Donors in a Post-Aid World Dialogue Series

Dialogue #4: How to be a donor in a Post-Aid World

Heba Aly, Nilima Gulrajani and Jessica Pudussery

27-28 January 2026, The Hague

ODI Global

Donors in a Post-Aid World series

Executive summary

Shrinking aid budgets across many donor countries have brought renewed attention to the question of aid dependency. Donors and aid-receiving countries alike are responding by returning to country-led development, both to improve the current model and to lay the groundwork for a stronger framework for development cooperation.

This is the context for this fourth ODI Global Donors in a Post-Aid World (dPAW) dialogue. Between October 2024 and May 2026, ODI Global is convening a series of five dialogues to reimagine and co-create a vision for Northern donorship in the 21st century. These dialogues were launched prior to the upheaval in international aid witnessed in 2025 with the belief that we were approaching a 'post-aid world' with the loss of legitimacy, relevance and financing of Northern donors. The objective of the series is to provide a space for creative, out-of-the-box thinking for a new development cooperation paradigm better suited to today's global realities.

Co-hosted with the Dutch Ministry of Foreign Affairs in The Hague on 27-28 January 2026, this fourth dialogue brought together donor officials from bilateral aid and multilateral policy departments, Southern government officials, civil society actors, researchers and thinkers to explore how Northern donors must evolve their institutions and operations in a world where their partners seek greater autonomy and sovereignty, where aid is likely a smaller development finance flow, and where eventually donors may not need to exist at all.

This document serves as a summary of the event and does not indicate full participant consensus.

Key takeaways

Donors have long recognised that successful development rests with countries taking control over their own policy destiny. Yet donor-driven development has had limited success in building countries' autonomous capacity to deliver for their citizens and has generated a sense of fatigue among taxpayers in the Global North.

As donor governments respond by slashing aid budgets and looking to transition responsibility to countries, aid-receiving governments have become painfully aware of their harmful dependencies, with political leaders and other elites calling for greater strategic autonomy in light of the overnight dismantling of USAID, the world's largest bilateral development agency.

The result is both donors and their partners are converging on Country-Led Development (CLD) as an anchor for a future reset of the sector. The question animating our dialogue thus became: how should donors adapt to this moment? What will it take for donors to foster CLD in the short run, and what might this mean for the institutional design – or even existence – of Northern donorship in the long run?

The two-day dialogue considered how donors might, in the long-term, re-imagine their roles in a post-aid world. Several potential ideas emerged:

- Donors should robustly transition into '**development partners**' (most already describe themselves this way) who work with countries in the Global South on a platform of shared interests. Partnership should rest on honest and transparent diplomatic relations that do not heavily rely on resource transfers.
- Donors could **work across government** to harness a range of diplomatic and specialist skills and a much wider suite of financial and non-financial instruments to support development.
- Donors could use their diplomatic and political capital to **champion policy reforms and regulatory changes** that improve the conditions for economic development in the Global South.
- Adopt a set of **more expansive roles** that support CLD, including serving as advocates for local actors, building sustainable systems, co-learning and brokering knowledge exchange, convening and amplifying actors and networks.

These new roles raised the question: Do 'donors' have value if there is no transfer of money? Participants were divided on this question, with some arguing that "*without the money, there is no relationship*." Others argued that money is a proxy for "*power over*" rather than "*power with*" and that thought partnership, access and technical expertise would be welcomed by countries in the South.

The dialogue identified the following elements as potential steps in the pathway towards a world without 'donors', where development is driven by more equal partnership:

- Being **intentional about exit** strategies from the very beginning of any engagement.
- Consider how **new cooperation principles** will animate engagement and enhance (rather than dilute) developmental commitments including on Global Public Good (GPG) provision, new platforms and the catalytic function of Official Development Assistance (ODA).
- Build a **leaner country presence** and elevate diplomatic and political negotiations to senior levels.
- **Build workforces** that possess specialised knowledge, can be flexibly mobilised, and are built for negotiation and partnership rather than control.
- Engage with different **implementation channels** including local actors and regional and multilateral institutions, including by reforming them to deliver better.

With falling ODA levels, lower levels of public support and growing demand for CLD, the prospect for the end of donorship as we know it certainly does exist. These conditions can be a catalyst for a fundamentally different development cooperation architecture than the one we have today, if we give ourselves the chance to be so bold.

The dialogue also considered what donors can do in the short-term to strengthen CLD within ODA as it exists today. Possible solutions discussed to the problem of fostering CLD can be grouped into measures informing how donors operate, actions that can foster enabling conditions for CLD and the adoption of certain guiding principles.

Operational practices

Donors can strengthen CLD by adopting operational practices that foster better coordination at country-level. They can create spaces for senior diplomatic dialogue and negotiation, encourage more focused choices on comparative advantages and maintain minimum thresholds of investment. Donors can foster a stable and capable country presence and recruit staff with broader skill sets, diverse cultural affinities and dual nationalities. Strengthen donor accountabilities for how partnerships are formed, maintained and concluded. Work differently with local civil society in ways that strengthens domestic accountability but does not undermine government.

Enabling conditions

Progress on CLD is most likely where there is reliable data and knowledge, where host governments are willing and able to coordinate external actors; where there is deeper knowledge of domestic political economy and past approaches; and where a commitment to honest dialogue exists that recognises shared interests but also the inevitability of trade-offs.

Guiding principles

Donors should make use of existing tools rather than inventing new ones which can result in further proliferation and fragmentation. Donors should ensure predictability of their resources and, where necessary, retrench responsibly. And finally, donors need to cultivate mindsets and attitudes that allow them to trust more, tolerate risk better, and engage with humility and reciprocity.

Why country-led development is relevant now?

There is a long history of development initiatives aiming to promote greater country ownership and leadership, national independence and self-reliance, localisation and domestic accountability. Indeed, foreign aid partly emerged out of a perception that former colonial states lacked 'capacity' to lead national development and required external guidance and intervention to lead their countries to prosperity.

The aid system has often talked about Country-Led Development (CLD) using the language of 'ownership'. Since the mid-1990s, the language of 'putting countries in the driver's seat' has been an objective of various donor modalities like the Poverty Reduction Strategy Papers (PRSP), Sector Wide Approaches (SWAp) and budget support.[1] More recent manifestations include efforts to champion locally-led development, triangulate cooperation and build country platforms. Donor modalities to build 'country ownership' have, however, had mixed success (Box 1). Research suggests that one reason for this is that these approaches have retained a technical procedural quality rather than encouraging donors to consider their own roles, functions, risk perceptions and skillsets.[2]

Today, foreign policy is returning to the importance of national sovereignty, a context that is arguably better matched to efforts to foster CLD. Initiatives like the Accra Reset[3] are aiming to flip the script on long-standing power dynamics in international cooperation and minimize external dependencies laid bare by recent aid cuts. Alongside, the UN Sevilla commitment[4] places country leadership at the centre of a renewed development financing framework. With a rules-based international order looking increasingly fragile and economic and political power converging in large emerging economies of the Global South, efforts to sustain strategic autonomy are both desirable and attainable for many traditional recipients of foreign aid.

Northern donors can not ignore demands for more robust CLD. Development cooperation operates at the intersection of global agendas like the Sustainable Development Goals (SDGs), bilateral diplomacy and national priorities. As one donor official put it, "*We cannot cut any of these three out. But the way we articulate* [*development*]*, we give more weight to national expressions of priority. That is really the thing we have to deal with.*"

1 https://documents1.worldbank.org/curated/en/208631583185352783/pdf/The-comprehensive-development-framework.pdf

2 Hasselskog, M. (2022). *What happened to the focus on the aid relationship in the ownership discussion?* World Development, 155, 105896. https://doi.org/10.1016/j.worlddev.2022.105896

3 Jerving, S. (2025). The 'Accra Reset': Time's up for the legacy aid system. Devex. https://www.devex.com/news/the-accra-reset-time-s-up-for-the-legacy-aid-system-110845

4 https://financing.desa.un.org/sites/default/files/2025-08/FFD4%20Outcome%20Booklet%20v4_EN%20-%20spread.pdf

Defining country-led development

To begin our conversation, we invited participants to react to our working definition of CLD:

> *Country-led development is when national actors (state and societal) exercise authority over development priorities, design and implementation and are held accountable for results.*

There are two features of this definition worth flagging.

First, CLD is not just about changing tools or redesigning instruments but about sustaining autonomy along four dimensions:

- **Strategic authority:** Who sets priorities?
- **Operational authority:** Who designs, implements and manages projects and processes?
- **Fiscal authority:** Who controls finances?
- **Political and civic accountability:** Who is accountable to whom?

Participants broadly agreed that CLD requires meaningful shifts in power to national actors. But achieving this is often limited by donors' reluctance to relinquish control and by constraints imposed by international institutions. Some participants felt that a definition of CLD should explicitly mention these limitations.

Secondly, there was broad agreement that a 'country' is more than the state; it includes societal actors like citizens and civil society groups (media, community groups, activists), domestic economic actors (firms, informal sector, banks) and all governmental institutions (subnational, parliaments, and public institutions). However, some participants noted that achieving this broader understanding of country ownership may be challenging as it is strongly associated with state-society dynamics characteristic of Western representative democracies.

Participants drew distinctions between CLD as a deliberate national and international process linking all actors through the cultivation of development (which some participants felt needed qualification as 'country-led development cooperation') and CLD as a broader description of a nation's preeminent role in shaping its own policy destiny. We retain the term CLD in this note as a descriptor of development cooperation as a process.

There was agreement that CLD is central to a broader rethinking of development cooperation. To quote one participant CLD involves "*a more equal partnership, with or without a role for aid, and based on mutual responsibility of Western donors and partner countries.*"

The challenges in advancing country-led development

Participants discussed several fundamental challenges that need to be addressed in any renewed effort to anchor CLD in Northern donor operations and behaviours.

Deciding **whose priorities count** is where the core tension lies in any effort to cultivate CLD. Recipient countries and donors have priorities that may not always converge on all agendas and may even pull in different directions.

Moreover, it cannot always be assumed that the interests of recipient country governments are representative of wider societal interests. For some participants, this was acceptable because donors' counterparts tend to be governments. For others, limited domestic societal engagement and accountability risks CLD remaining **procedural rather than substantive**. Working with non-state actors can be threatening to domestic elites, while civil society itself can also reflect those entrenched elite interests.

These tensions come to the fore in contexts with endemic fraud and corruption that can challenge donor institutional rulebooks, risk tolerance and fiduciary accountabilities. **Weak governance** and **complex political dynamics** at the recipient level constrain investing in or through state institutions (though some participants alluded to greater risk tolerance in conflict-affected and fragile states). The result is increased incentives for donor control and closer oversight, if not complete withdrawal.

But aid-receiving countries cannot be given responsibility to plan and lead without also giving them **sightlines and control** over their external sources of finance, which are often unpredictable and off budget. Otherwise, countries face what participants described as "*responsibility without control*", where they remain accountable for results which can be dramatically buffeted by unpredictable external support.

Admittedly, countries now have access to new sources of finance via an increasing number of **external partners**. This can strengthen country bargaining power but can also complicate domestic accountability to citizens. Managing additional partners also requires strong coordination capacities on the part of recipient governments.

Donors' **normative commitments** to agendas like human rights, poverty reduction and gender risk being sidelined if not viewed favourably in partner countries. One participant noted that we risk recipient countries are prepared to set aside values-based priorities because negotiations take place with diplomatic elites who seek to develop partnerships centred on growth and investment to advance economic or security interests. These

interactions do not always reflect the depth of national concerns in societies with political and economic inequality. By contrast, another argued that ending values-laden discussions could broaden domestic engagement and reveal new allies and arguments for principles often seen as Western.

Similarly, CLD can be at odds with investments in **Global Public Goods (GPGs)** if such engagement is seen to come at the expense of nationally defined priorities. Mitigating carbon emissions or investing in pandemic preparedness are some areas where a tradeoff may exist between national goals and donor objectives.

Institution-building takes time, but donors are **pressured to deliver results** quickly because of short political cycles and annual budget appropriations. One participant described this as "*the tyranny of results*" being at odds with CLD because, "*country led takes time* ...[*you*] *have to be patient but co-creating is worth it*."

Box 1 The limitations of donor modalities for country-led development

Donor partnerships for CLD are often reduced to specific modalities. In a pre-event questionnaire, donors indicated the tools in their toolbox to advance CLD include things like country platforms; knowledge sharing via technical assistance; support for domestic resource mobilisation; budget support; direct support to local actors; funding to multilaterals; co-designed conditionality and triangular cooperation. Each modality requires donors to choose a financial instrument (e.g. grants, loans, equity) which is operationalised through a delivery channel (e.g. NGO, government, private sector).

There was a general consensus that countries are often at the receiving end of proliferating modalities and financing instruments. This results in duplicative and fragmented efforts, as well as misalignment with country preferences and plans. Tools are applied in a web of complex donor administrative processes, which one participant described as "*more focused on process than results on the ground*." Yet participants warned against reducing CLD to a single modality: "*The debate around CLD is sometimes reduced to country platforms... [I am] a bit scared that we are seeking an easy answer to a complex question*."

Countries themselves often do not always have access to the "*full menu of tools available*" at their disposal. Instruments are often chosen for them, without a clear understanding of the challenges the country itself is working to solve and the context within which these instruments must operate. Too often, there is "*a triangle of incompatibility*" between modalities, donor interests and recipient interests that needs redress.

Modalities may also rely too heavily on foreign consultants and international intermediaries. This can shift decision-making and accountability away from recipient or partner governments and reinforce donor-driven implementation. As one participant asked, "*Who is the client when you hire consultants – is* [*the donor*] *the client or government?*" Delivering for countries requires more focused efforts to engage local intermediaries and nationally embedded actors.

Finally, many donor instruments are implemented through parallel project structures and intermediaries. This approach bypasses the state, weakening national oversight and institutional development, and ultimately undermining state capacity. When resources are expanding, joint platforms and partnerships tend to be easier to sustain than when budgets are shrinking and donors act unilaterally and speedily. As one participant highlighted, "[*Donors*] *cannot talk about accountability and then you yourself* [*as a donor*] *don't conform to the country's system*."

The dialogue made clear: CLD cannot succeed via modalities alone. Donor norms and behaviours, staffing choices and programme design variables all make these modalities more or less successful in the pursuit of CLD.

How to be a donor who champions country-led development?

To create pathways to advance CLD, a range of donor operating practices, guiding principles and enablers become relevant.

Operating practices

- **Country presence:** Stable and capable county-based presence can build trust, grow networks and bring additional leverage to donors. This presence should make every effort to be streamlined with other actors to minimise transaction costs.
- **More coordination at country-level:** While national development plans provide an overarching framework, they are often designed to be quite broad to accommodate both country level and donor priorities. This makes real prioritisation by both donors and recipients difficult. Coordination should involve more detailed dialogue at country level around concrete sectoral and thematic priorities, and around how different external actors will contribute to those priorities jointly (for example through pooled funds). Donors should come prepared with details of their efforts to streamline and align decisions and interventions, and support nationally led coordination bodies. Coordination efforts will also need to span a much wider set of actors.
- **Spaces for senior diplomatic dialogue and negotiation:** Create more opportunities for recipient governments and senior donor officials to engage "*on issues that matter to each party*," including discussions on comparative advantages, divisions of labour and changing resource envelopes. This can build trust, identify shared interests and promote co-investment.
- **More focus:** Making more focused choices about where and how donors remain engaged based on their comparative advantages and abandon mindsets that seek to do "*everything, everywhere all at once*". Centre national actors' perspectives and plans in donor strategies and encourage clear, two-way communication of decisions.
- **Staffing choices:** High staff turnover, short posting cycles, limited scope for in-country career growth, and insufficient incentives to work in difficult environments undermine the continuity of country-level engagement and erode donor institutional memory. This affects relationships with government counterparts and donor's contextual knowledge. Regional and neighbourhood postings may help (Box 2).
- **Donor accountability:** Recipient governments are bound to donor performance targets, fiduciary safeguards, and results frameworks, yet equivalent accountability mechanisms for donors' coordination practices, policy choices and exit decisions are limited. Clearer and more reciprocal contractual arrangements could help clarify mutual obligations for the way partnerships are formed, maintained and ended. Such arrangements would prevent one-sided accountability mechanisms that privilege taxpayers in the North over citizens in the South.

- **Working with local civil society:** To engage beyond the state, donors should build relationships and direct funding to local civil society actors that enable the latter to design programmes and hold governments to account authentically, on their own terms. This requires donors building trust with governments that can be suspicious of civic actors. It also requires donors to treat local CSOs with the same level of respect and maturity that they afford to organisations in their own countries, without seeking to shape them in their own image.

Box 2 Staffing and technical expertise at country-level

- Donor teams should reflect a broader **mix of skills**, including political economy analysis, sectoral and technical expertise (such as public finance, law and taxation which are increasingly central to financial cooperation).
- Increasing the **length of rotational cycles** can allow continuity of expertise and know how, as well as ensuring competencies to navigate local contexts and systems. Foreign service career pathways would need to be adapted to make this work.
- Working with and through **locally-based staff** can also help sustain long-term effectiveness, but care should be taken to avoid poaching staff from already under-resourced country systems. This may also require donors to confront lingering attitudes of expatriate superiority, and a reframing of what is meant by expertise and who has it.
- Teams that reflect **more diverse professional, racial and socio-economic backgrounds** may be better positioned to build trust and widen perspectives. Donors can leverage diasporas or staff with dual nationalities to navigate different cultural realms.
- Donor provision of **technical assistance (TA)** can boost the visibility of and economic benefits to their own institutions, knowledge and experience. As TA is a lucrative opportunity for donor-based firms and consultancies to access public concessional funds, it risks becoming more supply driven than demand driven. TA should not be reduced to one-off, short-term engagements by donor expatriates. Rather, it should be built on sharing expertise in a mindset of co-learning by prioritising more embedded and longer-term relationships in countries. For example, seconding advisers within host government systems – where invited by governments and accountable to them rather than to a donor – can build domestic capabilities and reduce parallel structures. Cross-national TA pools can ensure countries get the best expertise that they actually need, rather than the experts that donors want to fund.

Enablers of country-led development

While donors may not control the presence of all of these enablers, the following can be helpful for advancing CLD:

- **Host governments must be able and willing to steer all external actors:** Host governments must not only have the technical capacity to coordinate but must also be enabled and willing to steer all external actors. This role cannot be substituted by other institutions or actors, and where it is lacking substantial CLD is difficult. Where such willingness does exist however, donors need to actively "*let go*" and allow their own timelines for what is possible to adjust. Donors need to also be open about what can be co-owned and co-created.
- **Understanding political and historical contexts:** Draw on historical experience, contemporary policy and comparative learning about what worked (or did not work) across different contexts and sectors, avoiding the tendency to discard earlier approaches without understanding how and why they succeeded or failed. Consider what specific moments like renegotiation of the SDGs might mean for enabling CLD. More recently, partnership models such as the Just Energy Transition Partnerships (JETP) could learn from past templates for organising cooperation around specific, nationally defined transitions.
- **A more honest dialogue:** Recognise and be transparent about the interests that all parties bring to the negotiating table. This can help identify where donor-country interests align, and where negotiation is needed because "*there is a narrative on mutual benefit that doesn't acknowledge tradeoffs*." This dialogue needs to centre country needs and interests in donors' strategies for mutually beneficial partnerships, while recognising the reality of donor constraints. As one participated stated, it "*takes two to tango and we both need to change a bit to make...win-wins successful*."
- **Better data and knowledge:** Make donor data more accessible and transparent for countries. Help recipient countries set up stronger national information and statistical systems to generate, manage and use their own data on external finance and cooperation, SDG gaps and performance tracking. Develop the research and evidence base for what has worked in the past and why.

Some guiding principles

- **Don't create new tools or frameworks:** Avoid overcomplicating engagements by superimposing new modalities over old ones. Instead, look to use existing instruments like budget support or payment-by-results more appropriately. Critically assess whether and how existing tools limit or enable CLD and reform them as needed.
- **Co-determine a minimum threshold of investment:** This can help decide when bilateral assistance programmes are "*worth it*" for both donor and host countries in light of administrative burdens and costs.

- **Ensure stability and predictability of resources:** Signalling funding trajectories, including where donors intend to reduce or sunset support, can enable recipient governments to plan and reprioritise better. "*Retrenchments need to be done responsibly*," is how one participant succinctly put it. Clearer contractual arrangements with enforceable, protective measures increase funding predictability by mitigating some of the risks posed by abrupt political and budgetary re-alignments in donor countries.
- **Change mindsets:** Change how donors "*show up*" in countries, with an emphasis placed on greater trust, humility, respect and reciprocity and a need to deeply listen and "*unlearn*" established practices (Box 3).

Box 3 Building risk tolerance

Trust and risk are at the heart of building CLD. Donors must take their fiduciary responsibilities seriously. At the same time, excessive risk aversion can have consequences for the nature and scope of partnerships that can be built in support of CLD.

Several participants suggested that donor responses to fund misappropriation is not uniform but varies depending on where the irregularities occur or which actors are involved. For instance, donors may be more willing to tolerate fund misappropriation within multilateral organisations than when similar issues arise within partner governments. Geopolitics can also influence these tolerances: "*It matters where the corruption is happening, Ukraine is more tolerable whereas Uganda might not be.*"

Such biases are difficult to change as they can often stem from embedded perceptions and political choices. Several participants thought rather than donors pulling away from deep structural and political governance challenges, they should intensify efforts to grow state capabilities which sustain CLD. Honestly confronting political difficulties is a first step in transcending them. As one donor official put it, there is a "*difference between saying country ownership and meaning it*". Educating the public on the challenges of working in fragile and weak states can potentially grow donors' authorising environment for riskier engagements.

Donor roles in a post-aid future

Robust country leadership will eventually require a fundamental reconfiguration of Northern donorship. This is because the rationale for Northern donors and foreign aid becomes weaker as strategic agency shifts towards countries in the South and perceived financing responsibilities for national development moves to other actors. Quality support, of which funding is just one part, becomes the main currency of country-led development cooperation.

Of course, a post-aid world does not necessarily imply a halt, or even a reduction, in financial flows from the Global North. This is why many donors prefer the language of 'ODA and beyond' to 'post-aid', thinking it is better to hold onto ODA and its institutions rather than reinventing them from scratch. Yet with falling ODA levels, lower levels of public support in the Global North and stronger partners in the South demanding a more mature relationship, the prospects for a post-aid world certainly do exist. These conditions are a catalyst for a fundamentally different development cooperation architecture than the one we have today.

As one donor participant put it succinctly, "*Northern donors have expired; international cooperation has not*."

In this dialogue, participants were encouraged to reflect on the future institutional and organisational contours of international development cooperation demanded by a world reliant on "*more partnership, less dependency.*" While many suggested that it was hard to be ambitious given such significant disruption, several ideas emerged for the revamped roles and functions that Northern donors might occupy.

From donor to partner

Participants discussed the possibility of "*normalising*" bilateral relationships that have traditionally rested on the transfer of aid between the Global North and Global South. In this framing, development cooperation would shift away from the traditional donor-recipient logic toward a broader diplomatic partnership. This is best encapsulated by changing labels designating donors and recipients to the more generic 'development partners'.

However, changing labels will not automatically change the realities of asymmetric sovereignty and power. In contexts where aid has long been central to the bilateral relationship, "*normalising*" requires more than a rebrand. It involves putting even more emphasis on building trust, the honest negotiation of mutual interests and the ability to leverage advantage without the direct and deliberate exchange of resources.

Donor officials, especially those based in ministries of foreign affairs rather than in more autonomous bureaucratic entities, frame this new role as building diplomatic bilateral partnerships. "*We've got the skills, knowledge and experience and we've got the instruments... we need to move the conversation beyond the aid bubble*," said one donor. And yet, donors may find it hard to conceive of doing diplomacy differently in contexts where foreign aid has been a fundamental pillar of the bilateral relationship (Box 4). Donors may be called 'partners', but they still want their national experts to be hired, their companies to win tenders and their flags waved and logos displayed. The question is whether this new approach to diplomacy can robustly accommodate development objectives or simply puts development in the service of standard foreign policy goals.

Building a whole-of government portfolio

Redesigning institutions without transfers of development aid could involve donors reconsidering bilateral diplomacy as a suite of activities under one coherent, whole-of-government portfolio. Through this approach, a range of policy efforts are brought together, harnessing both diplomatic and specialist skills and linking a suite of financial and non-financial instruments. As one donor official observed, "*In a world beyond money, maybe one function... our public agency could play is about connecting dots*."

For example, a better blended development finance offer would link Development Finance Institutions (DFIs), development agencies, export credit agencies and the multilateral and regional development banks. Instruments like guarantees, if not claimed, can allow donors to derisk private investment without committing financial resources themselves or large bureaudratic systems.[5]

Similarly, tackling energy poverty would connect expertise in trade, energy and institutional investment, and use blended instruments to create synergies across them. As one Southern official said wealthier countries in the North can be gateways to deepening trade, financial markets and investment and should aim to "*be the ones that facilitate access to all these arenas you bring to the table*."

Portfolios should be deeply focused on outcomes agreed within timelines adjusted to the needs and pace of change in countries. Building them requires harnessing specialised expertise alongside embedded diplomatic and local understandings of domestic political economy and inter-governmental policy dynamics, ensuring the "*right staff are mobilised at the right time*."

5 https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/08/evaluating-blended-finance-instruments-and-mechanisms_c995f112/f1574c10-en.pdf?utm_source=chatgpt.com

Opening doors in global policy dialogue

Ex-donors could use their power, access and influence to regulate and nudge global policy in directions that improve the conditions for economic development in the Global South. This work requires championing policy reforms by leveraging diplomatic and political capital within regional and multilateral fora. For example, donors can become important advocates to remove external barriers to national development by incentivising and regulating private capital, tackling the high cost of borrowing and global indebtedness in the South, and championing climate security and equitable trade. Such actions offer a pathway for transforming the structures of global economic relations between North and South.

Box 4 What value does a donor add without the transfer of money?

In a world with no aid, what would the large donor teams and bureaucracies actually do, and would it generate meaningful value? What value does a donor bring beyond its financing?

Several participants suggested a more expansive set of roles for official donors was both possible and necessary to position them to outlast the current moment. Drawing inspiration from a 2023 report from Peace Direct that asked local partners of INGOs to consider what value the latter played beyond grant management or access to funding, nine roles were discussed for how donors might "*show up*" to support CLD.[6] This includes serving as advocates for local actors, building systems, co-learning and brokering knowledge, interpreting across divides, convening actors, amplifying ideas, and serving as critical friends. These roles all revolve around building relationships between external and domestic actors. In the absence of resource transfers, this was the ultimate currency of country-led development cooperation but it demanded new behaviours: "*Money is a proxy for power 'over' not power 'with', …power with less money means more humility.*"

Admittedly, several donor officials challenged this logic, arguing that without direct funding there would be no relationship to begin with. For example, tackling global public bads like air pollution would struggle without cross-subsidization by Northern governments. Others suggested that the form of financing matters if power was the problem, arguing grant aid creates more dependency because "*nobody takes a loan if it is against the national priorities – credit means ownership over time.*" Others indicated that turning donors into convenors risked positioning donors to control narratives and set agendas in ways that would not support CLD.

6 https://www.peacedirect.org/content/uploads/2023/09/The-nine-roles-that-intermediaries-can-play-in-international-cooperation-2.pdf

The logic that effective diplomacy needs to be latched to investment of any kind was challenged by several Southern participants, suggesting it was donors who did not know how to work at country-level without money and required "*more capacity*" to do so. One donor official acknowledged that not having to manage resource transfers and large programmes frees up time to coordinate, exchange intelligence and build relationships with other governmental departments and actors in countries. By removing money from the diplomatic relationships, there is less risk that donors would be subsidizing potential future geopolitical competitors.

For some, the entire premise of the discussion was wrong as it caricaturized the current role of donors as handing out money and telling governments what to do. While donor participants acknowledged that there was room for them to work better, most suggested that they had already transitioned from an exclusive financing role. For them, tailoring Northern donorship to a post-aid context risked throwing away years of efforts to build solidarity and mutual respect.

Box 5 Betting on multilateralism in a post-aid world?

As aid cuts have hit, several donors have allocated more resources into the multilateral system even as its fragility has become apparent. In our dialogue, a lively discussion ensued on whether the future of Northern donorship involves working more through multilateral institutions.

Multilateral channels can help achieve shared goals through inter-donor coordination. They can reduce fragmentation, pool risk and expertise, and achieve scale. At the same time, many donor governments have reservations about ceding their traditional roles to multilateral institutions because of concerns about accountability to taxpayers, limited visibility, the poor financial and reputational leverage multilateralism gives to individual donors, and its cumbersome bureaucracy. More engagement with multilateral institutions may thus be predicated on their reform.

For partner countries, multilateralism can reduce the transaction costs of managing and coordinating development actors if it results in fewer bilateral transactions or their subsidiarity to multilateralism. At the same time, multilateral leverage over governments is greater than through bilateral channels. Some suggested that countries can feel more trust and ownership in regional multilaterals than global ones (e.g. African countries expressing greater affinity to the African Development Bank than other MDBs).

Pathways for Northern donor transformation

Several ideas for what it might take for donors to transition into 'partners' within a post-aid, country-led relationship emerged in our discussions.

- **Intentional exit strategies:** Donors' exit from aid needs to be treated as a core initial design principle. This means considering how national/local capacity can be mobilised early in planning stages, how systems will be financed in the future and what kind of institutional legacy donor interventions will leave. Interventions should have specific end dates reflecting clear exit intentions.
- **New cooperation principles:** DAC norms and principles are already on the defensive as transactional cooperation entrenches itself. The catalytic function of concessional public finance and a universal commitment to GPG provision struck participants as areas where development cooperation could blossom, as did preserving the right balance between integrating and co-opting development policy with foreign policy. Creating a new platform that the Global South can see itself embedded within and that contains Northern interests, possibly outside the DAC, was also discussed.
- **Country presence:** In the long run, 'normalisation' of diplomatic relations may require a leaner country presence if the goal is to bring more senior political representatives to development diplomacy discussions. As one donor official stated, "*we wouldn't have external embassies present in* [*our country*] *trying to determine our internal goals... this would be impossible to imagine. Maybe instead of having a larger presence at the country the idea is to* [*reverse this by*] *bringing those countries to the donor country*."
- **Building workforces:** This can include revised career pathways and approaches to recruitment in traditionally generalist civil services, flexible workforces that are not built for control but for partnership, and greater effort to build relationships both in countries and across donor government departments.
- **New implementation channels:** This could involve devolution to local actors and intermediaries, expanded use of pooled funding and greater engagement through regional and multilateral channels (Box 5). Bilateral engagements would be subsidiary to multilateral ones like the UN and EU.

ODI Global

Next steps

The dPAW series will conclude in May 2026 with the final dialogue held in Paris.

For more information, please contact:

Nilima Gulrajani
Principal Research Fellow, ODI Global:
n.gulrajani@odi.org

Heba Aly
Facilitator, Donors in a Post-Aid World dialogue series:
heba@hebaaly.org

ODI Global
4 Millbank
London SW1P 3JA
United Kingdom

+44 (0)20 7922 0300
info@odi.org

odi.org
www.linkedin.com/company/odi/
bsky.app/profile/odi.global