coherence.

5.6. COMBATING FRAGMENTATION AND FUND UNPREDICTABILITY: PROPOSALS

The argument developed in this chapter contains some indeterminacies, but it also yields a number of conclusions that appear robust. These may be summarised in eight main points.

1. The diversification of cooperation providers, specialised actors and institutions, and available instruments *should be judged positively*. Taken together, it has helped enrich the cooperation system, diversify developing countries' partners and increase countries' strategic room for manoeuvre. The negative tone with which this phenomenon is often presented should be tempered and balanced against its positive contributions. Moreover, in the future we should expect an even more densely populated system of actors and financiers, as new countries—desirably—join cooperation. Seen in perspective, Severino and Ray's (2009) characterisation of development cooperation as a field of hyper-collective action at the international level seems accurate: the task is to navigate this complex and plural environment.

2. Like all processes of change, this one also requires measures to ensure that diversity is properly managed and that the *costs it generates are avoided or reduced*. It is the absence—or insufficiency— of such measures that should be criticised, rather than the diversification of the system itself. The critique should be directed at the fact that resources do not grow in proportion to transactions; that donors do not advance in the predictability of commitments; that aid does not create more space for programmable instruments; that policy coherence does not advance further; and that very little effort has been made to improve local coordination under recipient leadership. These are the shortcomings that require correction, rather than the proliferation of actors in the system.

3. It is not clear that aid fragmentation should always and under all conditions be considered a cost. The plurality of donors and actors operating in countries may *enrich the cooperation* system by encouraging more active innovation or expanding recipients' negotiating and strategic room for manoeuvre. All these are positive factors. However, the negative effect intensifies when donor coordination is weak or leadership among them is absent, and when recipient institutional and administrative capacities are low. The coincidence of these two features is not accidental, especially in the poorest countries, suggesting that reducing fragmentation is particularly important in aid directed to this group of countries.

4. It does not seem reasonable to seek a reduction in fragmentation through a concerted exercise among donors to reduce their partner countries, or through coordinated resource allocations aimed at maximising a supposed aggregate poverty-reduction function—which, in any case, rests on weak theoretical foundations. The most feasible way to advance this process is through a transition among cooperation modalities, seeking to give *greater weight to options such as programme-based aid or pooled funds*, which facilitate more coordinated donor action.

5. Beyond the transition among cooperation modalities, it is also possible to improve donor coordination, but for this process to be effective it should not be framed primarily at the global level, but rather at the local level: that is, by *promoting coordination within the territory of the country in which donors operate*. Negotiation costs are much lower in this case, while the possibilities for the recipient country to assume effective leadership in donor coordination are much higher. These observations underline the relevance of aid localisation processes and initiatives such as INFFs, which seek to combat aid fragmentation from the local level and strengthen countries' ownership processes.

6. In addition to improving coordination, it is necessary to advance the predictability of cooperation. Progress in this direction also requires a shift towards new cooperation modalities that encourage *commitments defined over longer time frames*. Increasing the share of programme-based aid in total interventions therefore appears to be a desirable objective. For this to happen, however, donors must support country capacities and undertake a more sincere delegation of trust to recipients in the management of cooperation.

7. It is also important to *improve policy coherence* among cooperation providers. This involves, among other things, generalising and improving analysis of the sustainable development impact of public decisions, and establishing dialogue mechanisms that operate transversally within administrations under that mandate. The growing localisation of development action may support this process by narrowing the framework within which impacts are assessed. For this to happen, however, a fluid information channel must be established from field-level units to the strategic decision-making centres of providers, so that evidence can inform decisions.

8. Finally, many of these proposals are directed at traditional donors, because this is the area in which aid fragmentation has been studied and in which programme-based aid (CPA), pooled funds and national coordination platforms have been most clearly defined. But nothing prevents new *South-South cooperation providers from participating* in these coordination exercises and platforms. The fact that their practices and orientations differ from those of traditional donors does not mean that more intense dialogue and collaboration cannot be sustained in the service of the country's priorities and ownership of its development process. This more localised dialogue may also help lay the foundations for a more integrated and inclusive governance structure of the cooperation system —an issue to which the next chapter is devoted.

6 CHAPTER 6. GOVERNANCE OF THE COOPERATION SYSTEM

6.1. THE SPECIFICITIES OF GLOBAL GOVERNANCE

Only recently has global governance received sustained attention in academic research. From the perspective of law and international relations, scholars have explored the genealogy of the concept and the distinctive foundations of authority and legitimacy underpinning the "governance without government" that characterises the international sphere (Rosenau and Czempiel, 1992; Weiss, 2013). The aim is to understand why autonomous and sovereign entities such as states are willing to grant credibility to, and follow the guidance of, an organisation that operates beyond national borders and without the support of effective coercive mechanisms.

Economics, in turn, has adopted a different perspective, approaching the concept of global governance through the study of the conditions required for the efficient provision of international public goods (among others, Kaul et al., 1999, 2003 and 2006; Barrett, 2007). With a less theoretical purpose, international organisations such as the World Bank and UNDP also began to use the term in a more descriptive sense, referring to the mechanisms of international coordination created to reduce the costs of interdependence in an increasingly global world.

Despite all this work, a complete and consistent theoretical body on the subject is still lacking. As two specialists in the field acknowledge, "global governance remains notoriously slippery" (Weiss and Wilkinson, 2014: 207). This judgement calls for caution in making conceptual proposals on the subject. The formulations offered by two recognised authors may serve as a starting point.

The first associates global governance with "the exercise of authority across national borders as well as consented norms and rules beyond the nation state, both of them justified with reference to common goods or transnational problems" (Zürn, 2018: 4). Weiss (2013: 2), in a somewhat more open formulation, defines it as "the sum of informal and formal values, norms, procedures, and institutions that help all actors —states, intergovernmental organizations (IGOs), civil society, Transnational Corporations (TNCs) and individuals— to identify, understand, and address trans-boundary problems". These two definitions are sufficient for our clarifying exercise.

Three aspects of the first definition are worth highlighting. First, governance is necessarily associated with an exercise of authority, which may translate into the generation of norms and rules that apply beyond national borders. It is therefore more than mere coordination among countries or the occasional exercise of cooperation between them. It should be noted, however, that the function of this type of governance is not only to produce rules, but also to set agendas, monitor what has been agreed, allocate tasks and, in exceptional cases, require compliance with rules. Second, the concept refers both to the international sphere and to the transnational one. This means that global governance encompasses both the responsibility of the United Nations to activate a peacekeeping operation and the activity of a rating agency defining risk premia in capital markets. States are therefore not the only actors that shape governance structures. Finally, the exercise of authority and the normative and regulatory capacity associated with global governance are justified by the existence of goods and challenges whose effects transcend borders and whose management requires a cooperative effort that goes beyond the scope of national states. The presence of international public goods in this field is therefore crucial.

The second definition also offers two clarifying elements. The first is that the framework of global governance is defined by both formal and informal institutions. In other words, governance includes both an institution —such as the United Nations— or an explicit norm such as the Kyoto Protocol, for example— and a socially shared convention, even if unwritten, such as the idea that rich countries should provide international aid to poorer ones. The second aspect to underline is that, as noted above, global governance involves not only states, but the full range of international actors, including companies, civil society, academia and international organisations, among others.

Like any institutional arrangement, governance both constrains and enables the actions of international actors. On the one hand, international rules necessarily limit the scope of action of agents by prescribing certain behaviours as unacceptable —consider, for example, the Recommendation approved by the DAC in 2001 limiting donors' use of tied aid. Indeed, at the extreme, one might argue that governance exists only if authority in some way limits the scope of actors' behaviour; or, conversely, that no governance would exist if actors always and everywhere did whatever they wished. At the same time, however, governance also enables actors to articulate transformative political action that would not have occurred in the absence of that governance structure —for example, without the United Nations it is difficult to imagine that countries would have agreed on the 2030 Agenda.

It is assumed that adopting decisions that involve states —and, by extension, the citizens those states represent— is inherent to any governance structure. This imposes on global governance structures a dual accountability requirement: towards states and towards citizens. The limited extent to which the latter is fulfilled is, however, a frequent source of criticism of global governance. Corresponding to the addressees of accountability, both states and citizens may also be sources of criticism when governance structures fail to meet their expectations.

Both the exercise of authority involved in defining norms and rules and the subsequent accountability activity of a global governance institution rest on the assumption that there is a common good of a transnational nature, to the achievement of which the institution's activity is subordinated. It does not matter if the identification of that common good is fragile or rudimentary. What matters is that it is understood that, for its management, the capacities of actors operating autonomously are insufficient. It is this conviction that provides the added value, and the justification for the existence, of an institution operating in the international sphere.

The way in which global governance exercises authority also has specific features, because it does not rest on coercion or imposition, but on acceptance, on the voluntary deference of the states or actors concerned. Accordingly, in most institutions, with occasional exceptions, the exercise of authority does not materialise in binding commands, but in recommendations or requests, which must then be interpreted and translated into actors' behaviour. Complementarily, through the exercise of authority, global governance institutions also perform a normative function, establishing what should be done because it is considered "right".

It is relevant to ask why a state is willing voluntarily to obey and follow the instructions and recommendations of a global governance structure. The reasons may be very diverse: from the desire to gain international reputation to the wish to join majority behaviour; from seeking favour with the hegemonic power to cultivating affinity with peers. All are possible reasons. But the most substantive argument refers to the recognition of the informational or operational limitations that parties face in effectively addressing specialised problems of a global nature. They therefore expect to derive potential benefit from the existence of a centralised authority with international expertise on the issue.

The preceding argument points to the distinctive sources of authority of global governance which, while retaining an irreducible political dimension, find their most visible justification in the epistemic sphere: that is, in the capacity to manage information and expert knowledge for the design of responses in the field in which they operate —consider the IMF, the World Health Organization or the Intergovernmental Panel on Climate Change (IPCC), to give three examples. It is this management of expert knowledge that leads countries to accept their decisions as guidance for action, even in the absence of any executive mechanism compelling them to do so (Zürn, 2017).

Since specialised knowledge is always open to criticism, every global authority is also subject to continuous processes of questioning, which must be offset by an equally continuous effort to justify its existence and practices. This does not occur to the same extent with states, which rest on a stronger structure of political power and on an unequivocal legitimacy derived from popular will expressed through elections. There is no demos on which the legitimacy of a global governance body can rest, nor does it possess punitive power on which to ground its authority.

The weight that information and expert knowledge have in sustaining its decisions also explains one of the most common problems affecting such structures: their technocratic bias. That is, their tendency to interpret problems as devoid of political content and therefore solvable within the apparently neutral space of technical knowledge or instrumental expertise.

Associated with the origin of global authority are the criteria of legitimacy on which its existence and activity rest. Many of the sources of legitimacy available to national political power are not available to global governance, so the latter's legitimating criteria are based on a partial adaptation of those sources. Drawing on Max Weber's triad[25], it is within the realm of rational authority that the source of legitimation for global governance is to be found.

Within this space of legitimation, the principle of impartiality in decisions and procedures plays a crucial role. Such impartiality is likewise presumed to characterise the sources —namely, information and expert knowledge— on which action is based. This additionally entails a balanced hearing of the various interests at stake, and an equally balanced consideration of the benefits and costs arising from options. Decision-making processes and the required general and non-discriminatory application of agreed rules and norms should rest on the same criterion.

This does not always happen in practice. Some international institutions base their decision-making processes on asymmetric arrangements that grant preference to some members —such as the veto right in the United Nations Security Council— or combine qualified majority requirements with weighted voting, producing the same effect, as in the IMF. Even where voting is formally equally distributed, informal deliberation processes may lead an institution away from this criterion of impartiality —as occurred, for example, in the WTO "Green Room" during the Doha Round negotiations. The absence of impartiality is a central factor weakening the legitimacy of global governance institutions.

Complementing this principle, other criteria are also required of a governance structure that aspires to be optimal. Five are particularly important:

- *Inclusion,* to ensure that the governance structure does not marginalise relevant actors in the field of action concerned.
- *Representativeness,* to guarantee that all relevant voices and perspectives are adequately weighted.
- *Effectiveness,* to achieve the goals that make up the mandate—including dynamic effectiveness, which refers to the institution's capacity to adapt to future change.
- *Transparency*, to ensure that decision-making criteria and processes are accessible and properly publicised.
- *Accountability*, so that the results achieved are justified before the two basic sources of authority to which governance structures are answerable: states and societies.

[25] Max Weber identifies traditional, charismatic and rational-legal sources of political legitimacy, to which we should add the democratic-representative source.

6.2. AID: GOVERNANCE IN CRISIS

The DAC, as the governance body of the aid system, shares many of the features characteristic of a global governance structure: its subordination to a purpose linked to the global common good —improving policies aimed at fostering the development of middle and low-income countries; the recommendatory nature of its rules and decisions; the central role of expert knowledge in the exercise of authority; and the claim to impartiality in its conduct. One may be more critical, however, regarding the extent to which it meets the criteria required of a high-quality governance institution. The DAC has shown that it can operate with acceptable effectiveness, but in the remaining criteria —inclusion, representativeness, transparency and accountability— it displays shortcomings of varying significance. To a large extent, these shortcomings derive from the DAC's own origin and nature, but their seriousness has increased over time as a result of changes in the international environment.

Since the Western powers created the aid system, those same countries designed its governance institution, reproducing within it the traits of exclusivity and unilateralism that characterised that policy. It is true that in the 1940s and 1950s there were some attempts to make cooperation revolve around the leadership of the United Nations. But the strategic imperatives of the Cold War ultimately shifted the centre of gravity towards bilateral action, placing donors at the head of the system. The deployment of the OECD, and its role in the successful experience of the Marshall Plan, provided the institutional framework for housing the governance of the aid system, which finally crystallised, at the initiative of the United States, in the Development Assistance Committee (DAC), created in January 1961[26].

Over its long existence, the DAC has facilitated continuous dialogue among donors on their international aid policies, encouraging convergence among their respective institutional and policy models. To promote this process, concepts and metrics were defined, standardised and systematic data reporting was adopted, good practices were disseminated, shared standards were approved, and an original peer review process was established to improve respective policies. The overall balance is highly positive: the aid system would be very different, and certainly worse, had the DAC not existed. Yet none of this corrects the exclusionary character of the body, reserved exclusively for OECD donors, nor does it challenge the vertical nature of the relationships on which it rests, with almost no space for the voice and representation of developing countries. Seen in perspective, it is paradoxical that ownership should be proclaimed as a basic principle of action within a body—and a system— that is based precisely on the exclusion of the countries expected to lead that development.

Identifying the DAC as the central axis of governance of the cooperation system may have seemed reasonable in the past, when that policy was virtually identified with ODA and when the only significant donors were OECD members. This is no longer the case. Despite its imprecise boundaries, development cooperation today defines a much broader and denser field than ODA. It comprises a variety of funding providers, actors and institutions, and support mechanisms that are only partly

26 Earlier, in 1960, the Development Action Group had been established; this was the forerunner of the DAC.

subsumed under ODA. The rest operate beyond the limits of that metric, even though they are equally intended to contribute to the sustainable development of the countries involved.

A view informed by some temporal perspective suggests that the part of cooperation currently outside ODA is likely to become increasingly relevant in the future, as today's developing countries acquire greater weight and international prominence. The partial withdrawal of United States support for ODA, combined with the weakening of support for that policy in other European countries, may accelerate this process. The same direction is indicated by the institutional and strategic consolidation of China's cooperation policies and those of other middle powers; the deployment of new multilateral development institutions created at the initiative of Southern countries; and the strengthening of alliances —such as the BRICS— that group together new powers outside the OECD. An important and growing share of development cooperation operates —and will continue to operate in the future— outside the DAC's sphere.

This mismatch between inherited institutional arrangements and the emerging reality of cooperation policy has led, in recent decades, to the creation of other platforms for dialogue and coordination in the field of development action, with broader memberships than the DAC. These include the Development Cooperation Forum (DCF), the Global Partnership for Effective Development Cooperation (GPEDC), the International Forum on TOSSD and the International Aid Transparency Initiative (IATI). None of these platforms meets the conditions of an adequate governance structure that could serve as an alternative to the DAC, but their very existence reveals that the scope of the system extends beyond the perimeter of ODA.

Against this backdrop, the key question is whether the DAC should continue to serve as the central reference point for the system's governance, or whether efforts should instead be directed towards establishing a new, more comprehensive and inclusive governance framework capable of organising and aligning the diverse platforms for dialogue and coordination that have emerged within development cooperation. If the second option were chosen, the role the DAC might play in this new governance structure would still need to be resolved. Should new institutions be built through a reform of the DAC, or should a more open process be envisaged, with the participation of countries outside the OECD? And, in the latter case, what role should be assigned to the DAC? Should it disappear, or should it be preserved as a coordination mechanism for a group of important donors united by shared values and purposes? This chapter is devoted to answering these questions.

To advance this inquiry, it is useful to consider the trends shaping the global geostrategic framework. The process of reforming the development cooperation system should be seen as part of the ongoing reshaping of the international system. The governance response will not be the same if the world is understood to be heading towards a new bipolar confrontation as if it is seen as moving towards a more multipolar and fragmented order, with fluid and changing alliances beyond traditional blocs. It is equally necessary to consider the models of cooperation—and development agendas—that may emerge in the future, because the governance structure required will depend crucially on the scope and orientation of those models. The following two sections address these issues.

6.3. GEOSTRATEGIC FRAMEWORK

6.3.1. Trends of change

It is difficult to provide a clear-cut interpretation of the current geostrategic reality, given the uncertain, fluid and often confusing nature of the present context. What is evident, however, is that today's reality differs markedly from that prevailing at the end of the previous century. Alliances once considered solid have fractured, and inherited rules and consensuses have weakened. Within this complex setting, three broad trends of change can be identified, already anticipated in Chapter 1: the continued decline of the United States —and of the West more generally— accentuated by the consequences of the 2008 financial crisis; the rise of China as a global power, with an economic and political model very different from that dominant in the West; and the emergence of a wide and heterogeneous group of middle powers, laying the foundations for a more complex and multipolar world.

A West in decline

The first trend points to the undeniable loss of economic weight and political influence of the Western bloc. Although rooted in earlier developments, this process has been intensified since the 2008 crisis and accompanied by a shift of global economic dynamism towards Asia. More recently, Western cohesion has been further undermined by tensions within the bloc, particularly those generated by the abrupt shift in U.S. foreign policy.

The sharply nationalist tone of the Trump administration, its disregard for international rules and agreements, its repeated recourse to unilateralism, its dismissive attitude towards allies and its explicit rejection of previously shared goals —such as environmental sustainability—have driven a wedge between the two main economic poles of the bloc: Europe and the United States. The resulting fractures are deep enough to make a restoration of trust unlikely in the short or medium term. At the same time, existing fissures within the European Union have widened: a bloc that appears weakened and paralysed, internally divided, unable to articulate a coherent strategic position on the international stage, and whose member states oscillate between subordination and impotence.

The influence of this bloc on international development action remains significant, given its capacity to shape agendas, mobilise resources and set standards. However, this influence is clearly declining — not only because of its diminishing economic weight and the rise of alternative powers, but also due to the erosion of its credibility in its commitment to the development agenda. This erosion has been fuelled by the accumulation of unfulfilled promises —most notably the long-standing commitment to allocate 0.7 per cent of GNI to ODA—, the frequent use of explicit or implicit conditionality in aid, and recurring double standards in international policy.

Disillusionment turned into resentment during the COVID-19 pandemic, when Western countries stockpiled vaccines beyond their needs while many developing countries lacked access to immunisation.

Continued reluctance to advance key elements of the development finance agenda —such as mechanisms for sovereign debt resolution or international tax coordination— and resistance to deeper reforms of voice and representation in multilateral institutions further reinforce this critical perception.

In this context, recent U.S. decisions to dismantle its development agency (USAID), drastically reduce its aid programme and withdraw from key UN agencies have made it an unlikely reference point for international development action. A similar, though less pronounced, trend can be observed in some European countries, also engaged in processes of aid reduction. Moreover, the European Union's credibility in the Global South has been further damaged by its perceived submissiveness to U.S. demands and by its silence in the face of major crises affecting its moral leadership —such as the war in Gaza.

China's rise as a global power

The second major vector of change is the growing weight and influence of China on the international stage. Supported by its demographic scale and remarkable economic growth, China has become a power capable of rivalling the traditional triad of the United States, Europe and Japan, and has positioned itself as a key partner for a wide range of developing countries.

China's rise has been grounded primarily in economic and technological success, without a comparable expansion in military power. In economic terms, the data are striking. The size of China's economy now surpasses that of the United States, and its exports —around 15 per cent of the global total— double those of either the United States or Germany. Following its accession to the WTO, China has advanced trade liberalisation, reducing tariffs and participating in around twenty bilateral and regional free trade agreements. This commercial dynamism has been accompanied by a strategic effort to secure access to resources necessary for sustaining growth, making China the principal trading partner of more than 140 countries.

This economic expansion has been paralleled by rapid technological advancement. Despite its initial disadvantages, China now rivals the United States in the number of patents filed with the World Intellectual Property Organization and leads innovation in key sectors, including energy transition technologies and electromobility. Its investment in renewable energy has been particularly notable: China currently accounts for nearly half of global installed capacity in both solar and wind energy, onshore and offshore.

At the same time, China has developed a robust international projection strategy, centred on the Belt and Road Initiative, which combines trade, loans, infrastructure investment, technological cooperation and development promotion. This strategy has been complemented by three major global initiatives in development (GDI), security (GSI) and diplomatic (GCI). China has also established diverse forums for dialogue and cooperation with developing countries —such as the Forum on China-Africa Cooperation and the Shanghai Cooperation Organisation— building an extensive network of bilateral and regional agreements, as well as strategic alliances such as the BRICS.

China's ascent has relied on two complementary approaches: strengthening its role within existing multilateral institutions and fostering new multilateral institutions. The Index of Countries' Support for UN-based Multilateralism (SDG Transformation Center) reflects progress in the first dimension, placing China slightly above the global average, though below the median, and notably ahead of the United States[27]. While the U.S., under Trump, withdrew support from several multilateral agencies, China has, for example, created new funding mechanisms within the UN system[28]. Meanwhile, China has also promoted new multilateral institutions, either on its own initiative —such as the Asian Infrastructure Investment Bank (AIIB)— or through alliances, such as the New Development Bank within the BRICS framework.

The emergence of middle powers

The third major trend is the growing role of a diverse and numerous group of middle powers, many originating from the Global South. In a context of declining hegemonic dominance and weakening traditional alliances, these countries have gained relevance and enjoy greater autonomy in shaping their international relationships.

Many operate through flexible and overlapping alliances that transcend traditional blocs or emerging geopolitical divides such as the U.S.–China rivalry or the Global North–South divide. The diversity of their interests makes it difficult to attribute a unified geostrategic agenda to them, beyond a shared aspiration to preserve autonomy from the influence of major powers. Yet this diversity also facilitates the formation of multiple and flexible coalitions —such as "coalitions of the willing"— or their influence within established platforms such as the G20.

A significant share of these middle powers comes from the developing world and seeks to reform the international system to enhance their voice and representation and to promote global rules more attuned to their conditions. Among the various alliances pursuing these goals, the most prominent is the BRICS grouping. Initially composed of five countries —Brazil, Russia, India, China and South Africa— it expanded at its 2023 summit to include Egypt, the United Arab Emirates, Ethiopia, Iran and Indonesia, while other countries remain observers or candidates.

This expansion has enhanced the group's representativeness and strengthened its claim to act as a voice of the Global South. Among its most notable achievements is the creation of a network of multilateral financial institutions aimed at promoting development and safeguarding financial stability. These include the New Development Bank, the BRICS Cross-Border Payment Initiative —facilitating transactions in local currencies—, and the Contingent Reserve Arrangement —providing short-term

[27] https://dashboards-unmi.sdgindex.org/explorer
[28] They are: *China-United Nations Peace and Development Fund, Global Development and South-South Cooperation Fund* and *Climate Change South-South Cooperation Fund*.

liquidity support. The group has also advanced shared policy frameworks, such as the Partnership on the New Industrial Revolution, aimed at fostering innovation and digital transformation.

What characterises this group is its explicit intention to correct the bias of the multilateral system in favour of developed countries—manifest both in agenda-setting and, especially, in structures of voice and representation. It is thus a clearly counter-hegemonic bloc, challenging Western dominance in the international system. However, it largely seeks to operate from within the existing system, leveraging its demographic weight, economic power and strategic capacity, and engaging through both global and regional institutions.

6.3.2. Axes of tension

The panorama described above translates into an international reality marked by several axes of geostrategic tension. Which of these a country chooses to prioritise determines the orientation it gives to its international policy. From this perspective, two axes are most commonly invoked internationally, although one is predominantly advanced by Western countries and analysts—the rivalry between the United States and China—while the other is more frequently evoked by countries, analysts and actors from the developing world: the tension between the North and the Global South.

The first axis is defined by the tension between the United States and its Western allies, on the one hand, and China and its respective areas of influence, on the other. This bipolar tension takes its most visible form in fierce competition for global leadership in the economic and technological spheres. It is also expressed in the struggle for control over strategic resources and in the contest for markets and areas of influence. Those who elevate this tension to the status of the defining one often argue that the world has entered a New Cold War, in which the two global powers compete for hegemony and seek to draw parts of the international system into their respective orbits. There is disagreement as to where this tension originated: whether it was promoted by the United States following the Obama administration's decision to identify China as the main strategic threat (Foster, 2021), or whether China itself triggered it through its sovereignty claims in the South China Sea and its growing control of markets in Africa and Latin America.

There is agreement, however, that this tension has generated a cleavage in the international arena that is likely to deepen in the future. It is within this framework that one should understand the criticism made by OECD countries of China's attempt to present itself simultaneously as a global power and as a developing country. If this were the dominant axis of tension, the geostrategic value of development cooperation would probably decline in the future, given its limited influence over the fields—trade and technology—in which the contest is being fought.

The second axis is defined by the tension between the North—composed of developed economies—and the so-called Global South, understood as the developing world and including China and India. In this case, the struggle recalls the one that inspired the creation of the G77 in 1964, or the proposal for a New International Economic Order in 1974. The phrase "Global South" seeks to offer not only the contours of a collective identity with strong symbolic content —despite the sharp differences among countries— but also a unifying label for an economic and geopolitical aspiration aimed at transforming the international system. In this second sense, the purpose animating this bloc is to move towards a more balanced international order, one that gives greater weight to the interests of developing countries, establishes rules better adapted to their capacities, and allows for a fairer distribution of opportunities for progress. If this is the dominant axis, development cooperation may be expected to deepen its current duality, with two differentiated universes emerging between traditional aid and South-South cooperation.

Although they differ in position, the two axes mentioned above share a dual characterisation of the world, forcing countries to align around one of two opposing poles. Without denying these two tensions, reality could be interpreted differently by giving greater weight to two other features that also characterise the international system. The first is the deeply *fragmented nature of the global order*, in which past alliances and blocs lose consistency, and fractures emerge where solid ties once existed. As a result, the room for designing cross-cutting alliances has expanded considerably. *The second feature is that, in this environment, the system has become more multipolar*, as a result of the rise in number and relevance of a broad group of middle powers with different capacities, visions and interests, many of them uncomfortable with the rigid alignments of a bipolar world.

This view gives value to the strategic possibilities of creating a space open to international alliances and initiatives that operate transversally, beyond the dualities mentioned above, in search of a more open, diverse, rules-based international order oriented towards collective progress. This purpose, however, faces the presence of a broad —and perhaps growing—group of countries with illiberal regimes seeking to subvert the international order. These are countries that pursue strongly nationalist policies, with governments that show little respect for democratic practices, disregard international norms and agreements, conceive international relations as a zero-sum game, and resort to threat and aggression as a means of imposing their strategic aims.

At the head of this aggregate would undoubtedly be Russia, which has led the unilateral invasion of Ukraine and projected its threat over Europe's eastern flank, in addition to being involved in a long series of episodes of interference in the political life of many countries. Other strange bedfellows also belong to this group, including Iran, Israel, North Korea and Belarus, among others. What is peculiar about the present moment is that Trump's United States appears to have joined this group, drawing other countries along through its influence.

This is not, in any case, a bloc with clearly defined boundaries, but rather a heterogeneous group of countries linked by the affinity of their agendas and by the similar way in which they interpret the international system. The intimidating power of this group is amplified by the fact that its influence has penetrated democracies through aligned political forces located on the far right. The fact that these forces have built their own international alliances means that this phenomenon transcends national realities and becomes a global threat to the sustainability of a liberal international order, which is the foundation on which development cooperation rests.

Thus, the third relevant axis of tension in the international arena —the one to which greater importance is attached here— is not defined by rivalry between the two global powers, nor by the tension between the North and the Global South, but rather by the divide between countries and forces that defend the existence of a liberal international order based on rules and respect for human rights, and those countries and political forces that seek to subvert that order and impose a world divided into spheres of influence, based on the naked exercise of power. Development cooperation should be understood in this context as an expression of that liberal order grounded in "a common humanity united by respect for human rights and minimum legal and political norms" (Mishra, 2025: 26).

6.3.3. Development cooperation and geostrategic tensions

While all countries are required to navigate the three axes of tension outlined above, the hierarchy they assign to each conditions the design of their international strategic responses and, in turn, shapes their understanding of the role of international development policy (Table 6.1).

Those who assume that the present moment is characterised by the emergence of a New Cold War will be inclined to interpret development action either as a policy area of limited relevance, because the contest is being decided elsewhere, or as an instrumental resource that should be placed at the service of the strategic purpose imposed by competition with China. These two conceptions are not mutually exclusive, and traditional donors often move between them.

Indeed, some donors consider that international aid has lost much of its geostrategic interest and are willing to allow their contributions to decline significantly in order to address other priorities, such as international security. These are the countries that anticipate a scenario of progressive *decline for aid*. But there are also those who, starting from the same premise, believe that international aid can be useful in the bipolar contest, as it was during the first Cold War, provided that its approach and contents are deeply reconfigured, placing it more directly at the *service of the donor's national interests* and of the contest for spheres of influence with China. This reconfiguration would imply broadening the aid space to include instruments and resources capable of mobilising private capital, and shifting its strategic purpose so as to connect it more closely with the donor's national interests. The aim is to compete with China by using the same type of means that this Asian country employs in its cooperation policy, combining aid, trade and investment, and incorporating into the agenda objectives related to migration control, access to resources or markets, and international security.

This could also be the option for those who consider the most relevant geostrategic axis to be the one defined by the tension between the North and the Global South. In this case, development cooperation acquires greater strategic relevance because it is part of the space in which the conflict is being played out. In line with that relevance, donors could seek to *reconfigure their aid* in order to compete with the same means used by much of South-South cooperation, breaking through the narrow limits of ODA by combining instruments with different degrees of concessionality, making greater use of instruments aimed at supporting the private sector, and adopting a logic in which transactional motives are more prominent. This option, however, is not without risks, since such a reconfiguration may not be understood either by civil society in donor countries—which associates cooperation with a policy of solidarity—or by recipient countries, which demand support that respects their national priorities.

Table 6.1. Strategic options: implications for cooperation

Geostrategic scenario	Axis of conflict	Implication for ODA	Cooperation model
New Cold War	Bipolar: United States–China	Decline	Return to basics
		Reconfiguration	Mutual interest/ National interest
North–Global South confrontation	Developed countries– Developing countries	Reinforcing	ODA Plus
Recognition of multipolarity	Liberal regimes– Illiberal regimes	Integration	Global public goods
			Shared and differentiated model

Source: Author's elaboration

Alternatively, donors could seek to wage a battle for intellectual and moral hegemony —in the Gramscian sense— in their relations with the Global South, attempting to strengthen the distinctive features of their own practices rather than assimilating those of Southern providers. This would mean centring international aid on a *reinforced ODA*, perhaps complemented by another, more comprehensive metric such as TOSSD. The strengthening referred to here would involve preserving the standards of aid policy, reinforcing its financial capacity, facilitating the inclusion of other like-minded donors in governance structures, and improving the criteria for resource allocation and intervention effectiveness. Part of the reform currently undertaken by the DAC appears to pursue this objective.

This same strategic option would be available to those who believe that we are moving towards an *increasingly multipolar world*, where the most crucial risk is posed by the emergence of illiberal forces and regimes that subvert the international order. Through a reinforced ODA, the West would not only display the values it has traditionally defended, but also demonstrate to developing countries the advantages of preserving the liberal international order within which cooperation is embedded. Through aid —and TOSSD— in addition to promoting development, alliances would be strengthened among countries wishing to curb the rise of illiberal forces in the international arena.

But there is also an alternative starting from the assumption that, in a multipolar world, it is necessary to build international regimes open to the participation of all countries willing to engage, *breaking* *with North-South and donor-recipient dualities*. The aim would therefore be to construct a cooperation system capable of integrating all countries. On this basis, two possible options for the future of development cooperation emerge.

The first would be to move from a development cooperation system predominantly centred on combating inequality and poverty towards one organised around the *provision of global public goods*. In this case, cooperation would be oriented towards managing interdependence among countries and responding to global challenges related to sustainable development. Shared responsibility would be the cornerstone of this option, which should be open to the participation of all countries, each according to its capacities. Operating in this field means moving far beyond the boundaries of ODA and, likewise, defining new instrumental and governance responses for the system.

The second option, also integrative, involves conceiving cooperation as a system open to all countries willing to contribute —North and South alike; a shares and differentiated system endowed with a complex agenda, given the unequal situation of countries, but pursuing the common purpose of correcting international asymmetries and addressing shared challenges; and, ultimately, a system that allows different ways of understanding development action to coexist while working to establish some shared minimum metrics and standards. This option would be compatible with strengthening ODA and preserving its distinctive features and standards, perhaps correcting the hierarchical structure of its relationships, but conceiving this policy as part of a broader and more complex system.

6.4. DEVELOPMENT MODELS AND GOVERNANCE OF THE COOPERATION SYSTEM

The strategic options discussed above are, in turn, connected to the cooperation models, development agendas and governance systems that might be proposed for the future, some of which were addressed in Chapter 2. To explore these connections, it is useful to identify five reference models towards which the cooperation system could evolve in the future (Alonso, 2025) (Table 6.2).

A Focused model and DAC-based governance

The first model is grounded in the desire to safeguard the essence of ODA, protecting this policy in difficult times against the neo-conservative offensive and budget cuts. The aim is to focus resources on the most crucial objectives: a kind of "*back to basics" approach*. This more focused model would require a more selective definition of beneficiary countries and a narrowing of the agenda, concentrating it on humanitarian action and the fight against poverty and extreme vulnerability. The narrative of this model would rest on the obligations of protection and relief —humanitarian action— and on the basic principle of solidarity —the fight against poverty and vulnerability— that have traditionally inspired international aid. Opinion surveys suggest that these are the purposes best understood and most strongly supported by donor societies (Kumar et al., 2025).

This model is consistent with the perception that aid has lost strategic relevance, as suggested by the scenario of *aid decline* discussed above. In this context, a strategy aimed at preserving the essential components of aid and redirecting its resources to where they are most needed could be reasonable. Against this option, however, it could be argued that cooperation would thereby renounce a more comprehensive and transformative development agenda. Moving in this direction would require only limited reforms to ODA metrics, standards and governance. With very slight improvements, the DAC could continue to perform its role as the most important governance structure of the international cooperation system, since traditional donors —the richest countries— would retain responsibility for financing this international safety net.

Tabla 6.2: Cinco modelos y respuestas de gobernanza

	Focused (back to basics)	Donors' national interest	ODA Plus	Global public goods	Shared and differentiated
Central objective	• Fight absolute poverty and fragility	• Align development action with national interest	• Fight poverty and correct international asymmetries	• Equitable provision of international public goods	• Support development processes and correct international asymmetries
Main agenda	• Humanitarian action; social welfare	• Development; security; migration; internationalisation	• Humanitarian action; social welfare; IPGs	• IPGs	• Humanitarian action; social welfare; IPGs; mutual interest
Core normative principle	• Moral duty; solidarity	• Transactional logic and mutual interest	• Moral duty; solidarity; common interest	• Common interest; solidarity	• Moral duty; solidarity; common interest; mutual interest
Governance structure	• DAC, slightly reformed	• Extended DAC • Club of countries	• Strengthened DAC + International Forum on TOSSD	• Problem-based governance	• Inclusive global governance + DAC
Preferred countries	• Poorest and most vulnerable countries: LDCs, LLDCs, SIDS	• Developing world, with preference for strategic countries	• Developing world as a whole, with preference for the poorest	• Developing world as a whole	• Developing world as a whole, with preference for the poorest
Preferred type of resources	• Grants; policy coherence	• Grants; concessional and non-concessional finance; private capital mobilisation; policy coherence	• Grants; concessional and non-concessional finance; policy coherence	• Grants; concessional and non-concessional finance; policy coherence	• Concessional and non-concessional finance; exchange of experiences; policy coherence
Main function of resources	• Cover basic deficits and save lives	• Promote development; provide IPGs; promote the donor's national interest	• Promote development; provide IPGs	• Promote central/global and complementary/localised activities for the provision of IPGs	• Cover deficits; catalyse change processes; correct distributive asymmetries

Fuente: Elaboración propia

A model based on national interest and governance through a reformed DAC

The second model seeks to make development cooperation a useful instrument for promoting the donor's national interest. The development purpose is not necessarily abandoned, but interventions are understood as potentially serving additional objectives linked to the donor's strategic interests. To operate in this field, it may be useful to move beyond the boundaries of ODA, use finance that is not necessarily concessional, and pay particular attention to instruments with high capacity to mobilise additional private resources. This model also entails relegating the principle of ownership, which forms part of the doctrine of development cooperation effectiveness, and giving greater weight to the interests of provider countries. Its narrative would therefore centre on transactional arguments —which justify reciprocal benefits— or on mutual interest, understood as a convergence of purposes between the two parties.

Advocates of this model identify as one of its virtues the possibility of securing greater social support for cooperation by linking this policy to issues that more directly concern citizens in donor countries. It remains to be seen, however, whether this assumption is well founded. There are good reasons to think that the opposite effect could occur if the public judges that a policy whose purpose was to provide solidarity-based support to the world's poorest populations is being distorted. At the same time, it would certainly provoke criticism from much of organised civil society —NGOs— which has traditionally opposed this instrumentalisation of aid. This could ultimately narrow, rather than broaden, its social base of support.

This reconfiguration of aid appears more likely when the preferred strategic scenario is defined by competition between the two global powers, since that scenario gives greater support to the use of aid as an instrument to compete with China for spheres of influence. The governance of such a system would require an extended DAC, with responsibilities over a wider range of financing sources and instruments than those currently included in ODA. However, it is also possible that this model could lead to a governance structure based on clubs of like-minded countries, as the Trump administration is seeking to achieve with its 'trade over aid' initiative. The TOSSD metric, and therefore the International Forum on TOSSD (IFT) as a coordination platform, could also be useful, although it is doubtful that the countries participating in that platform would share the strategic vision on which this model rests.

The ODA Plus model

The third option implies strengthening ODA by refining its components while preserving its nature as a highly concessional flow of resources explicitly oriented towards sustainable development objectives. Reinforcing would therefore not result from blurring the perimeter of ODA by incorporating resources of doubtful classification —as in the previous model— but from more active financial support for ODA and TOSSD, and from improving effectiveness in their management.

This option is especially appropriate if the aim is to operate within the bipolar axes of tension mentioned above —whether in relation to China or vis-à-vis the Global South— by highlighting those features of ODA that distinguish it from more market-oriented cooperation models. This does not imply renouncing the use of levers to mobilise private capital, but rather subordinating their use to criteria and standards that ensure their development impact.

The governance of the cooperation system could in this case rest on a slightly reformed version of the DAC, one in which the body's representativeness is enhanced. This could be supported by the enlargement of the OECD, through the integration of new candidates from the Global South — some already on the waiting list— and by extending DAC membership to some of these new OECD candidates, while also broadening associate status to others that do not belong to the OECD but are willing to respect the standards that form part of the DAC acquis. Something similar could occur with the IFT, through an expansion of its membership alongside wider dissemination of the TOSSD metric. It must be acknowledged, however, that this process is unlikely to make the DAC fully inclusive, since many developing countries are not, and do not appear likely to wish to become, members of the OECD or the DAC.

A Global public goods model and decentralised problem-based governance

The fourth option involves moving towards a model in which cooperation centres on shared challenges, contributing to the provision of the international public goods most crucial to sustainable development. This entails a major shift in the logic of the cooperation system, moving from an agenda based on redistribution to one oriented towards correcting externalities. Although this agenda is better understood in academia than by public opinion, the idea of promoting cooperative effort to address common challenges provides a strong narrative. Given the scope of GPGs, moving towards this model would require going beyond the perimeter of ODA, giving a larger role to multilateral, regional or global institutions. In return, within countries, development agencies would lose functionality in favour of the plurality of ministerial departments involved. Among the drawbacks of this option is the relegation of distributive components, which are essential to the development agenda and are not necessarily captured by an GPG agenda.

This model is consistent with a strategic approach that values the system's multipolarity and considers that all countries should participate in the cooperative effort to address shared problems. Advancing this model would require designing a governance structure very different from the one currently in place. The DAC provides centralised governance, taking countries as its main protagonists, whereas the management of GPGs requires decentralised governance, organised in a specialised way around each problem. In other words, it would be reasonable to have one cooperation governance mechanism for climate protection, another for global health, and another for biodiversity protection, to give some examples. At the global level, there could be an overarching supervisory structure, but past experience suggests that this possibility is rather utopian—as shown by the fading from memory of the proposal made by the Stiglitz Commission in 2010 to create a Global Economic Coordination Council. In this case, therefore, what is at stake is a complete redefinition of the system's logic and governance structure.

A shared and differentiated model with inclusive global governance

Finally, the fifth option is also integrative and requires a far-reaching reform effort, but in return it offers cooperation a broader field for transformative action. It assumes that the function of cooperation is to accompany countries in their transformation processes, taking into account their differing needs. This requires managing diversity and therefore adopting a complex agenda oriented towards countries' structural transformation over the medium and long term. Supporting this agenda requires resources from diverse sources —more or less concessional depending on the case— and a plurality of objectives: from covering basic deficits in cases of greatest need, to acting as a catalyst for change in more developed contexts, or promoting cooperative action in the provision of GPGs. To fulfil its function, the system must open itself to contributions from all countries, according to their capacities, even if not all of them will be potential recipients of resources. ODA could continue to exist as a specific policy of OECD donors, but within a broader framework of agreements that combines shared minimum standards with differentiated rules according to countries' capacities.

This model appears consistent with a multipolar understanding of the international system, in which cooperation serves to expand spaces for collaboration among countries within a framework of mutual recognition and respect for international rules. The functionality of this model requires giving the multilateral system a greater role in the management of cooperation, while preserving a significant space for bilateral action so that countries can express affinities and transfer experiences. It assumes that development action must encompass the four agendas currently operating in cooperation and recognise the ethical foundations of each: moral duty, solidarity, common interest and mutual interest (Chatterjee, 2004).

This system requires inclusive and representative governance, incorporating all countries, grounded in agreed minimum standards, and compatible with the preservation of more restricted structures —such as the DAC— or structures operating at regional level, such as SEGIB. In other words, the aim is to build an encompassing structure that promotes dialogue and a cross-cutting agreement on minimum standards, while remaining compatible with the continued existence of existing governance structures. The only organisation with that capacity for inclusion and normative definition is the United Nations, where this new governance structure should be anchored.

6.5. TOWARDS AN INCLUSIVE GOVERNANCE SYSTEM FOR DEVELOPMENT COOPERATION: A PROPOSAL

6.5.1. Strategic purpose

The preceding sections have sought, first, to clarify the implications of the current framework of geostrategic priorities for reforming the governance of the cooperation system, taking into account the axes of tension in the international system. The analysis suggests that, for a country such as Spain

—a middle power committed to multilateralism— the axis of international tension that should be given priority is the one opposing defenders of the liberal international order, committed to human rights and a rules-based world, to those regimes and political forces that deny those values and violate international law.

This is compatible with also defending a substantial improvement of that liberal order, making it more balanced in terms of voice and representation, and fairer in the distribution of opportunities for progress. This position may be distant from that defended by the United States —at least Trump's United States— and by some European partners, but this should not be an objection to upholding it, while seeking cross-cutting alliances that go beyond traditional bloc divisions and beyond the dualities imposed both by those who identify the rivalry between the two global powers —the United States and China— as the central strategic axis, and by those who consider the North–Global South divide to be the main axis. Spain, like other middle powers, should operate above these dualities, building alliances beyond traditional alignments. The purpose of such alliances should be not only to promote sustainable development and the provision of international public goods, but also to confront the challenge posed by the emergence of illiberal regimes and forces that contradict these objectives and contest the liberal international order that makes them possible.

The analysis of cooperation models carried out above suggests that three models are compatible with this characterisation. The first, which we have called ODA Plus, seeks to strengthen the specific space of ODA, preserving its nature as a policy aimed at combating poverty and international inequality and financed with resources adapted to the conditions of countries with structural deficits and shortcomings. Although this option improves the degree of inclusion and representativeness of the DAC, it is doubtful that it offers a satisfactory response to those countries that seek a deep refunding of the cooperation system and view with suspicion the predominance within it of an exclusionary organisation such as the OECD.

The second alternative, centred on International Public Goods, allows for a more balanced and universal integration of all countries, but has a twofold limitation: (i) it requires a radical transformation of cooperation governance, which would shift from being organised around countries to being organised around issues; and (ii) it covers only part of the development agenda, since many problems arising from inequality and poverty do not have the nature of public goods. For many countries, this potential cooperation model is unsatisfactory, insofar as it channels resources towards purposes that affect their development conditions only partially.

The third model, called Shared and Differentiated, offers the option most fully aligned with the strategic purpose defined above, insofar as it allows all actors and countries willing to contribute to the sustainable development agenda and to the provision of GPGs to be integrated, while recognising diversity. In this model, the cooperation system is defined as an encompassing framework of differentiated practices and policies, establishing a light governance system capable of defining minimum shared standards and metrics. This system could start from existing arrangements, but with the ambition of moving towards a more comprehensive and inclusive structure, representative of the complex world of cooperation —and not only of aid— which should necessarily be anchored in the United Nations.

6.5.2. Building from what exists

It is difficult to move towards more integrated governance by constructing new structures that simply overlap with those already in place. Rather, the aim should be to advance from what exists, redefining the mandate and scope of some platforms. Before addressing that process, it is useful to review the institutional landscape from which one starts.

At the centre of this constellation of institutions, as already noted, is the Development Assistance Committee (DAC). Created in 1961 within the OECD, the institution currently brings together 34 donors —33 members, including the EU, and one additional associate, Romania. Over its long trajectory, the DAC has proved to be a notably effective body in carrying out its functions and, over time, has improved the transparency of its processes and decisions. However, it remains an organisation exclusive to OECD donors. It therefore displays clear deficits of inclusion and representativeness with regard to the broader field of development cooperation, in addition to being built on a vertical decision-making structure that leaves very little space for developing countries. These features are an obstacle to its ability to perform the function of inclusive governance of the cooperation system.

The Global Partnership for Effective Development Cooperation (GPEDC), born out of the agreements reached in Busan, was created with greater representativeness. This body has been endorsed by 161 countries, including OECD donors, recipients from the developing world and dual countries that both provide and receive cooperation, as well as multilateral institutions, civil society organisations, foundations, parliamentarians and private-sector organisations. Its mandate, however, is relatively narrow, insofar as it focuses on monitoring and improving the development cooperation effectiveness agenda. Moreover, it has suffered from the progressive relegation of that agenda by donors, which has weakened the body's profile and the quality and significance of its monitoring reports.

With an even more inclusive and representative nature, the Development Cooperation Forum (DCF) was created in 2007 to monitor trends in development cooperation and discuss the impact of these policies and their relationship with development finance. The body reports to ECOSOC within the United Nations and falls under the responsibility of the Department of Economic and Social Affairs (DESA). Given its nature, the DCF is open to all countries, whatever their status, and convenes representatives of academia, civil society organisations, foundations and private-sector organisations. The DCF is highly useful for generating debates, discussing agendas and exchanging experiences in the field of cooperation, but its restrictive mandate and limited resources prevent it from undertaking activities related to flow reporting, standard-setting or monitoring agreements.

The creation of the TOSSD metric gave rise to the International Forum on TOSSD (IFT). Created in 2024, the IFT currently consists of 28 countries, many outside the OECD, and four international organisations, plus four additional countries and three international organisations as observers. Its mandate is related to improving and disseminating the TOSSD metric. Although some DAC countries are not members of this forum, and many members are outside the OECD, it is widely perceived as a product of DAC activity, since the DAC was the body that originated the TOSSD metric.

These bodies are joined by the International Aid Transparency Initiative (IATI), a voluntary initiative with 70 members, including donors, recipients and actors from the aid system, aimed at improving transparency systems for reporting and monitoring aid and cooperation flows.

This overview yields an ambiguous balance. On the one hand, there are organisations whose specialisation and mandate could contribute to the tasks of an integrated governance system. On the other hand, none of them meets the conditions of representativeness, inclusion and effectiveness required to be considered an appropriate governance structure (Alonso, 2016). The DAC is highly effective in reporting, standard-setting and policy monitoring, but its levels of inclusion and representativeness are highly unsatisfactory. The DCF is much more representative and is an effective platform for promoting inclusive debate, but due to its mandate and resources it has limited capacity for reporting, normative activity and monitoring agreements. The GPEDC has a broad membership, but its mandate is clearly limited to monitoring the cooperation effectiveness agenda. The IFT, in turn, is very recent, has limited membership and has a mandate restricted to the metric that gave rise to it. Finally, IATI performs an important function —promoting transparency— but one that is purely instrumental.

Under these conditions, creating a new institution that overlaps with those already in place does not seem the best strategy for establishing a new governance structure. Rather, the path should be to build on what already exists, seeking complementarity and convergence among platforms, and in some cases redefining the mandates and functions for which they were created.

6.5.3. A reform pathway

For countries such as Spain, which are DAC donors, the reform pathway should rest on two complementary pillars. On the one hand, efforts should be devoted to strengthening and re-signifying ODA and its governance structure, the DAC, in order to adapt them to a complex reality and to the fact that they form part —but only part— of a broader and more diverse cooperation system. At the same time, however, it is also necessary to move towards more comprehensive and integrated governance, with the levels of inclusion and representativeness that the DAC lacks.

Strengthening ODA and reforming the DAC

The first pillar of reform should be aimed at adapting ODA and the DAC to the new reality of a more complex and changing world, and of a broader cooperation system that extends beyond the perimeter of ODA.

As noted in Chapter 3, this reform process should seek to improve the definition of ODA while reinforcing its distinctive features as a metric designed to capture high-quality resources explicitly oriented towards sustainable development purposes. It does not seem appropriate, as some donors suggest, to increase aid volumes by further blurring the already diffuse perimeter of ODA, so as to include funds and instruments with low or no concessionality or with doubtful links to sustainable development. This broader perimeter is already adequately covered by the TOSSD metric. What is needed, therefore, is to defend the specificity of ODA, while reinterpreting this flow as an important but bounded component of the wider reality of development cooperation.

Maintaining this commitment to defending ODA should be compatible with revising its contents. Specifically, as suggested in Chapter 3, the following steps should be taken:

- Review the allocation to ODA of expenditures incurred within the donor country.
- Improve the robustness of reporting on activities related to cross-cutting priorities.
- Increase the statistical consistency and reporting of Country Programmable Aid.
- Increase information on resources channelled through actors that are currently inadequately reported, such as multilateral institutions and aid promoted by subnational bodies.
- Increase information on resources mobilised by actors or cooperation modalities that are currently poorly reported, such as NGOs or triangular cooperation.
- Separate aid into three differentiated components, identifying resources oriented towards the humanitarian, sustainable development and global public goods agendas.

The DAC itself should also be reformed, with the aim of mitigating two of its basic shortcomings: the limited channel for the voice of developing countries and the restrictive concept of DAC membership, which is limited to OECD members. In this regard, it is proposed that:

- First, the process of OECD enlargement should be actively supported, speeding up the inclusion of countries that have applied as candidates. In addition, OECD members with cooperation policies should be encouraged to join the DAC, provided they are willing to accept the body's acquis of standards.

- Second, dual countries—both providers and recipients of cooperation—that are not necessarily OECD members but are willing to follow DAC standards should be accepted as DAC associates, even if they have weaknesses in their aid reporting and monitoring systems. The OECD should support the strengthening of these countries' capacities in order to overcome such shortcomings.

- Finally, developing countries that so wish should be able to take part in the debates and meetings of both subsidiary bodies —as they already do in some, such as the Working Party on Development Finance Statistics— and Development Communities.

It is important that these reforms be accompanied by a firm willingness on the part of the DAC to establish more balanced and dialogic relations with partner countries. At the same time, it should show interest in participating in a dialogue process aimed at building a more open and integrated system and more inclusive governance. At present, many DAC members show little appetite for moving along this path, suggesting the need for Spain to work to build support for making such a system possible in the medium and long term.

This reform spirit should also extend to the TOSSD metric and to the body responsible for monitoring it, the IFT. Regarding the metric, a degree of prudence suggests waiting until reporting systems are consolidated and the concept is disseminated and applied more intensively over several years before proceeding with reform. Even so, it is debatable whether privately mobilised resources supported by public intervention should be counted as part of an official finance metric. Although such resources should be measured and reported, they should not be added to the TOSSD total.

As the TOSSD metric is disseminated, it is necessary to promote an expansion of IFT membership. The main resistance to such expansion comes from countries that regard the initiative as a product of the OECD and would therefore prefer dialogue platforms less marked by their origin. This criticism, although relevant, is weakened if work is undertaken simultaneously to build more inclusive governance of the cooperation system. In exchange, and while no agreed cooperation metric exists that goes "beyond ODA", TOSSD remains the only available alternative. Despite some questionable decisions, it is a metric constructed with rigour and comprehensive ambition.

Building more inclusive governance

The other pillar of reform should seek to nurture a necessarily long-term process that ultimately leads to cooperation governance that is more *integrated*, while recognising the variety of existing models; more *inclusive*, while remaining compatible with the preservation of more restricted coordination structures among groups of countries; and more effective, because of its capacity to involve diverse actors in decisions and monitor agreements. Given the normative function reserved for any governance institution, and the wide range of actors and instruments that form part of development cooperation, such a structure should be anchored in the United Nations, the body entrusted with representing the international community and formulating norms to regulate its conduct.

Of the institutions mentioned, only the DCF is located within the United Nations, but in its current conditions it is unable to assume many of the functions proper to a governance structure, such as reporting cooperation flows, setting standards or monitoring agreements. At the same time, as seen above, there are other dialogue and coordination institutions in the field of cooperation whose specialised work could be useful for the kind of governance structure being pursued. The process must therefore contemplate complementarity and convergence among these institutions.

Based on this approach, the construction of inclusive governance should include three types of processes: a deep reform of the DCF, a process of convergence among institutions, and the coexistence of governance structures at different levels.

With regard to the *first aspect*, DCF reform should involve at least the following four measures:

- First, a thorough *revision of the DCF mandate and a strengthening of its resources* are needed so that it can assume responsibility for reporting and monitoring cooperation flows, preparing proposals on metrics and shared minimum standards—compatible with more demanding standards for countries wishing to apply them to their own cooperation—which could be submitted to ECOSOC for approval, and monitoring agreements.

- Second, to assume these tasks, the DCF would need to change its configuration so that, alongside the biennial forums and the Secretariat, a *Steering Committee with some decision-making capacity is created,* involving representation of different types of countries—providers, recipients and dual countries—as well as the main actors in the cooperation system, in a similar spirit to the equivalent committee of the GPEDC.

- Third, the DCF Secretariat should be strengthened by *involving DESA units* that are key to the new tasks the body must assume, such as the UN Statistical Division, the Division for Inclusive Social Development and the Division for Sustainable Development Goals, in addition to the Financing for International Development Office. This would provide the Secretariat with capacities and expert knowledge it currently lacks.

- Finally, it would be advisable to create an *inter-agency group within the United Nations*—or to use an existing one, such as the Financing for Development group—to bring together all UN system agencies with competences in development cooperation, including UNCTAD, UNDP, UNICEF, OCHA and WHO, among others. This group should work on development cooperation monitoring reports and formulate annual recommendations for the Steering Committee.

Second, it would be important to advance convergence among institutions. Three measures seem necessary here:

- First, the spheres of activity of the DCF and the GPEDC largely overlap. It would therefore be reasonable to envisage a medium-term merger of both institutions. This is suggested by some analysts close to Chinese cooperation, who propose integrating both platforms and creating, as a result, a Global Dashboard for Effective Development Cooperation. Until such a decision is adopted, it may be useful to establish a joint work programme between the two institutions.

- Second, there should be sustained work between the IFT and the DCF in search of a metric capable of capturing the full range of resources and capacities mobilised by development cooperation. This joint work programme should lead to annual meetings between the respective Steering Committees of both institutions.

- Finally, it would be advisable to establish a joint work programme between the strengthened DCF Secretariat, the UN Statistical Division and DAC teams specialised in ODA reporting and monitoring. The fields of action of both organisations are different, but it is important that the significant technical acquis accumulated by the DAC be available to the new cooperation governance structure that is created.

The *third line* of work concerns the establishment of trust and complementarity between more restricted governance structures, such as regional ones, and the new aggregate-level structure. A good governance regime must be densely articulated and deployed at different levels—global and regional. The proposal made here should therefore be compatible with the continued existence of the DAC and its role in governing ODA, or of SEGIB and its coordination and dialogue role within Ibero-American cooperation, to give only two examples.

For this compatibility to be possible, the global governance structure must be light, resting on basic metrics and minimum standards, and compatible with the existence of more demanding structures—such as the DAC—for those countries wishing to participate in them: a form of *shallow multilateralism*, as defined by the historian Martin Daunton (2023).

6.5.4. Is it possible to move towards this new governance structure?

Given the voluntary nature of development cooperation, it is provider states that decide levels of commitment, forms of action and the countries they identify as partners. If this is the case, the relevant question is why a shared governance body is needed.

The search for a governance structure is easier to justify when it concerns a policy in which agreements among countries contain significant elements of reciprocity —for example, international trade— or in policies where strong externalities exist, making a centralised authority better placed to pursue the collective optimum, as in the case of climate change. None of this applies to development cooperation, which could be left to countries' bilateral action, complemented by multilateral action on issues involving greater interdependence. What, then, might motivate countries to join in constructing shared governance?

To answer this question, it may be useful to look to history and identify the combination of factors that explain the creation of the DAC in the early 1960s. First, there was a hostile geostrategic environment that encouraged the alliance of the Western bloc, in order to confront the socialist bloc and manage decolonisation processes with greater chances of success. Second, there was also a dominant mindset in the period —the spirit of the age—favourable to the creation of a cooperative international order, shaped by the lessons drawn from the harsh experience of the interwar period. Third, there was clear leadership by the hegemonic power, the United States, which was willing to build this new governance structure in order to ensure the alignment of other donor countries. Finally, aid was a novel policy—one of the main innovations of the post-war period, in Myrdal's view—in which dialogue and the exchange of experiences among donors could prove useful.

Of the elements cited, only the last appears to remain valid today, although now referring not only to ODA but to development cooperation as a whole. It is a policy permanently open to novelty, facing increasingly complex challenges, in which collective learning and exchange of experience are highly necessary. By contrast, the spirit of the age now seems to lie at the opposite end of that prevailing in the immediate post-war period: critical of multilateral proposals and more favourable to autonomous national responses. In turn, the framework of international tensions has reduced, although not extinguished, part of the geostrategic value of development cooperation, which today must operate in a more fragmented world where soft-power instruments appear to have lost part of their appeal. Finally, the traditional hegemonic power shows no sign of interest in creating a new governance structure for cooperation. Quite the opposite: the United States shows growing disinterest in this policy, which, according to Trump's approach, is conceived merely as a projection of the country's strategic and economic interests.

Curiously, the position of the other great global power is very different. Committed to preserving its leadership over the Global South and to reforming the international system, China may be willing to join efforts to build a more open and integrative governance structure for the system. Among other things, this option would likely provide it with an additional lever to consolidate its leadership in a field that remains highly unstructured. This same conviction holds back some Western countries from moving in this direction, fearing that it could lead to another confirmation of China's rising hegemony.

Yet China is not the only country that may be interested in creating a space for global governance. Many middle powers in the developing world could be interested in consolidating a structure such as the one suggested here, one that would give them more voice than they currently have in exclusionary bodies such as the DAC, or in only limitedly effective ones such as the DCF or GPEDC. Such a governance structure would also provide a platform for projecting their own cooperation policies, without requiring them to orbit either around Western ODA or around China's undisputed cooperation hegemony.

This same interest could be shared by those European Union countries, such as Spain, that anticipate the costs an excessively Eurocentric view of aid may entail in an increasingly complex and multipolar world, especially when some peer countries within their own bloc are shifting towards illiberal regimes or yielding to the pressure exerted by the rise of far-right forces in their electorates. The search for alliances in favour of a liberal order committed to human rights and development promotion will be easier within an inclusive governance framework that brings together the countries that could join such a project.

It is true that this aggregate of middle powers does not constitute a bloc in itself, but it does form a very broad field in which alliances can be woven and affinities established. Its strength lies in its number and in the renewed strategic weight it acquires in a fragmented order in which traditional alliances are subject to constant revision.

PART THREE.
CONCLUSIONS AND RECOMMENDATIONS

7 CHAPTER 7. CONCLUSIONS AND RECOMMENDATIONS FOR SPAIN

7.1. THE PATH COVERED

The first part of this report presented an overview of the factors shaping the current crisis of the aid and cooperation systems. Although the crisis affects both systems, it has been argued that it particularly affects the former —ODA— because it has more clearly defined boundaries and foundations that have been more deeply eroded by changes in the international environment. The nature and scale of the factors at play justify describing the present moment as a genuine *constitutive crisis* of the aid system. Many of the pillars on which that system was built either no longer exist or show fractures that are difficult to repair.

What developing countries demand has also changed, as have the types of relationships in which they seek to participate. Some of these countries now have the weight and strategic purpose required to alter the voice structures of the international system and to promote new forms of development action, distinct from those traditionally practiced by DAC donors. It is therefore necessary to review the configuration of the aid system, re-signify ODA and interpret it as part of a broader field: *development cooperation, which calls for a new type of relationship and a new governance structure*.

The emergence of new official providers of funds, new actors and new financing mechanisms has made development cooperation a broader and more densely populated field than ODA, but also a less orderly and predictable one. Within this environment, the alternative must be built of an international regime —with purposes, actors and institutions— designed to promote a more balanced distribution of development opportunities and to support the management of shared challenges.

The international context does little to generate certainty. The crisis of cooperation is occurring at a time when the international order that dominated the post-war period has itself proved unable to provide clear coordinates from which to respond to many of today's problems: from deep inequalities in well-being across countries to the capacity to address climate change; from protection against new global pandemics to the orderly management of human mobility; and from access to, and regulation of, new technologies to the preservation of peace.

In this context, new authoritarian and populist regimes and political forces have emerged, advocating a retreat into national identities, rejection of multilateral action and questioning of international law. This process inevitably leads to the breakdown of the political, institutional and financial frameworks that made development cooperation possible. Reforming cooperation therefore entails resisting this rising national-populist trend and defending a rules-based world committed to human rights and collective action.

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The second part of the report analysed some of the most important issues in the debate on the future reform of the development cooperation system. The topics selected do not, of course, exhaust all possible issues, but they are all part of that conversation and are largely interrelated. Taken together, they point towards a new model that should first take root in the minds and will of political decision-makers, and then in the more complex arena of international deliberations and decisions.

Along these lines, the report first examined how to address the growing complexity of the development agenda and avoid its components being perceived as rival purposes competing for scarce resources. *Separating the agenda into differentiated components* helps to better understand the purposes and logic of each field of action and facilitates the establishment of recognisable public commitments in each of them. In addition, this same separation would allow *more appropriate narratives* to be defined for each case, helping to translate a complex reality into messages accessible to public opinion, capable of facilitating understanding and mobilising emotions and social will in support of them.

There is no single narrative of cooperation, but rather several narratives according to the respective fields of work. Even so, it is possible to identify *common principles across all of them*, referring to the foundational ideas of cooperation: interdependence, shared values, shared progress, the correction of distributive asymmetries and the need for alliances. For these ideas to be effective, however, they must be embodied in the more concrete needs and challenges faced by individuals.

Compared with the past, development action has become much more complex: there are more actors, more objectives and more available instruments. Much of this territory lies outside the boundaries of ODA. It is therefore important to *review development metrics*. The option adopted so far has been to complement ODA with a broader concept, incubated by the OECD itself, presented under the acronym TOSSD. However, this new metric has so far received insufficient uptake, especially among new cooperation providers.

In this context, some donors feel the pull to dilute the perimeter of ODA by including within it flows of low concessionality or doubtful connection with recipients' development—and more closely aligned instead with the national interests of those promoting them. This report has defended a different path: *preserving the nature of ODA*, with some refinements, while creating a broader new metric in whose genesis developing countries participate on an equal footing. TOSSD may be a good starting proposal for this exercise, but it should remain open to the changes prompted by a broader dialogue capable of building a genuinely shared metric.

In parallel, it is necessary to understand that the standards defined by the DAC are binding only on the countries that are members of that body, since they participated in their approval. If a more open and integrated cooperation system is to be built, shared standards agreed among all countries — donors, new providers and partners— should be considered, as the result of a process of deliberation and cross-cutting agreement, without demands or impositions. Given the heterogeneity of existing cooperation models, the reasonable approach is to identify minimum standards that can be shared, while allowing groups of countries that so agree to define more demanding standards or standards better adapted to their conditions.

The growing heterogeneity of the developing world and the complexity of the agenda have made the criteria once defined by the DAC to identify potential ODA-recipient countries —*eligibility and graduation rules*— appear increasingly inadequate. This report begins by recognising that, when dealing with scarce and highly concessional funds such as ODA, some rules governing access to resources are necessary. But these criteria must be consistent with the multidimensional nature of development and respond to the plural nature of the obstacles and vulnerabilities countries face.

Accordingly, it proposes: (i) differentiating the thresholds used for eligibility from those defined for graduation; (ii) complementing GNI per capita with a dashboard of indicators covering dimensions not currently considered, related to human capabilities, inequality, sustainability and societal vulnerability; and (iii) opening the possibility that eligibility—and graduation—be based not on a synthetic index of the dimensions mentioned above, but on a set of indicators referring to the different dimensions, with specific thresholds for each. Complementarily, the report advocates a longer, more gradual and better-supported graduation process, including the preparation of a smooth transition strategy supported by bilateral and multilateral donors.

Although more complex, as an alternative to a single graduation decision, the report suggests studying a procedure whereby a country graduates in a differentiated manner in each dimension of development —economic, social and environmental— allowing it to maintain access to the financing instruments corresponding to those dimensions in which it has not yet graduated. In any case, a country's responsibility towards cooperation tasks should not end when its partner graduates; rather, graduation should entail the design of new forms and instruments of engagement.

One of the transformations experienced by the cooperation system has been the expansion in the *number of providers and actors operating within it*. This has given rise to a specialised literature that has tended to present this trend —aid proliferation and fragmentation— in markedly critical terms. This report has argued that, beyond some specific excesses that should be corrected, the increase in financiers and actors should be viewed positively, as enriching cooperation policy and broadening its social support. Academic studies, moreover, do not allow one to conclude that the negative effect of fragmentation on aid effectiveness is either unequivocal or generalised.

It should also be assumed that this tendency towards actor proliferation will probably intensify in the future as new countries join development action. The problem, therefore, is not that the number of actors has increased, but that this process has not been accompanied by an increase in available resources or by *stronger systems of alignment and coordination among actors*. Expecting donor coordination to occur at an aggregate level is not very plausible, making it necessary to seek alternative ways to achieve that result.

The first route is to give greater relevance to multilateral action, operating through existing institutions rather than creating new funds and, where possible, through core contributions. The second is to facilitate coordination within countries, through national platforms led by the country itself and to which all donors contribute. Examples of this approach include the Integrated National Financing Frameworks promoted by UNDP and actively supported by Spain. For this route to yield results, it is important to invest in strengthening countries' capacities so that they can effectively lead coordination processes. At the same time, cooperation providers must advance both policy coherence for sustainable development and the predictability of commitments, giving greater weight, in the case of ODA, to Country Programmable Aid.

The second part of the report closes with a discussion of alternatives for the governance of the cooperation system. It begins from the premise that none of the existing dialogue and coordination structures meets the requirements of an adequate governance institution. The DAC is effective but insufficiently inclusive and representative; the DCF is more inclusive, but under its current mandate is unable to define standards or monitor flows; the GPEDC has broad membership, but its mandate is limited to monitoring the cooperation effectiveness agenda, which has also been relegated in donor priorities; and the IFT currently includes very few countries and its competences are limited to a metric whose uptake remains limited.

In this context, the report proposes advancing two simultaneous processes. First, it suggests strengthening the DAC by expanding, as far as possible, not only the body's membership, but also the participation of developing countries in the deliberative processes it promotes. It is recognised, however, that the DAC brings together only part of the cooperation providers. Therefore, *second, the report proposes moving towards a broader and more inclusive governance structure, anchored in the United Nations* and based on minimum cross-cutting agreements on shared metrics and standards.

To move towards this structure, it would be necessary to: (i) redefine the mandate of the DCF, reconfigure its structure through a Steering Committee, strengthen its secretariat with the involvement of other DESA divisions, and support dialogue and monitoring processes through a UN inter-agency group on the matter; (ii) initiate joint work programmes among existing platforms to encourage convergence among them —for example, between the DCF and the GPEDC on cooperation effectiveness, or between the DCF and the IFT on development finance metrics; and (iii) establish a work programme between the DCF and the DAC on reporting flows, in order to coherently integrate monitoring of ODA with that of other cooperation and development finance flows.

Based on the first two parts of this report, summarised here, the purpose of this third part is to translate the positions defended into recommendations for Spanish cooperation. The aim is not to repeat the arguments offered in previous chapters, but to adopt a more prescriptive and summary tone, identifying the implications for Spain of the analysis carried out. Before doing so, however, the report will briefly identify some of the specific features of Spanish cooperation, which will help frame the recommendations proposed.

7.2. CHARACTERISTICS OF SPANISH COOPERATION

Spain operates internationally as a middle power whose foreign policy rests on two key strategic vectors, linked to its dual status as a member of the European Union, on the one hand, and of the Ibero-American community, on the other. Its commitment to these two communities defines the basic coordinates on which Spanish foreign policy has traditionally been built since the advent of democracy. These are complemented by other features: its commitment to countries in the Atlantic space, currently weakened by the shift in U.S. foreign policy; its interest in West Africa and the Sahel, from where many migrants reaching Spanish territory originate; and its commitment to the southern flank of the Mediterranean, especially the Maghreb.

These coordinates have shaped a foreign policy which, beyond changes in the political orientation of governments, has consistently shown a commitment to human rights and international norms, engagement in international development action, and support for strengthening multilateralism and cooperative action at the international level. However, given the profound transformation required in the cooperation system, it is worth examining the extent to which Spanish cooperation is equipped to promote the changes suggested. The aim here is not to provide a detailed diagnosis of Spanish aid, but simply to identify some of its defining features in order to contextualise the recommendations. To this end, the traditional structure of a SWOT analysis is used, distinguishing between strengths, weaknesses, opportunities and threats (Table 7.1).

Table 7.1. Spanish cooperation's capacity to adapt to the reform of the international cooperation system: a SWOT analysis

Strengths	Weaknesses
• Ongoing recomposition and reform of the cooperation system • Identification with the international development agenda • Firm commitment to the multilateral system • Highly decentralised system • System accustomed to operating in highly diverse countries • Dialogic and respectful approach towards partners	• Low volume of resources channelled • Limited development of financial cooperation instruments • Limited technical robustness to underpin strategic choices
Threats	**Opportunities**
• Instability and risk of international economic crisis • Risk of rigid alignments due to heightened tensions between powers or between the North and the Global South • Support within the DAC for aid converted into an instrument serving national interest	• International reputation due to positions adopted in recent conflicts • Building alliances with middle-income and graduated countries to work jointly on the development agenda • Gaps in global leadership and opportunities for alternative leadership

Source: Author's elaboration

Strengths

Spanish cooperation has several strengths, some resulting from long-standing trends and others more recent. Six are particularly noteworthy.

1. The first positive element is the significant effort to *rebuild and reform the cooperation system* undertaken in recent years, whose central expression is the new Law on Cooperation for Sustainable Development and Global Solidarity of February 2023. Through this process, Spanish cooperation has reviewed its institutional architecture, reformed some of its basic instruments and strengthened its management teams. The process cannot yet be considered complete, but the steps taken allow one to conclude that Spanish cooperation is now much better equipped than in the past to deploy a policy of substance. Unfortunately, due to difficulties in approving national budgets, this reform process has not been accompanied by the necessary sequence of expansion in committed resources. Even so, the new legal and institutional framework enables Spanish cooperation to better address the changes and challenges involved in reforming the international system.

2. The second strength is the firm commitment that Spain, and its cooperation policy, has shown to the *international development agenda*. This feature is visible both in relation to the Millennium Agenda, at the time, and more recently to the 2030 Agenda for Sustainable Development. In both cases, the internationally agreed agenda has been adopted as its own by the government, regardless of the party in power, and has centrally informed development cooperation policy. This firm commitment to international agreements reveals Spain's interest in strengthening collective action at the global level and its loyalty to the commitments it has undertaken. Moreover, the adoption of a complex and multidimensional view of development, such as that suggested by the 2030 Agenda, is a positive starting point for the cooperation model proposed for the future, which recognises the diversity of contributions and seeks to involve all countries and actors capable of contributing to development action.

3. Along the same lines, the third strength concerns Spanish cooperation's firm *multilateral commitment*. This commitment is expressed not so much in the size of its contributions to such institutions —which have been modest, though recently increasing— nor in the leadership assumed in promoting initiatives internationally —which has traditionally been limited— but rather in the interest with which Spain participates in international forums and multilateral organisations, and in the loyalty with which it follows agreed commitments. Although in recent years the share of multilateral cooperation in total ODA has been higher in Spain than the DAC average, this figure is not very indicative of the feature mentioned, since it is influenced by the low weight of bilateral aid. Over the last three years, efforts have been made to correct this situation by increasing contributions to the most central multilateral organisations, albeit within the constraints imposed by the absence of approved budgets. Beyond the figures, Spain has acted internationally as an interested and reliable partner of the multilateral system.

4. The fourth strength refers to a valuable feature of Spanish cooperation: its *deeply decentralised character*. The promotion of cooperation is a responsibility shared by public administrations at all levels of government, from municipalities to provincial councils and island councils, and from regional governments to the national government. This configuration helps root the values promoted by development cooperation in the social fabric, while also enriching the policy by integrating different visions, strategies and management models. This configuration of the Spanish system is useful for the cooperation model proposed for the future, which must necessarily be structured across different levels, capable of managing diversity and operating through a division-of-labour approach.

5. A fifth strength is that Spain has chosen *highly diverse partners*, located in different regions and at different levels of development, from LDCs in Sub-Saharan Africa, such as Mali or Niger, to already graduated countries such as Chile or Uruguay, with which cooperation agreements have been established outside the framework of ODA. The heterogeneity of its partners has given Spanish cooperation rich experience, which may prove highly useful for a system that must necessarily know how to manage diversity as a defining feature of the developing world. Moreover, the fact that many of its priority partners are middle-income countries has brought Spain closer to the conditions and demands of actors that will be central to shaping the future cooperation system.

6. Finally, the *dialogic and respectful style* that has characterised Spanish cooperation's relations with its partners should also be regarded as an asset, one recognised by them as a distinctive feature compared with other donors. Perhaps as a result of its technical weakness and of its historical and cultural proximity to its Latin American partners, Spanish cooperation has always been relatively non-impositional, open and receptive to partners' proposals, and highly dialogic in constructing alternatives. This tone of relations will be essential for a cooperation system that aims to be less hierarchical, more open, more horizontal and more inclusive.

Weaknesses

Three weaknesses of Spanish cooperation appear particularly notable.

1. The first concerns the still *low level of resources* allocated to Spanish ODA. The share of ODA in GNI (0.27 per cent in 2025) places Spain 16th among DAC donors, close to the DAC average (0.26 per cent), but far from the EU average (0.42 per cent). This low contribution reduces Spanish cooperation's capacity for influence and potential leadership internationally. This weakness is also reflected across much of the multilateral system—more in non-financial organisations than in multilateral development banks. Indeed, in terms of its contribution to the United Nations system, Spain was in 2023/2024 the 17th DAC donor, providing around 1.7 per cent of resources; but this share would be close to 1 per cent if measured against the international community as a whole.

2. The second weakness concerns the *unbalanced instrumental portfolio* of Spanish cooperation. Although a wide range of instruments and modalities is formally available, the level of development of its financial cooperation remains very low, especially when compared with the weight this modality has in the United States, the United Kingdom, Germany or France. The bulk of Spanish cooperation is non-reimbursable and mainly oriented towards social sectors, which explains why aid is highly fragmented and materialises in relatively small operations. The still limited deployment of financial instruments is a drawback for a future cooperation policy that requires scale and the capacity to leverage resources in interventions, given the priority now attached to areas—such as connectivity infrastructure, energy transition or digital transformation—that require significant financial capacity on the part of the provider.

3. Finally, Spanish cooperation's traditionally *limited technical capacity* may also be counted as a weakness. Despite being an experienced cooperation system, many of its strategic choices have been based on intuition and experience, with limited theoretical grounding, limited systematisation of good practices and limited evaluation of interventions. Learning processes and knowledge accumulation remain weak, which is a disadvantage at a time when cooperation policy must open up new spaces for exploration and change, innovation and experimentation.

Opportunities

Looking at the international scene, Spanish cooperation can capitalise on three major windows of opportunity in the process of change suggested here.

1. The first is associated with the notable *visibility and prestige* that Spain has acquired in recent years among various countries, especially those belonging to the Global South. The success of the Seville Conference on Financing for Development in a highly difficult international context; the committed position in favour of the rights of the Palestinian people and against Israeli aggression in Gaza and the West Bank; the formulation of Spain's own objectives, without arbitrary impositions, in the growth of the security budget within NATO; and the firm rejection of the illegal war in Iran promoted by the United States and Israel are positions that have given Prime Minister Pedro Sánchez, and the country as a whole, considerable prestige. This effect has been reinforced by the strong performance of the Spanish economy in recent years, making Spain one of the OECD countries with the most dynamic growth. This prestige can become a lever to open doors, foster affinities and build alliances internationally—a process necessary both to promote reform of the cooperation system and to establish the type of relationships on which that system should rest in the future.

2. The second opportunity is provided by Spain's *proximity to Latin America*, a region experienced in promoting South-South and triangular cooperation, where middle-income countries and some recently graduated countries are abundant and may be interested in supporting a reform of the cooperation system such as the one proposed here. Spain's own cooperation with these countries,

including those already graduated, through strategic partnerships and triangular cooperation, can serve as a useful laboratory for experimenting with the complex relationships that the proposed model seeks to promote, diluting the donor-recipient—and North-South—duality in favour of more co-responsible structures of action. Few DAC countries have similar experience, perhaps with the exception of Japan, Germany or Canada.

3. Finally, the third factor that may create a window of opportunity is the other side of a largely adverse development: the disengagement shown by the Trump administration towards this policy and the knock-on effect this decision has had on some other OECD donors. These decisions have weakened traditional leadership within the donor group and created space for other countries, such as Spain, to *promote initiatives and build alliances for reforming the cooperation system*, becoming reference points for other countries seeking to strengthen cooperation.

Threats

Three main threats also arise from the international environment.

1. The first threat concerns the *political and economic uncertainty* dominating the international landscape. The continued instability resulting from Trump's erratic decisions has recently been compounded by the effects of the war in Iran, with economic consequences in the form of rising fuel prices and a potential slowdown in global economic growth. Clearly, this is not the most favourable environment for countries to focus attention on the needs imposed by the development agenda and the reform of the cooperation system. If the situation worsens, countries are very likely to shift their attention towards mitigating the costs of the crisis within their own societies, leaving little room for an ambitious development policy.

2. The second threat derives from the effect that rivalry between China and the United States may have in *forcing international alignments* and preventing the expansion of cross-cutting alliances among countries of the North and the Global South, which is one of the necessary conditions for reforming the cooperation system. The same may occur if alignments are produced as a result of heightened tensions between the North and the Global South, especially if Northern countries are unable to rebuild their relations with developing countries from a position of greater respect and greater attention to their interests.

3. Finally, within the DAC there is a group of donors that appear determined to promote a reconfiguration of aid policy, turning it into an instrument more directly subordinated to donor national interests and grounded in a more transactional logic. Among the reasons they invoke to support this position is the unrealistic aim of keeping the United States—and other reluctant countries—within the sphere of international development action. If this option became dominant, the space for Spain to promote a reform leading to a more open and inclusive cooperation system, based on shared responsibility and more horizontal partner relations, would shrink.

7.3. RECOMMENDATIONS FOR SPAIN

Following the analysis developed above, the central recommendations for Spanish cooperation are now presented in synthetic form. Their aim is to strengthen Spain's propositional capacity and enable the country to take the initiative in the reform of the cooperation system. The main messages can be summarised in the following ten points.

1. Make commitment to the DAC compatible with the promotion of a broader reform of the cooperation system

Spain must pursue a strategy built around two complementary vectors. On the one hand, it should promote DAC reform, opening that body —and the OECD itself— to new countries, both providers and recipients of ODA. It should also encourage a review of some ODA standards, including the criteria used to report flows and define the countries eligible to receive these funds —eligibility and graduation.

On the other hand, Spain should play a prominent role in promoting a broader reform of the cooperation system, one that goes beyond the DAC and ODA. This second aspect is crucial —and will become even more so in the future— given that a growing share of development action takes place outside the DAC. The aim is to build an inclusive system, open to all countries able to contribute; one that overcomes the donor-recipient and North-South duality on which ODA is based; and one that operates with minimum standards in support of a comprehensive development policy.

While the first vector requires strategies and alliances with the most committed countries within the DAC, the second requires Spain to act in international forums and to seek strategies and alliances with countries of the Global South equally interested in these changes.

2. Spain should preserve the nature of ODA in order to recover its legitimacy as a distinctive metric

Spain should actively support the ODA reform process, not in order to dilute its boundaries and artificially increase aggregate figures, but to reaffirm its specific nature as a set of high-quality official resources, with a high degree of concessionality and an explicit orientation towards development objectives. The aim should be to recover the legitimacy and relevance of ODA, while recognising that this is compatible with defining complementary, more ambitious and comprehensive metrics, such as TOSSD, to cover areas that ODA does not capture.

This purpose is compatible with: (i) reviewing the inclusion of some questionable components currently counted as ODA, such as expenditures incurred within the donor country; (ii) improving the measurement of components currently poorly reported, such as multi-bilateral cooperation or cooperation by subnational entities; and (iii) clarifying reporting on resources mobilised by NGOs or triangular cooperation. In addition, the robustness of reporting on cross-cutting priorities and programme-based aid should be improved, particularly Country Programmable Aid, while also strengthening capacities to forecast the evolution of flows.

3. Spain should support a deep reform of ODA eligibility and graduation criteria

The criteria used by the OECD to define country eligibility and graduation, centred on GNI per capita, are clearly open to criticism. In a complex world, with highly heterogeneous countries and a multidimensional agenda, it is inconceivable that the DAC should seek to classify countries merely through GNI per capita.

As part of the reform, Spain should defend: (i) graduation thresholds that are more demanding than eligibility thresholds, to ensure that a graduated country has comfortably exceeded the criteria that made it eligible for aid; (ii) complementing GNI per capita with a dashboard of indicators relating to human capabilities, inequality, sustainability and vulnerability—possible indicators include the Human Assets Index, adjusted for inequality, the ND-GAIN index and the Multidimensional Vulnerability Index; (iii) to avoid the hollowing out of groups with the weakest indicators, eligibility and graduation rules could be based on normalised indicators defined in relative terms —for example, making eligible those countries below 60 per cent of the median or an equivalent benchmark; and (iv) avoiding the use of a synthetic indicator and instead preserving the differentiated dimensions of the indicators, so that a country would be eligible —or graduate— if it falls below or rises above the threshold in a predetermined number of them.

The design of the graduation system allows for two formulations. The more ambitious would involve a segregated graduation process, independent for each dimension, so that a country ceases to receive aid for certain aspects while continuing to receive it for others. This option would require differentiated aid windows for each dimension.

Alternatively, a single process could be used, assessing whether the country exceeds a minimum number of graduation thresholds. In this second case, it is important that: (i) the decision-making process be extended over time, distinguishing between the moment the threshold is reached, the moment the decision is taken and the moment that decision is implemented; (ii) during this final period, the country should prepare a transition strategy defining the support it would require; and (iii) that strategy should be activated after graduation, with clear identification of the support donors have committed once ODA is withdrawn. It is important that these, or other, eligibility and graduation criteria be discussed between the DAC and a broad representation of developing countries before being decided.

4. Spain should support TOSSD, while remaining open to reformulating the metric to secure broader backing

Spain should continue actively supporting the improvement and dissemination of reporting systems associated with TOSSD. Despite some debatable decisions in its calculation, it is currently the best available metric for moving beyond ODA. Its main drawback is that many countries consider it a product of the OECD and are therefore unwilling to adopt its reporting criteria as their own.

For this reason, Spain should remain open to activating a more open and inclusive process that would allow the metric to be reformulated so that it reflects diverse cooperation models and flows. Even in that case, TOSSD would be a good starting point for such dialogue, which should remain open to the changes or transformations suggested by the countries involved.

5. Both ODA and TOSSD should be disaggregated into components according to agendas, with specific budgetary commitments for each

Spain should propose a reform in the way commitments are set and flows reported for both ODA and TOSSD, so that the different agendas currently coexisting within development cooperation are more accurately reflected. These agendas have different objectives, intervention logics, time frames and normative principles, so their undifferentiated fusion can only generate confusion.

At least three major agendas should be distinguished: humanitarian action, sustainable development and global public goods. Combining these agendas under a single metric prevents understanding the logics underlying public action and helps reinforce the belief that they are rival components competing for the same resources. Spain should therefore defend this disaggregation into three differentiated components not only in ODA and TOSSD reporting, but also in resource programming and in the advance definition of budgetary commitments by cooperation providers.

6. Policy coherence, flow predictability and national financing platforms should be promoted

One of the transformations experienced by the international cooperation system concerns the diversification of funders, actors and instruments. This has generated extensive literature emphasising the negative consequences of this process, referring to high levels of actor proliferation and aid fragmentation and their effects on system transaction costs. These processes may indeed lead to such outcomes, but empirical studies do not allow for firm conclusions.

In contrast, the increase in actors also has positive components that should be considered: it enriches the system by incorporating different visions and interests, and it expands the strategic room for manoeuvre of developing countries, which have access to more providers. This process is also likely to intensify over time, as new countries join international development action. The objective should therefore be not so much to reduce actor proliferation or intervention fragmentation, but to increase resources, align efforts, coordinate tasks where possible and make flows more predictable.

These objectives imply three basic policy guidelines: (i) strengthening policy coherence for sustainable development, so that the impacts of different interventions reinforce and complement those of other policies; (ii) reinforcing the localisation of cooperation and improving donor coordination, especially through national platforms led by the recipient country itself, such as Integrated National Financing Frameworks (INFFs); and (iii) improving the predictability of flows by increasing the weight of Country Programmable Aid.

7. Responsibility for supporting a country should not end with graduation

Earlier points suggested that Spain should defend the strengthening of ODA, while preserving its nature, and a substantial change in eligibility and graduation criteria for access to its funds. Until now, however, the DAC has operated under the questionable assumption that donors' responsibility towards a country ends at the moment it graduates. Graduation is treated as though it certified a critical change in country conditions, which is not the case.

It is therefore important to stress that development cooperation is broader than ODA and that the responsibility to work jointly with countries to consolidate development gains and address global challenges does not end with graduation. Beyond transition pathways, alliances should be established with recently graduated countries not only to consolidate achievements in those countries, but also to involve them more actively in international development action, through triangular cooperation operations or contributions to global public goods. Spain has already advanced along this path through its strategic partnerships with Chile and Uruguay, two recently graduated countries.

8. Development finance and private resource mobilisation

The expansion of the development agenda and the incorporation into it of major challenges linked to the ecological and digital transitions have led many donors to show growing interest in achieving sufficient financing scale and mobilising additional private resources aligned with development objectives. This reasonable ambition has led donors to give greater prominence within cooperation to financial instruments —such as blended finance, venture capital, loans and guarantees— that incentivise capital mobilisation or reduce risks for private investors. Development finance institutions (DFIs) have been created or strengthened to manage these instruments.

This trend is understandable and may have positive effects on cooperation by increasing its operational and transformative capacity in the countries where it works. However, three cautions must be taken into account: (i) first, the development impact of interventions must be properly defined—the primary objective is not to mobilise resources, but to achieve transformative impacts in the country; (ii) second, operations must respond to countries' priorities and be properly integrated into their development strategies; and (iii) third, they must mobilise resources additional to those the private sector would have mobilised without public support. With these three conditions, this line of work should be considered one of the strategic vectors of development cooperation.

9. New narratives

The traditional aid narrative rests on the idea that the donor possesses the resources, capacities and knowledge required to make development possible, and that transfers to the recipient country respond to altruistic criteria. This narrative is neither credible nor mobilising; and it rightly provokes rejection from developing countries, which are cast as dependent and subordinate to external support. New narratives are therefore needed, suited to the complexity of today's world and capable of mobilising emotions and building support for transformative development cooperation.

These narratives should rest on several basic ideas: (i) the pursuit of shared progress, because many problems are shared and the sustainability of one's own achievements depends on the achievements of others; (ii) interdependence, which points to the fact that we are all members of the same community and responsible for what affects us; (iii) the existence of shared values, linked to human rights, willingness to cooperate and respect for a rules-based order, while recognising that these principles are compatible with each country's particular ways of assessing progress; (iv) the correction of distributive asymmetries, to ensure a reasonable distribution of opportunities globally; and (v) the promotion of alliances, to work together as a way of managing an increasingly fragmented international system.

Beyond these common principles, each of the agendas that make up development cooperation has its own normative principle on which to build its narrative: moral responsibility and relief in the case of humanitarian action; solidarity and mutual interest in the development agenda; and common interest and shared responsibility in the agenda of international public goods. There is therefore not a single narrative of cooperation, but several, because there are several agendas, although all share some common principles.

10. Begin the path towards inclusive governance of the cooperation system

In addition to strengthening the DAC, Spain should support a process leading towards more open and inclusive governance of the cooperation system. This should start from existing platforms —the DAC, DCF, GPEDC, IFT and IATI— while recognising that none of them meets the minimum characteristics required of an appropriate governance structure: effectiveness, representation, inclusion, transparency and accountability.

Given the diversity of countries involved, instruments available and modalities of action, the new governance structure should be anchored in the United Nations, the only institution capable of accommodating the whole international system and defining normative criteria for its functioning. This governance should therefore be built from a profound reshaping of the DCF, but with the active involvement of the other platforms. This broader and more inclusive governance structure should rest on a basic metric and minimum standards, as a form of *shallow multilateralism*, while remaining compatible with groups of countries —such as those grouped in the DAC— having their own governance structures and standards beyond those shared by all.

To configure this governance structure, three steps are suggested. The first would be to deeply reform the DCF, specifically by: (a) redefining its mandate; (b) reforming its structure so that, in addition to the Assembly, there is a Steering Committee representative of the actors involved; (c) strengthening the DCF Secretariat through the involvement of other UNDESA divisions; and (d) creating —or using— an inter-agency group within the United Nations to monitor the issue.

The second step is to establish joint work programmes among existing platforms in areas where they most clearly overlap: for example, between the DCF and the GPEDC on cooperation effectiveness; between the DCF and the IFT on development metrics; and between the DCF and IATI on transparency and data dissemination.

Finally, a cooperation programme should be established between the DCF and the DAC, enabling the latter to transfer its technical experience in monitoring and reporting flows. The medium-term goal is for the DCF, with the support of other units and agencies of the United Nations system, to be able to provide a minimum governance structure that gives the cooperation system a sense of unity, submitting proposals to ECOSOC on shared metrics and standards. This structure should be compatible with countries, or groups of countries, maintaining their specific cooperation models and governance structures where these exist, as in the case of the DAC.

7.4. THE WAY FORWARD: ALLIANCES BETWEEN MIDDLE POWERS OF THE NORTH AND SOUTH

The proposals set out in the previous section involve varying degrees of difficulty. Some refer to alternatives to be offered within a reform process that is already underway within the DAC. These are feasible proposals which, if accepted, would improve the robustness, effectiveness and legitimacy of the international aid system. Judging by their own statements, however, not all donors appear willing to support the purpose towards which these proposals are directed.

At a time of disorder and confusion internationally, when the offensive against the values underpinning development cooperation is intensifying —and when that offensive is led by the world's leading power— it is understandable that some donors oscillate between retreating, in order to safeguard the essentials and avoid further disaffection, or reconfiguring aid by changing its nature to make it more palatable to those who reject it. Neither alternative seems promising. The first condemns aid to a future of progressive irrelevance, as a growing share of development action operates outside the minimal perimeter within which ODA is to be confined. The second seeks to broaden social support for a policy through the dubious strategy of distorting its aims, attributing to it objectives for which other public policies are far better equipped.

Against these two reactions, what is proposed here is to move in a different direction: strengthening aid while preserving its nature as a select flow of high-quality resources; refining its measurement and reporting; improving the criteria for identifying destination countries—eligibility and graduation; increasing the predictability, coherence and coordination of its interventions under the leadership of developing countries themselves; and improving its governance, making it more open to the voice of partner countries.

This is compatible with maintaining a broader and more encompassing metric, such as TOSSD, although one open to the changes needed to turn it into a metric shared by countries beyond those currently participating in the IFT. This process must be accompanied by a shift in the conception of the aid system: rather than being understood as its defining core, it should be regarded as one component within a broader and more plural architecture, which requires its own governance framework. This relocation and re-signification of aid should also prompt a change in the system of relations on which that policy has rested, seeking more horizontal, less hierarchical ties, and less arrogant, more respectful attitudes towards partners.

To advance this process, Spain should seek alliances within the DAC, where some countries appear more open to a deeper reform of aid along the lines suggested here. The fact that Spain leads one of the DAC working groups —the one on the reform of eligibility and graduation— and is an active member of others makes it plausible that it can influence the direction of the reform. In any case, it is equally important to support reforms with the demands of partner countries, so that they convey to the DAC the scale of their aspirations. Spain's close relationship with Latin American countries and with SEGIB can help this process, given the prominent role these countries have played in criticising the DAC and demanding changes in the aid system. Similar support could resonate with a broad group of countries in Sub-Saharan Africa, which, through the African Union, have raised comparable demands for change in the aid system.

It will be more difficult, however, to realise those proposals relating to the construction of an open and plural cooperation system, with light and inclusive governance, anchored in the United Nations and built through a process of convergence and reform of existing platforms. This process requires far greater political muscle and relational capital than influencing the reform already underway within the DAC. There is, however, a good starting point: this conversation already exists, and involves several prominent think tanks, such as the Overseas Development Institute (ODI), the Center for Global Development (CGD) and the German Institute of Development and Sustainability (IDOS, formerly DIE); development agencies such as the Agence Française de Développement (AFD) Group; foundations such as the Gates Foundation; multilateral institutions such as the Development Cooperation Forum (DCF); and coalitions of countries, institutions and academics, such as the Future of Development Cooperation Coalition.

The difficulty lies in translating these multiple voices into a shared space of basic agreements and into a line of action capable of securing the support of a sufficient number of countries. To advance this process, Spain should take part in this conversation, putting forward its own vision and proposals, drawing on the authority provided by its firm commitment to the values of development cooperation and its aim of strengthening a rules-based world conducive to collective global action to address shared problems.

In addition, Spain must build the alliances needed to promote and enable this reform process. In this field, Spain needs to operate beyond the strategic space of the blocs to which it belongs, given the desertion and hostility of the United States and the limited willingness shown by some European countries to build their own position, grounded in the EU's founding values and free from the double standards that have characterised their previous behaviour. It is possible that the other global power, China, may coincide with some of the proposals formulated here and become involved in supporting them, but allowing China to lead the process would entail risks. The most fertile space for building international support and alliances is therefore the broad and plural grouping of what have come to be called middle powers—a group to which Spain itself belongs. The task, then, is to promote a certain activism internationally among this group of countries, to seed ideas, gather support and build cross-cutting alliances with countries of both the North and the Global South.

In his speech at the 2025 World Economic Forum meeting in Davos, Canadian Prime Minister Mark Carney argued that current reality is shaped by "the rupture in the world order, the end of a pleasant fiction and the beginning of a harsh reality (...) where the large, main power, geopolitics, is submitted to no limits, no constraints". At the same time, however, "the other countries, especially intermediate powers like Canada, are not powerless. They have the capacity to build a new order that encompasses our values, such as respect for human rights, sustainable development, solidarity, sovereignty and territorial integrity of the various states".

As Carney put it, the task is to build alliances of "variable geometry" to counterbalance the arbitrariness of great powers, focusing on values, norms and the achievement of sustainability as shared purposes. "We shouldn't allow the rise of hard power to blind us to the fact that the power of legitimacy, integrity and rules will remain strong, if we choose to wield them together". The purpose of this effort should not be to recover the past, but to advance reform of the international system, with countries acting collectively to shape reality and avoid marginalisation: "the middle powers must act together, because if we're not at the table, we're on the menu". A necessary component of this reform should undoubtedly be the redefinition of the development cooperation system.

Carney's words were rightly judged inspiring, but his speech lacks more explicit recognition that some of these middle powers must necessarily be countries belonging to what has been called the Global South. Alliances must therefore overcome the fault line marked by the North-South divide, in line with the aim of creating a cooperation system that transcends both that divide and the donor-recipient duality.

For this to happen, developed countries must be willing to change their attitudes, seek a more balanced hearing of voices internationally, and revise their norms and standards in order to submit them to consensus. The issue is not to abandon one's own values, but to understand that one's own standards cannot be imposed on others. If an inclusive system is to be built, it is necessary to open up to dialogue in order to establish minimum shared standards, knowing that, on this foundation, each country's own visions and systems for assessing progress will then be able to find expression.

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