The Future of Aid in Times of Challenges

As widely reported, the U.S. is rapidly dismantling much of its international aid and reassessing its commitment to global agreements and treaties based on national self-interest. The full consequences of this dramatic departure from the post-war world order and multilateral cooperation are still uncertain. However, one thing seems clear: the U.S. is no longer a reliable partner.

In response, Europe has announced significant investments in defense, while several countries—most recently the UK—appear to be targeting international development aid for budget cuts. Nevertheless, even greater geopolitical challenges may lie ahead, particularly as the effects of climate change become more pronounced and widely understood.

In this shifting landscape, how should we think about foreign aid? Has aid become both unfeasible and obsolete—an outdated idea? Is "my country first" now the only rational strategy for realists?

1. Watch out, geopolitical tensions ahead of us!

Let us begin with this image above from the journal *Nature*. Based on IPCC climate scenarios, researchers have painstakingly calculated the expected effects of climate change on per capita Gross National Income (GNI) worldwide, down to the provincial level. The darker the red in the image, the greater the projected drop in per capita GNI by 2050, compared to a scenario

without climate change. The darkest shades are found in the Global South. In Africa—home to a quarter of the world's population by 2050—the projected loss is estimated at 20–30% across nearly the entire continent. In Europe's southern neighborhood, West Africa, where the population is expected to rise to over 700 million in the next 30 years (compared to the EU's 450 million), the region is almost entirely marked in the darkest red.

This map carries significant geopolitical implications that we must acknowledge. Imagine if the colors were reversed—if the wealthy Western world faced a 30% drop in per capita GNI due to activities in regions like the Sahel and Congo, which in turn had become vastly richer than us due to these same activities. It's easy to picture the outrage, demands for compensation, reparations, and the formation of alliances to claim justice. Donald Trump would have promised "fire and fury."

Yet, this is the reality we must expect as these insights spread and are confirmed. While Europe is currently consumed by short-term geopolitical anxieties, it is crucial to keep this map in mind.

So, what are we doing? We pledge at conference after conference to reduce our carbon emissions (good!). We promise to compensate developing countries through climate financing—both for emission reductions and adaptation for the most vulnerable (also good!). But how is this progressing? Not particularly well. Emissions have not decreased to levels consistent with the 2-degree target. Sweden's emissions have actually increased in the past year (see Goldman 2025). Meanwhile, the global climate financing commitments for developing countries have proven insufficient and hollow.

Climate change is just one example of problems that require global cooperation. And agreements with mutual commitments between economically unequal parties almost always require some form of resource transfer. Below is a list of global agreements where compensatory financing has been promised:

- **Desertification Convention, 1994**: Wealthy countries pledged *"to ensure that adequate financial resources are available for programs to combat desertification."* (Desertification Convention).

- **Trade, 2005**: In exchange for developing countries signing onto the for them complex WTO framework, mechanisms were promised *"to secure additional financial resources for Aid for Trade."* (WTO ministerial declaration).

- **Climate, 2009**: In Copenhagen, developing countries were promised $100 billion per year in *"scaled-up, new and additional, predictable, and adequate funding"* for climate

action. (Copenhagen Accord).

- **Biodiversity, 2022**: Wealthy nations committed *"to provide adequate, new and additional financial resources"* (Convention on Biodiversity and Montreal) so that developing countries would agree to protect 30% of the planet's land and marine areas—areas primarily located in the Global South. This deal included a commitment of $30 billion annually from rich to poor countries by 2030.

- **Climate, 2024**: At COP29 in Baku, after negotiations nearly collapsed, a commitment was made to $300 billion per year in climate financing—though its sources still remain unclear.

One key issue with these repeated promises of additional resources is that they mostly come from the same aid budgets that wealthy nations have already committed to keeping at 0.7% of GNI—pledges made at conference after conference since the 1970s and now even a target in the Sustainable Development Goals (SDGs). The tracking of these commitments allows for significant double-counting: a single aid project in Africa aimed at exporting certified timber could be classified as desertification control, aid for trade, biodiversity support, and climate finance—all at once. Convenient!

This means that funding is being double-counted within existing aid budgets, which are now projected to shrink even further, especially as the U.S. withdraws from both the Paris Agreement and the international aid scene. Since Copenhagen in 2009, major climate conferences have repeatedly stalled over financing issues. The same happened recently at the biodiversity conference in Rome in February 2025. The Global South feels shortchanged and grows angrier with each new summit that brings more unprecise promises. Is this surprising?

Why are such large sums promised in the first place? Because in a world marked by asymmetrical wealth and capacity, resource transfers are necessary to secure global agreements. With an increasing number of global challenges that require collective action—including preparation for the next pandemic—such transfers will inevitably need to grow.

Our environmental ministers have signed declarations lacking both generosity and, more importantly, transparency and honesty. This undermines credibility. That is not the way to go in a world that must be made to cooperate!

Is there any glimmer of hope? Right now, the outlook is bleak. The U.S. is leading the way toward a short-sighted, self-centered "my country first" policy, withdrawing from the Paris Agreement and the international aid scene. Sweden's government is following a path in the

same direction, albeit far less aggressively. But the world's need for global agreements on a range of issues will not simply disappear. These challenges will return to haunt us. The short-sighted and narrow-minded will be forced to reconsider—but by then, significant damage will already have been done.

Some initiatives offer hope: At COP28 in Dubai, a Global Solidarity Levies Task Force was established, after initiative by France and Kenya, to explore international taxes and levies for climate financing. A finalized proposal is expected at the next climate summit in the fall of 2025. One idea is a levy on carbon emissions from ocean shipping, which possibly could generate as much as $100 billion per year—a significant contribution to the promised $300 billion in climate financing, and this time it could become *additional* funding for real. Many countries have joined and support this initiative: Denmark, France, Colombia, Ghana, Spain, and more, with Germany, the EU, the UN, the IMF, and the World Bank acting as observers. One possible route is for a "coalition of the willing" to implement these fees initially, with the hope that the EU will take the lead.

Sweden, however, remains conspicuously absent. But at some point, the Government will have to reveal its position.

2. Aid is a temporary phenomenon that will make itself unnecessary, right? “Peak aid is passed.”

The Congress for Poor Relief and National Insurance was inaugurated on 4 October 1906 in Stockholm. Poor relief was to be help for self-help and would eventually make itself unnecessary (Photo fro Arbetarrörelsens Arkiv och Bibiotek)

Let's move on to the next image. It is from Sweden's largest poverty conference, the Congress for Poor Relief and Social Insurance, held on October 4–6, 1906. Thousands of people from all over Sweden gathered to discuss how to combat widespread poverty. Everyone was there: the King, the Church, the "poor relief community", philanthropists, and members of the then relatively newly established political parties. How was poverty discussed in Sweden at that time? We actually know, because everything said from the podium during those days was carefully documented.

It makes for fascinating reading for anyone following today's debates on aid and development. They discussed child auctions and the practice of older paupers being passed around between farms (which was condemned as undignified); the absence of pensions (which led to a parliamentary committee and, later in 1913, a universal social pension reform, probably the first in the world); "social dumping" between municipalities that sent the poor back and forth (which, as is known, still happens today); and income-based social insurance (the "royal road",

but difficult in a Sweden of small peasants where the informal economy dominated). In some ways, the arguments at the conference seem both modern and evidence-based. However, ideologically, there was a clearly paternalistic view of poverty alleviation; poor relief was to be conditional, and recipients had to earn it through good behavior. The dominant idea was that poor relief should never become a right "….*in accordance with the prevailing view that the poor should not be assured support as a rightful claim, so that they could demand assistance with the help of the law*" (stated from the podium).[1]

Poor relief was to be only "help for self-help", as, over time, Sweden would become richer and support for the less fortunate would become unnecessary. Poor relief was seen as something temporary. (Does this sound familiar in today's aid discourse?)

How could they be so wrong? Just thirty years later, in 1937, the foundations for modern Swedish social policy were laid with the instructions to the so-called *Social Welfare Committee* This was a comprehensive public inquiry that, after nearly ten years of work, presented its final report in 1945; a Swedish version of the British Beveridge plan. Social benefits would now be universal, legalized, and easy to verify—in short, social rights. Over the last century, social transfers as a share of public expenditure then grew from a few percentage points at the beginning of the century to today's 15% or much more, depending on how it is calculated, despite increasing prosperity. Support for those with less resources did not turn out to be temporary.

So how could they be so wrong? The answer is that they failed to recognize that in an increasingly developed and integrated society, these resource transfers are necessary: to give children a relatively equal start in life; to create similar conditions between municipalities and regions; to gain acceptance for structural transformation in an increasingly dynamic economy; to keep the nation together ensuring that everyone is included; because people value security.

Despite increased prosperity, social transfers continued to grow. This also happens between Swedish municipalities and within the EU, where large resource transfers go to member states that are lagging behind, despite the union's relative wealth.

To build a world that holds together, the same will be required on a global scale—more, not less, resource transfers between countries, regardless of geography or past colonial relations. In other words, more of what we today call "international development cooperation," which may eventually take new names and forms. The dream of staunch neoliberals—a society without income redistribution policies and a world without need for solidarity between countries—will not come true. In the short term, there will likely be setbacks, but in the long run, they will be proven as wrong as the participants at the 1906 poverty conference.

3. But isn't aid impossible, or?

	GNP/capita, position from the bottom		Change in positio	ODA/GNP	
	1991	2022		1991	2021
Vietnam	3	66	63	2,5	0,1
Lao PDR	6	47	41	10,6	3,2
Bangladesh	16	53	37	5,1	1,2
Nicaragua	7	40	33	69,0	5,7
India	21	48	27	1,0	0,1
Sri Lanka	35	58	23	8,3	0,2
Cabo Verde	48	69	21	31,8	7,3
Kenya	22	43	21	11,8	2,9
Tanzania	5	23	18	22,5	3,7
Botswana	91	100	9	3,3	0,5
Ethiopia	11	20	9	8,2	3,6
Mozambique	1	6	5	30,2	14,6
Guinea-Bissau	12	14	2	47,0	10,1
Zambia	29	21	-8	29,3	5,3
Zimbabwe	42	30	-12	5,8	3,5
Lesotho	39	26	-13	11,4	6,2
Angola	56	37	-19	2,2	0,4

Source: World Bank data and author's calculations

In 1991, Swedish economist Bo Karlström published the, in the Swedish aid debate, influential book *The Impossible Aid*. He pointed out the poor economic growth in Sweden's 17 partner countries at the time, highlighting their economic policy failures and excessive aid dependency. According to Karlström, this aid dependency created uncoordinated "project islands," perverse incentives, and a range of negative systemic effects. His book contains many valid observations and sharp arguments, but it also conveys a very pessimistic view of aid's future. In most partner countries, aid dependency was alarmingly high at the time; the share of aid in Gross National Income (GNI) could be over 10% or even over 20% (see table above). Aid was then doing more harm than good, Karlström argued. I personally heard him at a seminar where he claimed that if growth in these countries had not taken off by 2015, aid operations should be shut down entirely.

With hindsight, more than 30 years later, we can now assess the validity of Karlström's pessimistic statements. Let's compare the rankings of these 17 countries in the table above with what we now know about their relative growth and aid dependency. Growth is measured by their ranking in GNI per capita, counting from the bottom up, showing how many positions they have gained or lost between 1991 and 2022. Aid dependency is measured traditionally, as the ratio of aid (ODA net) to GNI.

Most of the 17 countries have done surprisingly well. The star economies in Asia (Vietnam, Laos, Bangladesh, Sri Lanka, India) have moved up 20 or more positions in the world ranking of GNI per capita (Vietnam has climbed 63 positions!). Tanzania and Kenya are Africa's winners, having also advanced by more than 20 positions. Only four countries have lost ground since 1991: Angola, Lesotho, Zambia, and Zimbabwe. In 1991, all but three of the 17 were classified as low-income countries; today, all but three are classified as middle-income countries. Tanzania is the latest to make the transition.

Regarding aid dependency, all 17 countries have seen a drastic reduction in their aid-to-GNI ratio. Tanzania has dropped from 22% to 4%, and Zambia from 29% to 5%. Notably, in most cases, this reduced dependency is not due to decreased aid but to economic growth. If high aid dependency does reduce aid efficiency, as many argue, then this decline in dependency is certainly something to celebrate.

It remains an open question how much aid contributed to this progress. That larger debate must be addressed in another essay. However, we can conclude that Bo Karlström, who was deeply engaged in development, would have been pleased to be proven wrong if he were alive today. But for "aid skeptics," this progress is harder to accept. They loved his book—reprinted in 1996—and still refer to it today (see, for example, Janerik Larsson's *The Silence on Aid Policy*, 2019). It confirmed their belief that aid was impossible. A message that was in demand.

The temptation to declare the fight against poverty impossible or unnecessary echoes throughout world history. Aristotle defended slavery by arguing that some people were naturally meant to be slaves. Numerous religions have assured the poor that their lot would improve in heaven or in next incarnation, making the status quo justified. In the 19th century, economist Thomas Malthus argued that helping the hungry was futile since it would only lead to more mouths to feed (a claim now debunked). Social Darwinists saw the elimination of the weak—both individuals and nations—as an inevitable evolutionary force.

Aid skepticism has deep historical roots. The myths about the impossibility or unnecessity of solidarity are persistent and constantly recurring. They are simply desired by those who do not want to share their wealth and who would rather avoid both obligations and guilty consciences. The position of "I mean well, but there is nothing I can do" is as tempting as it is convenient. However, the evidence that it is generally impossible or unnecessary to assist less fortunate fellow human beings is weak.

This, of course, does not mean that all aid is effective or that it can never be misguided or even counterproductive. There is also a psychological force pulling in the opposite direction—the tendency to mistake the purpose of good deeds for their impact; the appeal of "feeling good" or being seen as good, regardless of the actual consequences of one's actions. This psychological force, which can lead us astray, must also be counteracted. And that is done through evidence.

Debate and criticism of various forms of aid are therefore welcome, but they should be based on facts and evidence, free from crude generalizations.

4. Now it's "my country first" principle that rules – become a realist!?

The U.S. has never been a particularly generous aid donor in relation to its GNI, but due to the sheer size of its economy, it has been the single largest donor, accounting for about 30 percent of the world's total aid and an even higher proportion of humanitarian aid. The entire operation was shut down overnight by a decree from Donald Trump, with no regard for existing agreements or the vulnerable people who were suddenly deprived of life-saving medicines or emergency food aid. Elon Musk immediately set his sights on USAID and effectively shut the organization down. At the same time, a disinformation campaign was orchestrated—through X, of course—where USAID was declared a criminal organization (these claims have been fact-checked and debunked by both New York Times and Deutsche Welle).[2]

At the time of writing, the outcome remains uncertain—legal proceedings regarding the legitimacy of these actions are ongoing, and some parts of the aid may be salvaged—but there is no doubt that the intention is to drastically cut aid. Everything is being reviewed to ensure that the activities serve the U.S.'s self-interest—my country first. Even all treaties and agreements with international organizations are being scrutinized based on the same principle. On March 4, the U.S. even distanced itself from the Sustainable Development Goals in the UN General Assembly—one of the very few frameworks that almost the entire world had signed onto. Global cooperation and established agreements are no longer worth even the paper they were once written on.

The Swedish government has not acted as brutally and insensitive in its aid policy, but the direction is the same. Swedish interests are to be prioritized. Increased support for Europe's immediate neighborhood (good reasons for that) and for activities linked to Swedish commercial and migration policy interests is being funded through deep cuts elsewhere. Particularly affected areas include peace, gender equality, research, and humanitarian aid. The funding for Africa has been reduced by a third—nearly three billion SEK—during this term, and aid has generally become less focused on poverty reduction.

The integrity of Swedish aid is undermined when it violates or pushes the boundaries of what can be reported as aid according to OECD/DAC standards. The abolition of feminist foreign policy was more than just semantics, and engagement for peace has been clearly deprioritized. The ability of Swedish aid organizations to communicate at home about development issues has been consistently removed, as has support for Swedish development research.

Support for Ukraine is well justified and would have increased regardless of which party was in power. However, while Sweden's military aid to Ukraine—25 billion SEK per year from 2024 to 2026—has been financed outside the national budget framework (with entirely new funds allowing a deviation from the surplus target), the major investments in Ukraine within the aid sector (about five billion SEK per year, now on par with the entire Africa allocation) have been financed by cutting aid to impoverished people in other parts of the world, within the confines of a shrinking aid budget overall. Sweden has been generous with military aid but stingy with civilian aid to Ukraine. (For a review of recent Swedish aid policy shifts, see Holmqvist 2025.)

As stated, not as brutal as Trump and Musk's attacks on USAID, but a movement in the same direction. The nation's self-interest comes first. Aid, both in Sweden and the U.S., is an easy target for the right-wing populists. Aid connects to values of human solidarity and the equal value of all humans. It does not lend itself well to political mobilization based on identity. Consequently, right-wing populists despise it—just as they despise engagement for the climate, which concerns us all regardless of identity.

The traditional justification for Swedish aid has been *solidarity and enlightened self-interest*. This formulation has guided previous Swedish governments of various political orientations but has now disappeared with the 2025 budget proposal, which abolished the previous guiding document, *Policy for Global Development* (PGU), adopted in 2003 after a broad parliamentary process.

Solidarity is a concept we generally understand. But what distinguishes *enlightened* self-interest from mere self-interest? One way to interpret this concept is as an awareness that cooperation, though costly in the short term, serves our common and longer-term interest.

From the perspective of game theory, this concept can be given a more precise meaning. Many of our global challenges—climate change, pandemic threats, refugee crises, poverty—have some resemblance to what is known as the *prisoner's dilemma*. The dilemma lies in the fact that everyone benefits from cooperation, yet there are incentives to defect and free-ride while others bear the costs and sacrifices. This is exemplified when the U.S. withdraws from the Paris Agreement citing national self-interest. Enlightened self-interest, on the other hand, includes the realization that in the bigger and longer-term picture, we all benefit from cooperation. As when the rest of the world upholds the Paris Agreement despite being abandoned by the U.S.

But which strategy is actually better—if we disregard solidarity and *only* consider "pure" national self-interest? Is it better to cooperate or to defect, as Trump has done?

In *The Complexity of Cooperation* (1997), political scientist Robert Axelrod studied the prisoner's dilemma to identify the best long-term strategy. He conducted repeated rounds of the game, where a choice was to be made between cooperation and defection. He also introduced an evolutionary component: the most successful strategies in one round had a higher chance of surviving into the next.

The winning strategy was, and largely still is, *Tit for Tat with Forgiveness*. This strategy starts with cooperation and continues cooperating as long as the counterpart does the same. If the counterpart defects, the strategy retaliates but is quick to forgive and resume cooperation if given the opportunity. Axelrod's explanation for its success was that it promotes cooperation while incorporating both punishment for defectors and an element of forgiveness to restore collaboration.

In a world marked by prisoner's dilemma-like challenges, this cooperative strategy is the one that ensures survival and success. The short-sighted fail to see this and choose to defect, becoming free-riders at the expense of others. But in doing so, they shut the door to future gains and are eventually penalized for it. The *enlightened*, on the other hand, recognize the common interest and choose a cooperative approach.

Trump's strategy—characterized by betrayal, defection, lies, non-cooperation, and aggression—is, in the long run, a strategy for *losers*. Who wants to cooperate with someone like that?

One crucial element of the Tit for Tat strategy is reciprocation. One should not passively accept defection, nor appease, normalize, or defend it. And absolutely not flatter the defecting bully.

Standing up to a bully, however, is easier said than done—especially if that bully is nuclear-armed. Pragmatism may be necessary, as well as careful selection of battles, allies, and timing. But, as historian Timothy Snyder reminds us in *On Tyranny* (2017), authoritarian leaders ultimately rely on our complicity. "Do not obey in advance," he urges. And he has more lessons: "Remember professional ethics!" "Defend institutions!" "Believe in truth!" "Recognize propaganda!" "Build physical and social networks!" And, not least, be courageous!

"Don't brown wash a hailing man!" writes Dagens Nyheter's editorialist Amanda Sokolnicko as she mocks Elon Musk's Swedish defenders after the fascist salute. Call him a fascist instead! If it is indeed true that he meets the criteria for that term, which our political science professor Leif Lewin argues that the Trumpism does—something he already noted immediately after the election victory, before the worst aspects had revealed themselves. If one dares to be so bold and call a spade a spade, which a free man with a secured pension can afford to do. But we all

have a certain space for resistance and a responsibility to use that space. History will judge the accomplices, just as it judged the accomplices of the 1930s.

So, take another look at the world map with its different shades where we started. Should we leave it as it is, follow the U.S. and scale down our global engagement? Claim to defend a rules-based world order with increased defense spending while simultaneously abandoning the global cooperation that is a necessary ingredient of the same world order? Or should Sweden and Europe, on the contrary, step forward, fill the voids the U.S. leaves behind as best we can, and lead the way toward more global cooperation—building alliances free from hypocrisy and arrogance? And, pragmatically and to the best of our ability, give the U.S. a taste of its own medicine, yet welcome the defector back as soon as that day comes.

With guidance in solidarity and enlightened self-interest, the choice is simple.

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[1] Stated from the podium at the conference. *Berättelse Öfver Förhandlingarna vid Kongressen för Fattigvård och Folkförsäkring i Stockholm, den 4, 5 och 6 oktober 1906*, ed. Erik Palmstierna (Stockholm 1907).

[2] Among the falsehoods that Trump and Musk have helped spread: $50 million worth of condoms have been sent to Gaza; paid trips for celebrity millionaires to Ukraine; convicted sex offender Jeffrey Epstein on the USAID payroll…