STUDY

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The EU aid strategy: A gateway to human development?

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ABSTRACT

This paper examines the role and impact of Official Development Assistance (ODA) on human development outcomes, focusing on health, education and extreme poverty eradication. The aim is to consolidate existing knowledge on how ODA advances internationally agreed targets and to evaluate current trends in European Union (EU) development policy from the perspective of its contribution to human development. The paper finds that the current EU emphasis on resource mobilisation and private sector engagement differs from traditional aid modalities, which have effectively contributed to education and health outcomes, as well as poverty reduction. These traditional modalities should be sustained and expanded to address pending human development targets, particularly in Least Developed Countries. While the Global Gateway might be a good strategy for climate action and infrastructure development, a complementary strategy is required to balance funding and political attention towards poverty eradication, the primary goal of EU development policy, which risks being overshadowed by other aspects of the sustainable development agenda.

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List of abbreviations

CSO	Civil Society Organisation
DAC	Development Assistance Committee
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EP	European Parliament
EU	European Union
FfD4	Conference on Financing for Development
GNI	Gross National Income
LDCs	Least Developed Countries
LMICs	Low- and Middle-Income Countries
MDGs	Millennium Development Goals
MFF	Multiannual Financial Framework
NDICI	Neighbourhood Development and International Cooperation
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PPP	Public-Private Partnership
RBF	Results-Based Financing
SDGs	Sustainable Development Goals
TVET	Technical Vocational Education and Training
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WHO	World Health Organization

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Executive summary

Ongoing Global Gateway debates on aid effectiveness come at a critical juncture in global development finance considerations. The United Nations (UN) is convening its Fourth Conference on Financing for Development in Seville in 2025, just at a time when the United States is stepping away from the international consensus on development finance. Hence, the European Union (EU) finds itself playing a pivotal role. Yet, EU aid is also undergoing significant changes by concentrating resources under the Global Gateway strategy, which might move the EU away from some traditional approaches to development finance.

This paper examines debates about the role and impact of Official Development Assistance (ODA) on human development, focusing particularly on Least Developed Countries (LDCs), with the goal of assessing current EU trends against existing knowledge on aid effectiveness. To this end, the paper brings together findings from two kinds of sources: academic literature and guidance from international organisations.

Current trends in EU aid

Poverty reduction, and in the long term its elimination, is the primary objective of EU development policy according to the treaties, which also commit to UN agreements on sustainable development and its finance. Consequently, the 'New European Consensus on Development' engages in the 2030 Agenda for Sustainable Development's 5 Ps – 'People, Planet, Prosperity, Peace, and Partnerships' – and endorses the idea of shifting development finance from 'billions to trillions,' as agreed in the Third UN Conference on Financing for Development.

The EU's Global Gateway strategy aims to mobilise EUR 300 billion for quality infrastructure projects worldwide by 2027, focusing on digital, energy, transport, health and education. The Global Gateway's financial arm, the European Fund for Sustainable Development Plus (EFSD+), provides guarantees for loans and grants to be combined with investment operations through blended finance or technical assistance. EFSD+ focuses on bankable projects that produce income and can be funded with expected financial returns. EFSD+ projects in the health and education sectors include building vaccine production chains or digitalisation infrastructures.

EU aid has increased in recent years, and it is still unclear how the Global Gateway and the EFSD+ are changing the form and allocation of this aid. There is a clear financialisation trend towards sovereign loans, which aligns with broader trends in the donor community and raises concerns about debt burdens for LDCs, particularly amid rising international interest rates. In terms of sector allocation, despite a focus on infrastructure and productive sectors, the budget allocated to social sectors remains higher. Finally, support for Ukraine has been behind much of the aid increases, while ODA to LDCs has been decreasing.

The impact of ODA on human development according to academic literature

UN reports highlight significant progress in education, health and poverty eradication, coinciding with an increase in aid. Despite these advances, there are still unachieved goals and persisting disparities, particularly in Sub-Saharan Africa and among marginalised groups. The COVID-19 pandemic has exacerbated these challenges, making the question of aid approaches and possible innovations in this area highly relevant.

Empirical research consistently finds a positive correlation between aid and human development outcomes. Studies show that increased aid to the health sector is associated with lower maternal mortality rates, improved life expectancy and reduced child mortality. Similarly, aid to the education sector has led to higher school enrolment rates and better educational outcomes. Aid directed at poverty eradication, such as cash transfers and social protection programmes, has also shown positive impacts on poverty reduction indicators.

Whilst literature concerning the most effective forms of aid remains relatively scarce, large empirical analyses on the effectiveness of sector-specific aid in health, education and social protection tend to converge. International guidance emphasises the importance of policy-wide support over fragmented, project-based aid. Comprehensive policy interventions that align with national priorities and enhance coordination among donors are more effective in addressing systemic issues and promoting sustainable development outcomes.

Assessing the Global Gateway's potential for human development

The Global Gateway is based on ODA loans and private sector instruments. Its logic consists of using EU budgetary resources to leverage capital from European development banks and financial institutions, as well as private capital, towards Sustainable Development Goal (SDG)-aligned investment opportunities in developing countries. This logic is entirely consistent with the international consensus on resource mobilisation and the Addis Ababa Action Agenda.

Findings in this paper about the relevance and adequacy of traditional aid in social sectors do not contradict the UN consensus on the need for resource mobilisation and ideas about using ODA as a lever for private investment. This approach was taken to address a development finance gap associated with energy transition and climate action with a budget of trillions of USD. Empirical research reviewed in this paper refers only to human development, for which, according to the UN, the social sector's financing gap remains in billions of USD. Moreover, according to the UN, the financing gap in health and education is mainly related to operational needs and less to capital investment. As for social protection, its financing gap has not been integrated in these findings but it cannot be addressed with project finance.

The Global Gateway strategy, despite the 360 degree approach, is primarily project-oriented and does not seem as fit for human development as traditional aid guided by country programming. According to lessons learnt and guidance produced by international organisations, comprehensive policy interventions at a sector-wide level are essential for addressing systemic issues in education, health and social protection. Additionally, projects under the Global Gateway must be commercially viable or at least bankable, which is not always the case with the most relevant interventions in social sectors and LDCs.

Certain parts of the education and health agendas can benefit from private-sector engagement. This is the case for digital transformation in the education sector or pharmaceutical development in the health sector. The Global Gateway strategy and the EFSD+ have adequately defined investment areas that may incentivise progress in this direction, but implementation reports indicate a low funding allocation to these areas. Different financial modalities are required to meet targets of the Neighbourhood, Development and International Cooperation Instrument–Global Europe (NDICI–Global Europe), such as allocating 20 % of funding to social inclusion and human development or contributing to the EU's collective commitment to provide 0.2 % of EU gross national income as ODA to LDCs.

Recommendations

This paper does not question the Global Gateway's relevance in contributing to climate action and energy transition, nor has it explored the indirect possible contribution of the Global Gateway to poverty eradication through economic growth and job creation. However, it does confirm concerns about the Global Gateway strategy's adequacy in addressing the inclusive dimension of sustainable development.

Accordingly, just as the Global Gateway applied to EU aid the principle of shifting 'from billions to trillions', it is recommended that another strategy be adopted to apply the 'leave no one behind' principle. Such a strategy should:

- Recall EU aid's primary objective of reducing and eventually eradicating poverty;
- Align with UN guidance on how to accelerate human development targets contained under SDGs 1, 3 and 4 of the 2030 Agenda for SDGs;
- Prioritise grants over loans;
- Provide a clear and credible roadmap for realising NDICI–Global Europe's contribution to the EU's collective targets related to aid allocation for LDCs (0.2 % of EU gross national income) and the specific target on social inclusion and human development (20 % of EU aid).

In other words, the EU must balance its funding and political attention to ensure that poverty eradication, the primary goal of its development policy according to the treaties, is not overshadowed by other aspects of the sustainable development agenda. Such a strategy should be **adopted as soon as possible**, both to align with the UN Secretary-General's calls for an 'SDG rescue plan' and to address the ongoing challenges posed by political shifts in the United States.

1 Introduction

The Sustainable Development Goals (SDGs), adopted in 2015, were born out of global consensus and optimism around progress made under the Millennium Development Goals (MDGs) since 2000. The 2030 Agenda for Sustainable Development was adopted not only to build on the MDGs and address unfinished tasks in human development, categorised under the 'People' dimension of the new Agenda, but also to incorporate other critical dimensions of sustainable development: Planet, Prosperity, Peace, and Partnerships. Ten years later, however, this 'People' dimension remains incomplete and even faces setbacks related to basic health, education and poverty eradication.

Despite significant strides in reducing child mortality and combating infectious diseases, progress in **global health** (SDG 3) remains uneven, with many regions still grappling with high maternal mortality rates and limited access to essential health services. The COVID-19 pandemic has further strained health systems, reversing decades of progress and highlighting the urgent need for substantial investment in healthcare infrastructure and universal health coverage.

Similarly, **quality education for all** (SDG 4) has seen improvements in school enrolment, but disparities persist. This is especially true for Sub-Saharan Africa and marginalised groups, which have been further impacted by the pandemic's disruption of education systems worldwide.

Poverty reduction efforts have also faced setbacks, with the first reversal in decades occurring in 2020. By 2022, extreme poverty rates had not returned to pre-pandemic levels in low-income countries, underscoring the need for robust social protection systems and significant financial investments to achieve SDG 1. The financing gap for achieving universal social protection coverage remains substantial, with an estimated USD 187 billion needed in middle-income countries and USD 60 billion in low-income countries annually (United Nations, 2024a).

The financial challenges of SDG implementation are set to be a key topic at the upcoming **4th Conference on Financing for Development (FfD4)** in 2025. Although Official Development Assistance (ODA) in 2022 hit a record USD 276 billion, recent increases have been driven by the war in Ukraine and refugee assistance within donor countries – so-called 'in-donor' costs – whilst effective transfers to developing regions have been decreasing (United Nations Global Crisis Response Group, 2024) and significant ODA cuts have been announced, most notably in the US. Moreover, the development financing gap has been re-estimated at USD 4 trillion, against initial 2015 estimates of USD 2.5 trillion annually (United Nations, 2024a, 2024b).

Against this backdrop, the European Union's (EU) 2021 **Global Gateway** strategy aims to mobilise up to EUR 300 billion for quality infrastructure projects worldwide by 2027 (European Commission, 2021a). The EU's strategic approach to development finance is clearly of great importance. Together with its Member States, it accounts for half of global Official Development Assistance (ODA). Additionally, the United States, the main individual provider of ODA, has frozen its aid, withdrawn from the World Health Organization (WHO), and shown opposition to long-standing development cooperation institutions and programmes. This underscores the EU's critical role in filling the void and ensuring that shared development goals remain a priority on the international agenda.

However, there are already concerns about the adequacy of **the current EU strategy**. Critics warn that the emphasis on bankable infrastructure investments may be detrimental to human development targets, particularly in LDCs. A 2023 European Parliament (EP) resolution acknowledges doubts about whether the 'Global Gateway strategy aligns with development effectiveness principles or is a suitable tool to fill the SDG financing gap' (European Parliament, 2023). The resolution further stresses the Parliament's worry that the initiative lacks a clear development mandate and risks not being able to reach those left furthest behind (European Parliament, 2023).[1]

This paper examines debates on the role and impact of ODA on human development, focusing particularly on LDCs, with the goal of assessing current EU trends against existing knowledge on aid effectiveness. To this end, it brings together findings from two sources.

Firstly, the **academic literature** has been reviewed to extract evidence regarding the impact of ODA on human development outcomes and, as far as possible, the differential effects of different kinds of aid. In this paper, priority has been given to panel data analyses that test different hypotheses on aid effectiveness across large sets of countries and years. For the analysis of progress in human development, this paper relies on SDG targets framed under SDGs 1, 3 and 4.

Secondly, this analysis draws on the **guidance of international organisations** with global scope and recognised authority in human development, *inter alia* the United Nations (UN), UN Childen's Fund (UNICEF), UN Educational Scientific and Cultural Organization (UNESCO), the WHO and the World Bank. Within the extensive documentary production of these organisations, the paper has focused on high-level guidelines and reports that aim to provide guidance on development cooperation based on the experience and knowledge available in these organisations.

All the sources used satisfy requirements in terms of quality and reliability. Academic works have been extracted from peer-reviewed journals, while institutional documents have been subjet to intra-organisational checks.

Assessing an aid strategy such as for example the Global Gateway against existing knowledge faces various **limitations**. Firstly, empirical research on aid effectiveness is not an area which meets with full consensus and neither are the different studies and methodologies indisputable. Secondly, while analyses of the impact of aid on economic growth are manifold, those that measure the impact on human development outcomes are relatively scarce. Thirdly, the conditions and aid modalities considered in empirical analyses vary enormously across studies, limiting the possibility of aggregating evidence on the differential effects of different aid features[2].

Despite the limitations of the available evidence, which may not always be perfectly aggregable or entirely consistent, this paper has been able to establish areas of convergence in the results of empirical research in the same vein as Sumner and Glennie (2015). Additionally, research

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[1] In that same 2023 Resolution (2023/2010(INI)) on 'Implementation and delivery of the Sustainable Development Goals', the Committee calls on the EU and its Member States to increase their efforts to close the development financing gap, including by fulfilling their ODA commitments. European Parliament, Resolution of 15 June 2023 on the implementation and delivery of the Sustainable Development Goals (2023/2010(INI)), P9_TA(2023)0250, 15 June 2023.

[2] Additionally, any study of this kind faces an epistemological limitation: impact attribution is highly complex, and this complexity increases with the breadth of the analysis. Most statistical analyses that claim impact only demonstrate correlation, which can be a result of reversed causation or the influence of numerous variables that empirical studies cannot always control. Yet the type of panel data analyses reviewed in this paper combine cross-country and time-series data to control for country-specific effects. It is standard practice in policy analysis and evaluation to validate theoretical assumptions and policy designs when statistically significant correlations match the logic of those theories or designs. Other empirical validations can be conducted with randomised controlled trials, but these are difficult to implement and cannot take a macro approach.

implications for aid policy design have been triangulated with the guidelines provided by international organisations.

The primary **focus of this paper** was initially on health and education. Yet many analyses assessing the impact of aid on health and education outcomes also look at income poverty. There is a significant body of evidence that examines how interventions directly addressing income poverty through cash transfers or social protection mechanisms lead to health and education outcomes. Accordingly, the paper has covered education, health and basic income, aligning with the conceptualisation of human development led by the UN Development Programme (UNDP) and its Human Development Report. Consistent with a focus on human development, the SDGs most referred to by this paper are: SDG 1: End Poverty; SDG 3: Global Health; and SDG 4: Quality Education for All.

The review has intentionally excluded extensive literature covering the impact of aid on economic growth. Similarly, the paper does not examine direct and indirect connections between climate action and livelihood strategies. Without questioning the interconnection between various dimensions of the Agenda (People, Planet, Prosperity, Peace and Partnerships), this paper focuses on a few of its goals and targets, which deserve special attention according to the 'leave no one behind' principle.

Section 1 reviews EU policy documents and the broader international framework established by the UN. It also includes an analysis of ODA data available from the Organization on Economic Co-operation and Development (OECD) Creditor Reporting System. This section aims to position human development within EU development policy and provide a comprehensive overview of ODA's current trends and allocations.

Section 2 examines academic empirical analyses about the impact of aid on education and health outcomes, as well as poverty eradication. The focus is on large-N analyses[3] to ensure robust and generalisable findings. Additionally, the section incorporates other relevant academic papers with a more qualitative approach, looking at international literature that draws lessons from development cooperation experiences.

Section 3 presents the authors' assessment of EU policy and trends in light of the knowledge available in academia and relevant international organisations. It critically examines the alignment of EU development strategies with established principles of aid effectiveness and human development goals. It also explores the implications of recent policy shifts and funding priorities on the overall impact of ODA.

The analysis concludes with a summary of key findings and recommendations for the EP.

[3] Large-N analyses use a large number of observations (or data) for their analysis.

2 Current trends in EU aid

Poverty reduction, and in the long term its elimination, is the **primary objective of EU development policy** according to the treaties, which also commit to UN agreements on sustainable development and its financing[4]. Under this framework, the EU has reached a consensus on a broad development policy and endorsed the use of aid as a lever for private and public investment (EU, 2017).

In the 2017 'New European Consensus on Development', UN objectives are addressed by defining five core areas of action that align with the 2030 Agenda's 5 Ps: **People, Planet, Prosperity, Peace, and Partnerships**. Under 'People', the EU commits to fostering 'Human development and dignity', including responding to the educational needs of children and youth, eradicating poverty, tackling discrimination and inequalities, as well as promoting the right to the highest attainable standard of physical and mental health. The consensus also incorporates objectives under 'Planet' and 'Prosperity', such as adapting to and mitigating climate change, promoting inclusive economic growth and decent work, together with building resilient infrastructures.

The EU has committed to implementing the Addis Ababa Action Agenda, pledging to provide **0.7 %** of its gross national income (GNI) as ODA to developing countries and 0.20 % to the LDCs by 2030 (EU, 2017). It also subscribes to agreements taken from the third UN Conference on Financing for Development, which advocates a broad resource mobilisation to fill the development finance gap.

The EU endorsed this approach in 2017 by setting up the European Fund for Sustainable Development Plus (EFSD+), the financial arm of the EU's External Investment Plan, which channelled ODA through the European Investment Bank (EIB) and other European financial institutions to incentivise private and public investments in partner countries.

Beyond ODA, the shift 'from billions to trillions' advocated in the **Third Conference on FfD4** is becoming increasingly challenging. Indeed, the development finance gap initially estimated at USD 2.5 trillion has now been re-estimated by the UN Conference on Trade and Development (UNCTAD) to be USD 4 trillion (UN, 2024a, 2024b)[5]. As shown in Figure 1 below, this gap is largely related to the financing needs of energy transition.

The UNCTAD financing gap includes USD 100 billion of capital expenditure in the health sector and a range between 0 and USD 100 billion in the education sector (UNCTAD, 2023: app. I). However, the report indicates that most financing needs in these areas are absorbed by operational costs (i.e., costs of running hospitals and schools), while capital expenditure is less substantial than in other SDGs. The UNCTAD report also affirms that this **social infrastructure** is a key enabler for the achievement of all SDGs.

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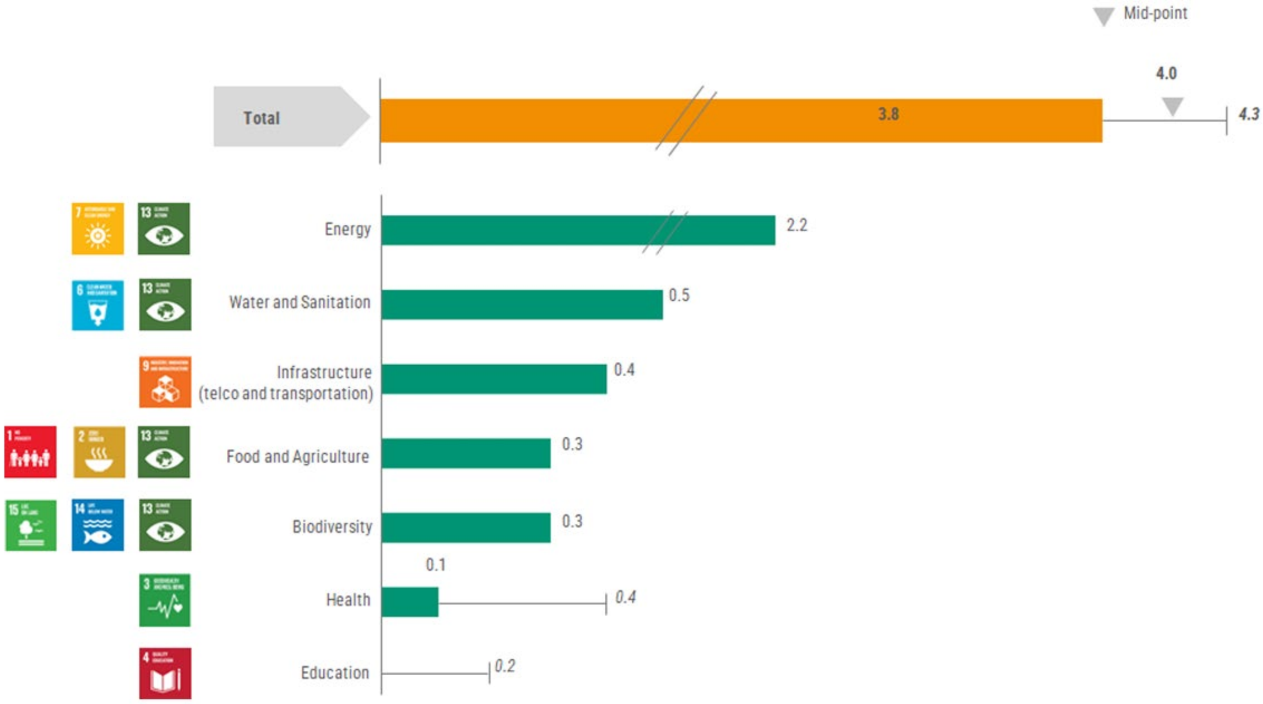
[4] Treaty on the Functioning of the EU, Article 208.

[5] The current investment gap is 60 % higher than the USD 2.5 trillion estimated in 2019. The increase results from shortfallssince 2015, compounded by multiple global challenges, including the pandemic and the food, fuel and financing crises.

Figure 1. Estimated annual investment gap in key SDG sectors, capital expenditure, developing countries

(USD trillions)*

* The range reflects the uncertainty about the size of the capex component in the total investment gap for two sectors (health and education) for which the operational expenditure (opex) component is substantial.



Source: UNCTAD, 'SDG investment is growing, but too slowly: The investment gap is now $4 trillion, up from $2.5 in 2015', 2023.

The development financing gap's magnitude led the Third International Conference on Financing for Development in Addis Ababa in 2015 to advocate broad resource mobilisation, encompassing national and international as well as public and private sources. Under the new Addis Ababa Action Agenda, the conference's outcome document, a strong emphasis has been placed on international partnerships and initiatives that **leverage additional domestic and international private and public resources**. In this regard, donors tend to use ODA not only to provide direct support for development projects but also to leverage additional resources and facilitate private sector participation. This approach aims to maximise the impact of development financing by combining public funds with private investments, thereby addressing the substantial financial needs required to achieve the SDGs by 2030.

The EU has responded enthusiastically to UN calls for resource mobilisation and capital investment through the **EFSD+** and the **Global Gateway** strategy. Launched in 2021, the Global Gateway aims to mobilise up to EUR 300 billion by 2027 to invest in quality infrastructure projects worldwide, focusing on digital, energy and transport sectors, as well as health and education (European Commission, 2021a). The European Commission emphasises the importance of creating bankable projects and leveraging private sector involvement as well as financial institutions to maximise impact.

2.1 Global Gateway and human development

2.1.1 A shift towards infrastructure

Global Gateway is the EU's **strategy to strengthen 'smart, clean and secure links** in the digital, energy and transport sectors' while strengthening 'health, education and research systems' globally[6] (European Commission, 2021b, 2021c). Launched to address financially pressing global challenges, Global Gateway puts a strong focus on infrastructures through its EUR 300 billion investment target by 2027 (European Commission, 2021a). The strategy also emphasises quality, sustainability and respect for the highest social and environmental standards, aligning with the EU's values, SDGs and the 2015 Paris Agreement.

Global Gateway is a strategy led by the European Commission at a time when its leadership in development cooperation has been reinvigorated in a number of ways. Firstly, the 2021-2027 Multiannual Financial Framework (MFF) **significantly increased the EU's aid budget** to EUR 79.5 billion compared with the previous framework's EUR 58.8 billion. It also expanded the EFSD+ to EUR 40 billion, intended to mobilise a total of EUR 135 billion in public and private financing.

Secondly, the NDICI-Global Europe unified funds and rationalised the aid system, facilitating the strategic gearing of EU aid (European Commission, 2021a, 2021; EP and Council of the EU, 2021; Council of the EU, 2024a, 2024b). Thirdly, Brexit, COVID-19 and the first Trump administration marked a critical juncture in EU donor coordination, leading to the use of the **Team Europe approach**, which had been established in response to the COVID-19 pandemic, to enhance cooperation between European development banks and financial institutions under the **European Commission's policy steering**. The Global Gateway was adopted in the context of these prior developments as a central strategy to guide renewed and enlarged EU development policy.

2.1.2 Hard and soft infrastructure

The European Commission often highlights that Global Gateway is not only about physical or hard infrastructures but also soft infrastructures. Along with electricity networks, for instance, it promotes research and education networks[7]. The Commission also insists that investments do not capture the whole of Team Europe's engagement in one country, which is described as a 360° approach that includes policy support, regulatory and business environment, skills development, innovation promotion and technology transfer. Indeed, this strategy defines five thematic areas, two directly targeting human development, namely digital, climate and energy, transport, health, as well as education and research.

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[6] European Commission, 'Global Gateway', webpage.

[7] See European Commission, 'Global Gateway Flagship projects – Infographics', webpage. This webpage is including examples of hard infrastructures such as GREGY, consisting of a high voltage electrical interconnection in the Eastern Mediterranean between Europe and Africa passing from Egypt to Greece, and ELMED, the construction of a first undersea high-voltage electricity cable connection between Italy and Tunisia. See also soft infrastructures such as Africa Connect 4, aimed at enhancing regional and national research and education networks with high-speed digital connectivity, e-services, and data infrastructures for research and education, focusing on women's and girls' empowerment.

In the field of **health**, the Global Gateway document envisages investments in local vaccine production and healthcare infrastructure. Communication materials on Global Gateway health projects speak of healthcare infrastructure, digital health solutions, along support for vaccine production and distribution. Under health, the European Commission also includes water and sanitation infrastructure projects (European Commission, 2024d)[8].

Regarding **education and research**, the Global Gateway document points to high-quality education and research systems, particularly focusing on digital education, vocational training and research collaborations. Flagship projects under this heading include technical as well as vocational education and training (TVET), together with research. The Global Gateway emphasises equity and inclusion, ensuring that girls, refugees, minorities and children in crisis contexts benefit from quality education. Investments also target teacher training, digital education and lifelong learning to equip individuals with skills for green and digital transitions (European Commission, 2024c)[9].

2.1.3 Bankable projects

To envisage the type of interventions supported by the Global Gateway strategy, it is necessary to understand the nature and functioning of its financial arm, the **EFSD+.** This provides guarantees for loans and grants to be combined with investment operations through blended finance or technical assistance complementing loans and capital investment.

In other words, EFSD+ materialises in **bankable projects**, that is, development projects that produce income and, therefore, can be funded with expected financial returns anticipated by a bank. Indeed, unlike traditional EU aid, this funding is not directly transferred from the European Commission to partner countries but is channelled through the European Financial Architectures for Development, which comprises the EIB and the European Bank for Reconstruction and Development, together with Member States' development banks and financial institutions.

This fund covers various thematic areas, including infrastructure, energy, digitalisation, climate action and social sectors, such as health and education. However, it **depends on investment opportunities** as well as the capacity of investors and financial intermediaries to identify such opportunities in the SDGs' framework, which depends, in turn, on the nature and scope of each SDG.

2.1.4 EFSD+ blended finance in social sectors

According to the latest data on **EFSD+ blending operations**, a total of 100 such enterprises were approved by 2021. Among these, 11 projects were focused on social sectors, including health and education (European Commission, 2025a).

In the **health sector**, projects included initiatives such as EU Support for COVID-19 Health Response in Ghana, strengthening health systems in the Bahamas and Colombia as well as supporting vaccine production in Cuba. In the **education sector**, EFSD+ blending projects aimed at enhancing technical and vocational education, such as the Digitalisation of TVET in Kenya and the revitalisation of agricultural vocational training in Angola.

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[8] European Commission, 'Global Gateway: Health', webpage, 2024.
[9] European Commission, 'Global Gateway: Education and research', webpage, 2024.

Other social projects included efforts to upscale private investment in affordable housing for Kenya as well as enhance agricultural and rural TVET in Nigeria. These initiatives collectively aim to improve health and education infrastructure, enhance access to essential services and support sustainable development in LDCs.

From a total of ten projects in the social sector, three targeted **LDCs**, including Senegal, Angola and Tanzania. Overall, 56 countries received funding, with 17 of them being LDCs, making up 30.36 % of the total number of countries funded.

2.1.5 EFSD+ guarantees in social sectors

Guarantees under the EFSD+ operate by providing financial backing to reduce the risk for investors, thereby encouraging both public and private sector investments in critical areas such as health and education. These guarantees help mitigate potential losses, making it more attractive for private investors to fund projects that might otherwise be considered too risky. By doing so, they seek to enhance public sector capacity to implement large-scale projects and improve service delivery while mobilising private sector resources and expertise towards higher risk operations.

For instance, the Accelerating Human Development guarantee supports investments in health infrastructure and manufacturing capacities for health products and technologies. With a guaranteed volume of up to EUR 750 million, it focuses on primary health care, health research, development and digitalisation together with the production and delivery of vaccines and medicines. This initiative aims to strengthen health services and enhance biopharmaceutical supply chains in low- and middle-income countries by addressing market barriers and mitigating demand-related risks (European Commission, 2025b).

Similarly, the **European Health Platform**, implemented by the EIB, has benefitted from a guarantee of up to EUR 458 million 'to reduce financing constraints for accessing vaccines and health diagnostic services'. It not only ensures equitable procurement and supply of vaccines to low-income populations but also improves diagnostic services for primary care and infectious diseases both in Sub-Saharan Africa and the European Neighbourhood. This platform aims to enhance the availability and accessibility of essential health services, thereby enhancing health outcomes in these regions[10].

In the following section, by analysing ODA data, we assess the extent to which the Global Gateway strategy and the nature of EFSD+ are changing the profile of EU aid.

[10] European Commission, 'European Health Platform', webpage.

Box 1. Human Development in EFSD+ Strategic Orientations

EFSD+ established strategic investment windows in a June 2022 Commission Decision. This Decision sets out to guide the implementation of the EFSD+ Guarantee through 'open architecture' investment windows.

Investments must target six strategic investment windows: (1) Micro, Small and Medium Enterprises; (2) Connectivity: Energy, transport and digital; (3) Sustainable agriculture, biodiversity, forests, and water; (4) Sustainable cities; (5) Human development; as well as (6) Sustainable finance and impact investing.

The Human Development window aims to promote and support **access to health, education and social protection**, as well as other social services, focusing on poverty eradication and inequality reduction. This window had an initial focus on healthcare priorities in the wake of the COVID-19 pandemic but also targets education, early childhood and elderly development, social housing and social protection. These priorities reflect the understanding that public investment in education and health is a driver of inclusive and sustainable growth and that social protection can also be instrumental in promoting growth by protecting vulnerable groups from adverse short-term impacts of reform.

By enabling public and private social actors such as municipalities, micro-, small and medium-sized enterprises, institutional investors, and not-for-profit organisations to access financing, EFSD+ aims to encourage innovative solutions and promote social entrepreneurship. Financial instruments will be used to attract private funds targeting social needs in close partnership with international financial institutions.

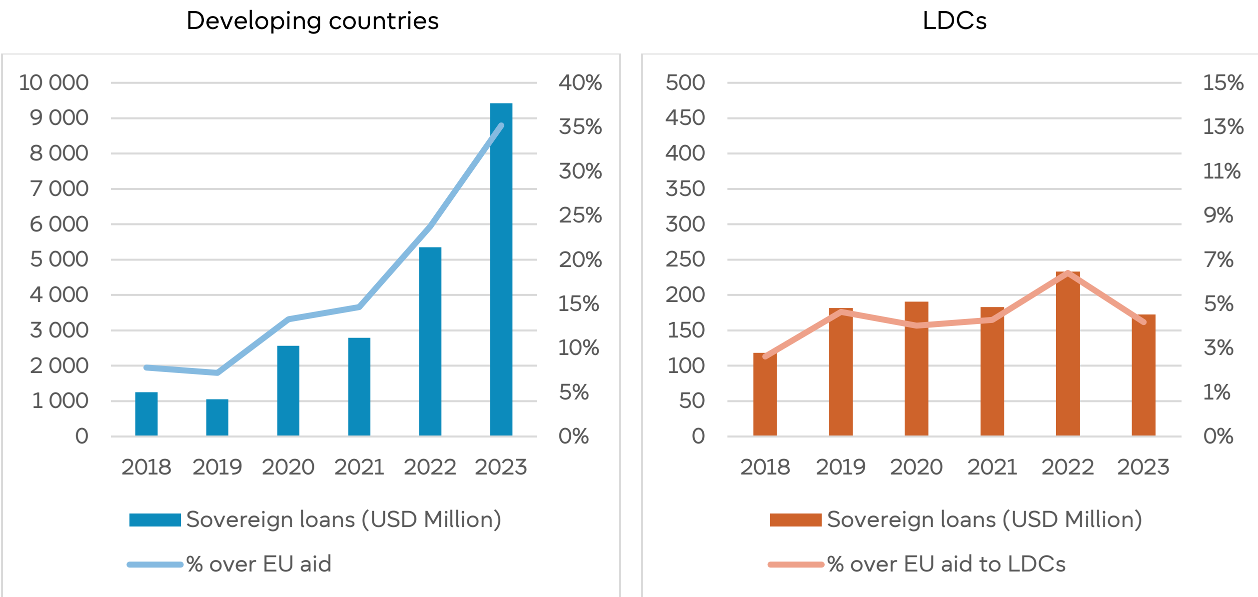
Source: European Commission, Commission Decision of 7.6.2022 establishing the Investment Windows for the European Fund for Sustainable Development Plus, C(2022) 3529 final, 7 June 2022.

2.2 Aid allocation across sectors, countries and instruments

While the Global Gateway has undoubtedly dominated EU discourse on aid, ODA statistics provide mixed evidence about its influence on actual expenditure. On the one hand, since the new MFF and the Global Gateway were adopted, data shows a financialisation trend in EU aid. From 2018 to 2023, aid in the form of **sovereign loans rose from USD 1 251 million to USD 9 424 million**, with the increase over EU ODA growing from 8 % to 35 % (see Figure 2).

Figure 2. EU aid in the form of sovereign loans

Grant equivalents. Current prices. USD, Millions

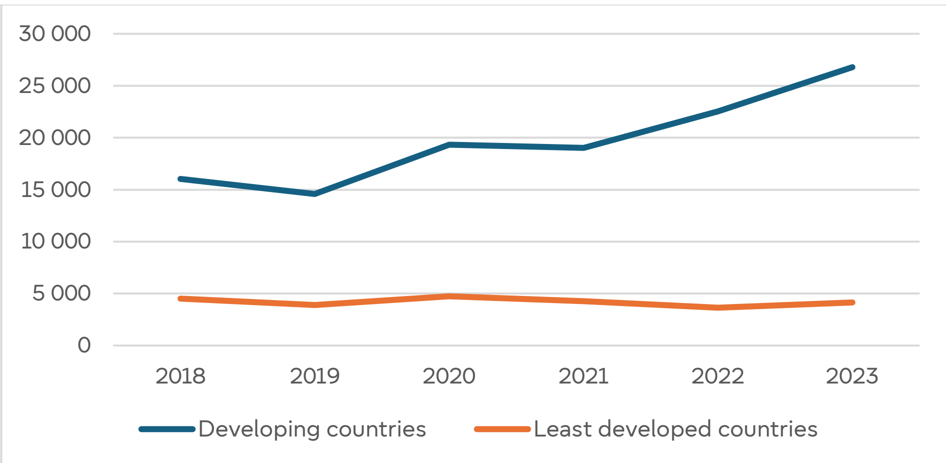


Source: Authors' own figures, data gathered from the OECD Creditor Reporting System (grant equivalent).

The increase in loans to LDCs was modest compared with the overall trend, fluctuating between 3 % and 6 % (Figure 2). This significantly influenced the allocation of aid across country income groups. Indeed, ODA allocated by EU Institutions to **LDCs decreased by about 9 %** in six years, while EU overall aid increased by 67 %[11].

Figure 3. Official Development Assistance by EU Institutions

Grant equivalents. Current prices. US dollar, Millions



Source: Authors' own figure, data gathered from the OECD Creditor Reporting System (grant equivalent).

[11] These percentages result from an increase in overall EU aid from USD 16.03 billion in 2018 to USD 26.87 billion in 2023, and a decrease in ODA to LDCs from 4 512 million in 2018 to 4 133 million in 2023, as shown in figure 3 based on OECD CRS data in current prices. In 2022 constant prices estimations available at the OECD, the variations for that same period represent +56 % in overall ODA and -15 % in LDCs. In this study, OECD statistics in current prices are preferred over 2022 constant prices to ensure consistency with reports provided by the EU Council which also form part of this bibliography.

On the other hand, EU **aid to the health and education sectors has continued to grow**, albeit at different rates. While the overall growth in education support has been much lower than the general increase in aid, the health sector has seen growth that doubles general aid increases, with a significant peak in 2021 probably related to the COVID-19 pandemic. For LDCs, support trends in the education sector mirror those in other developing countries, while support in the health sector has surprisingly been decreasing, contrasting with the overall trend in EU aid and priority given to global health following the COVID-19 outbreak.

Figure 4. EU ODA allocated to health and education

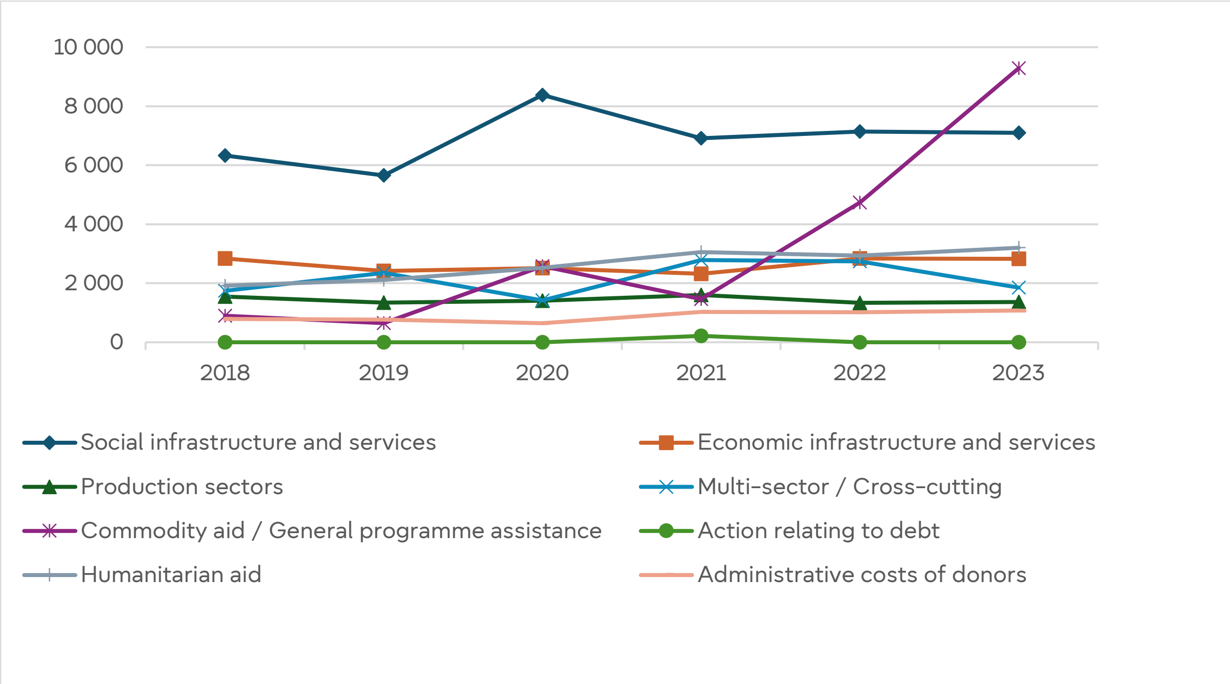
Grant equivalents. Current prices. USD, Millions

Source: Authors' own figures, data gathered from the [OECD Creditor Reporting System (grant equivalent)](#).

Moreover, a comprehensive overview of EU aid across macro-sectors (Figure 5) reveals that the budget allocated to social sectors (including health and education) has remained significantly higher than aid assigned to infrastructure and productive sectors, which are more suitable for generating bankable projects and leveraging private resources. As observed below, the growth of these sectors is similar to that of the social sectors and much lower than that of general programmatic aid, which increased dramatically in 2021 and 2022. Behind this category are sovereign loans to Ukraine without sectoral allocation.

Figure 5. Evolution of EU ODA by macro-sector

Grant equivalents. Current prices. USD, Millions



Source: Authors' own figure, data gathered from the [OECD Creditor Reporting System (grant equivalent)](#).

Support for Ukraine has influenced the distribution of global aid in the EU, its member states and beyond. In 2022, global ODA reached a record USD 276 billion in current prices driven by support to the Ukrainian government and refugee assistance in donor countries while ODA to developing regions decreased (UN Global Crisis Response Group, 2024). According to the UN Report on Financing for Sustainable Development, the trajectory seen over the past two decades indicates a marked escalation in expenditure dedicated to refugees and humanitarian aid. This inclination towards short-term and transient support may undermine the allocation of enduring and sustainable resources necessary for the education system (UN, 2024a).

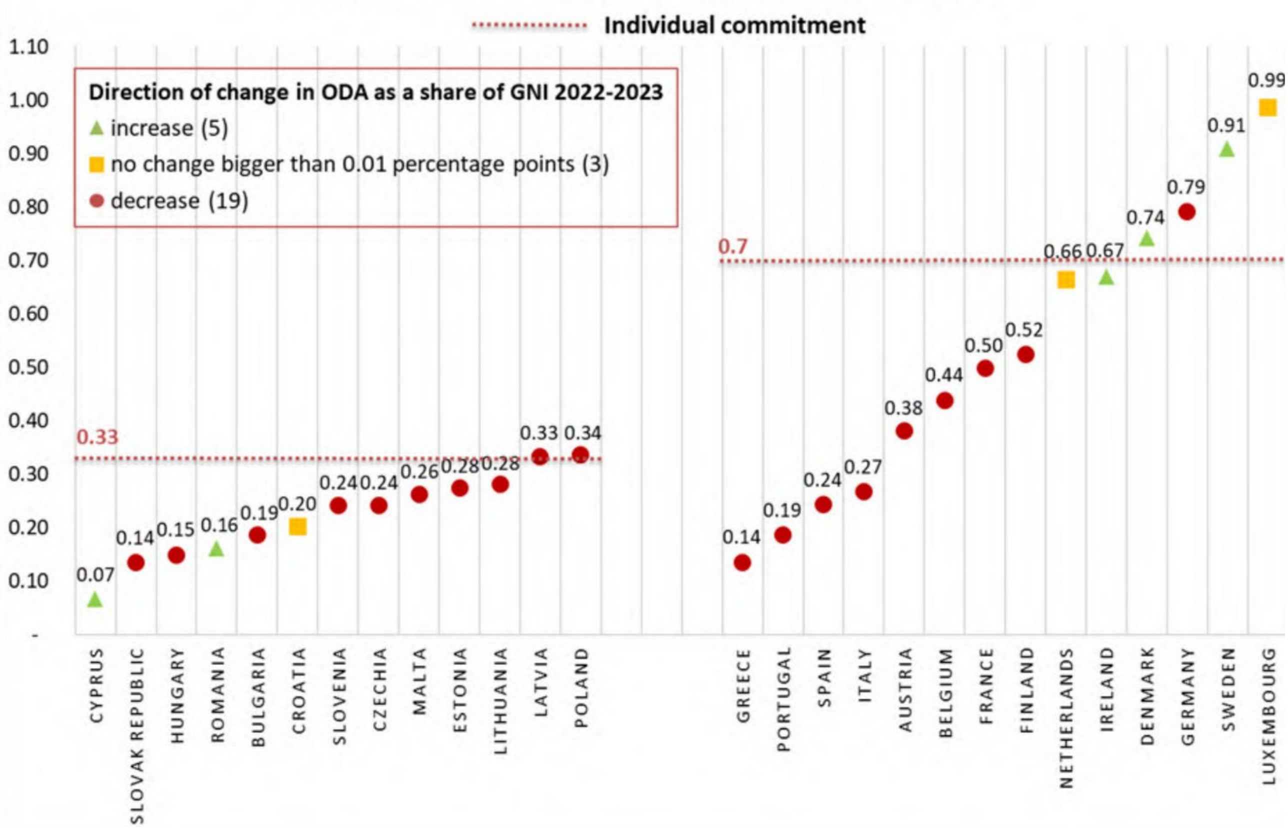
Moreover, the UN highlights that the latest ODA 'peak' is still falling short of commitments made by donor countries. Only four countries from the Development Assistance Committee (DAC) (hereafter 'DAC Members'), three of which are EU Member States, are complying with their 0.7 % commitment. USD 143 billion could have been available worldwide if all DAC Members had met their targets in 2022, including the remaining 24 EU countries (Figure 6 below)[12].

Additionally, the UN has **expressed concerns** about the shift from grants to loans, given that ODA grants are regarded as a critical source of funding for LDCs, especially for social sectors. UN reports

[12] According to the Donor Tracker (an initiative by SEEK Development) aid cuts are expected in 2025 and 2026 in Belgium, France, Germany, Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

(UN, 2024a) emphasise that loans can exacerbate debt burdens for developing countries, particularly amid rising international interest rates and growing debt distress[13].

Figure 6. Gap between 2023 ODA/GNI levels and agreed individual targets of the EU Member States and direction of change from 2022 to 2023 (on a grant equivalent basis)



Source: Council of the EU, 2024 Annual Report to the European Council on EU Development Aid Targets – Council conclusions (24 June 2024), 11339/24, 24 June 2024c.

2.3 Recent developments and debates

Although the actual implementation and influence of the Global Gateway approach to EU aid remain unclear, official EU discourse on aid is increasingly dominated by this strategy (European Commission, 2024b, 2024a; Council, 2024a, 2024b). Critical voices are also becoming increasingly loud.

Certainly, political guidelines for the **incoming European Commission**, formulated by President Ursula von der Leyen (Von der Leyen, 2024), and the portfolio assigned to the European Commissioner for International Partnerships, Josef Síkela, both indicate that this strategy will be the preferred use of EU development funds over the coming years. President von der Leyen highlights the EU's commitment to the Global Gateway strategy as a means of enhancing its geopolitical influence and fostering sustainable development. Furthermore, Commissioner Síkela

[13] Moreover, the UN Capital Development Fund collected experts insights on reimbursable aid, namely blended finance and development banks' investments (UN Capital Development Fund, 2020). It concluded that multilateral development banks expanded their lending to support LDCs, particularly in response to the COVID-19 pandemic, but their scale of funding from multilateral development banks is still insufficient to meet the growing needs of LDCs. As for blended finance, it indicated that while there have been successful cases of blended finance attracting private investment into social sectors, the expectations set in the Addis Ababa Action Agenda and its overall impact remained limited.

underscores the EU's intention to prioritise this strategy in its development policy (EP, 2024). The shift has sparked debate among policymakers, development practitioners and CSOs about potential implications for the effectiveness of EU aid.

Supporters of the Global Gateway strategy emphasise that it represents a necessary evolution in development financing, which is capable of mobilising the substantial resources required to address global challenges such as climate change, digital transformation and sustainable infrastructure development. They stress that this strategy is aligned with the EU's values and principles, including democratic governance, human rights and environmental sustainability.

Critics of the Global Gateway approach argue that such a focus on infrastructure and productive sectors may lead to reduced support for basic services crucial for the development of LDCs. They contend that emphasis on leveraging private sector investments could result in a misalignment with the EU development policy's primary objective of reducing and eradicating poverty. Additionally, there are concerns about the transparency and accountability of private sector involvement in development projects, as well as the potential for increased debt burdens on developing countries due to the shift towards loan-based aid.

Recent studies have questioned the Global Gateway approach. For instance, a review of flagship projects by the Centre for Global Development indicates that Global Gateway's ambition is easier to realise in physical infrastructure than human development. Across a period of three years, around 50 % of Global Gateway's flagship projects are in the climate and energy sector, while education and research, as well as health, represent only 10 % each (Gavas and Granito, 2024).

Previous studies commissioned by the European Parliament also indicate significant challenges in directing ODA-supported investments towards inclusive goals. The EFSD struggled to invest in African small and medium enterprises due to high-risk perceptions and limited financial instruments. Similarly, EFSD+ guarantees faced difficulties in attracting bankable projects in health, education and social protection, primarily due to the complexity of these sectors and the need for substantial initial investments (Pérez, Albakhit and Ruiz, 2023). Moreover, another study by the European Parliamentary Research Service warns against the pervasive effects of credit-based ODA in LDCs, which are either already experiencing debt distress or at a high risk of doing so. Especially following COVID-19 and with interest rates rising, LDCs and other developing countries' debt payments are crowding out much-needed social and climate change-related expenditures (Navarra, Heflich and Fernandes, 2024).

CSOs have raised various criticisms regarding the EU's Global Gateway strategy (Craviotto, 2023; Gerasimcikova and Sial, 2024). Firstly, they highlight that EU institutions combine to form the second largest DAC donor, providing ODA through private sector instruments. Secondly, they argue that the strategy, while framed as a sustainable and values-based alternative to China's Belt and Road Initiative, primarily serves the EU's own commercial and geopolitical interests, thereby contradicting the principle of equal partnerships and limiting the meaningful involvement of elected bodies, CSOs and independent experts in decision-making. Thirdly, they raise issues of transparency and accountability, warning against overreliance on the private sector, which comes with significant risks of negative impacts not only on jobs and livelihoods but also on access to land and resources.

3 The role of aid in advancing human development

Human development, as defined by the UNDP, is a process of enlarging people's choices as well as enhancing human capabilities and freedoms (UNDP, 2002). It is measured using the Human Development Index, which assesses three key dimensions: a long and healthy life (measured by life expectancy at birth); access to knowledge (measured by mean years of schooling and expected years of schooling); and a decent standard of living (measured by GNI *per capita*). Hence, the Index is closely linked to targets and indicators included under: SDG 1, End Poverty; SDG 3, Good Health and Wellbeing; and SDG 4, Quality Education.

Activities under these SDGs are often referred to as 'social sectors', which are increasingly listed in international declarations as education, health and social protection[14]. The NDICI- Global Europe Regulation shares this view and links the goal of poverty eradication with 'universal access to basic needs and services, including in the health, education, nutrition and social protection fields'.

The following literature review summarises research findings and international guidance on aid effectiveness. The former have been sought among panel data analysis published in peer-reviewed journals[15], while the latter has been extracted not only from key UN reports related to the implementation of the SDGs and its financing, but also its specialised agencies dealing with health, education and income poverty[16].

3.1 The role of aid in advancing education for all

This section examines empirical literature on the relationship between ODA and education outcomes covering multiple countries. This literature, albeit relatively scarce, does show some convergence regarding the overall impact of aid on key education indicators. However, convergence on the more effective types of aid for the education sector is more difficult to establish. Nevertheless, there are some research findings which, when triangulated with organisational learning at specialised agencies such as UNESCO or the World Bank, also provide relevant insights for international cooperation in the education sector.

3.1.1 Schooling rates and aid: parallel trends

Recent 'decades have witnessed an impressive **expansion of access to education across the world**, contributing to upholding people's rights and human dignity and to the advancement of social, economic, political, and cultural development' (UN, 2022a). The latest UN reports stress continual improvements in basic educational targets such as primary and secondary school enrolment rates (UN, 2024b).

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[14] See for instance the Zero Draft for the FfD4 Conference Outcome Document, paragraph 38 (UN, 2025).

[15] The search strategy followed the following steps. First, three search tools were selected: Embase, SCOPUS, and Google Scholar. Second, researchers sought relevant papers using search terms related to ODA and its intersection with health, education, and monetary poverty. Third, results were further filtered based on the researchers' judgment of each paper's relevance, considering the title and abstract. Finally, an additional methodological filter was applied, prioritising studies that used panel data.

[16] European Commission 'Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe)', webpage.

Over the last 20 years, the amount of ODA allocated to education has doubled in absolute terms,[17] reaching a volume of USD 17.5 billion and maintaining a constant share of around 7 % of total ODA. This aid is primarily based on grants, which account for around 80 % of total ODA to education[18].

Despite improvements in primary and secondary education enrolment rates, UN reports also indicate that **disparities persist**, particularly in Sub-Saharan Africa and among marginalised groups (UN, 2024b). These include barriers to accessing pre-primary education, a lack of basic services in schools and insufficiently qualified teachers, the last of which is considered the single most important factor in student learning. Moreover, the COVID-19 pandemic disrupted education globally, widened the digital divide and exacerbated declines in reading and mathematics. The UN warns that the SDG 4 targets are unlikely to be met by 2030 without significant and immediate action.

Aid represents 12.2 % of total education spending in low-income countries with low government capacity, the rest being contributions from households and governments[19] (UNESCO Institute for Statistics and World Bank, 2024). Nonetheless, recent data from Education Finance Watch 2024[20] is not very optimistic. The proportion of aid allocated to education has declined. Furthermore, although total education expenditure has risen since 2010 (with a record of USD 16.6 billion in 2022), education spending per child has remained relatively unchanged, reflecting global demographic shifts (UNESCO Institute for Statistics and World Bank, 2024).

3.1.2 The impact of aid on education

Education began to be included as an aid component in the early 1960s. However, research into the actual impact of aid on education is rather recent. Only since the 2000s have we found empirical studies attempting to link both ODA and educational impact at national and project or programme levels (Heyneman and Lee, 2016).

Macro-analyses provide evidence of the positive albeit limited impact of ODA on education. These studies use panel data and focus on enrolment rates or years of schooling, indicators that have formed part of the MDGs and SDGs. More sophisticated methods used by these quantitative studies have increased the precision of results over time. Michaelowa and Weber (2008), using two different panel data from 1975 to 2004 and from 1990 to 2004 for 127 countries, provide evidence indicating a positive impact of aid on enrolment rates across primary, secondary and tertiary education. Dreher *et al*. (2008) analysed the impact of aid on education for almost 100 countries between the 1970s and the beginning of the 2000s and concluded that higher *per capita* aid for education increases primary school enrolment. Christensen *et al.* (2011) analysed data for 100 countries from 1995 to 2008 and found that bilateral aid is related to improved school enrolments. D'Aiglepierre and Wagner (2013) determined that assistance directed towards primary education substantially enhances enrolment rates, promotes gender equality and reduces repetition rates within primary schools (d'Aiglepierre and Wagner, 2013). Lee *et al*. (2019), focusing on 15 Asian countries from 2006 to 2016, found a relationship between ODA (both total ODA and education ODA) on populations' years of schooling. Furthermore, they held that sector-specific aid

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[17] Prices at the time of writing, February 2025.
[18] See OECD, OECD Data Explorer 'CRS: Creditor Reporting System (flows)', webpage.
[19] In middle income countries, it accounted for 2.1 %.
[20] See World Bank portal on 'Education Finance Watch 2024', webpage.

has a more significant impact on human development compared to total ODA, suggesting the importance of targeted aid.

Other studies analyse the **impact of ODA on education at the project or programme level**. Narrowing the focus in this way also yields positive results. Many of these studies assess the impact of educational intervention in developing countries through randomised controlled trials or quasi-experiments, concluding that programmes such as conditional cash transfer initiatives, infrastructure-building interventions and school-based health projects increased school participation (Petrosino et *al.*, 2012; Krishnaratne and White, 2013). Sumner and Glennie (2015) reviewed 72-panel data papers published in peer-reviewed journals and tested the impact of ODA on growth, income poverty, education and health improvements. Six studies yielded very positive results, having focussed on how educational indicators are impacted, in other words, school enrolment.

Focusing on education, Michaelowa and Weber examined how political governance in recipient countries affects aid effectiveness. They found that good governance (measured though the Freedom House index of political rights and civil liberties[21]) mediates the positive effect of aid on governance (Michaelowa and Weber, 2007). In a later study, these results were challenged by the same authors, who suggested that 'political freedom appears to be a structural variable which does not change fast and requires some time to be effective on policy making. This may explain why the relatively shorter time series available for the disaggregated aid data fail to provide a strong confirmation of earlier results in this respect' (Michaelowa and Weber, 2008).

Christensen et al. argue that adverse selection – allocations to less effective recipients – complicates aid effectiveness. Given bilateral donors' greater flexibility to link aid to governance quality, they argue that those donors are more effective at addressing adverse selection than multilateral donors, who are constrained by institutional rules requiring a more impartial distribution of aid (Christensen, Homer and Nielson, 2011). In a more recent study that uses different variables to measure **governance**, Miningou has found a number of contextual variables that influence the effectiveness of ODA on education enrolment and years of schooling (Miningou, 2019), namely government effectiveness, political stability, rule of law and regulatory quality. ODA is more effective, for instance, in countries with higher political stability or better regulatory quality, but the most important contextual factor is the commitment of governments to education (measured as expenditure on education). Miningou (2019) confirms a general understanding that higher domestic expenditure on education equates to more effective external aid.

As for **enabling factors**, the relevant empirical literature on aid and economic growth is not as rich. Hence, it is difficult to observe differentiated effects from various types of ODA (grants vs loans, public vs private). Additionally, the literature is rather focused on inputs (schooling), given difficulties in assessing education outcomes without feedback from long-term records. This absence of comparable data limits impact assessment, particularly in low- and middle-income countries. Nevertheless, despite these limitations, the following paragraphs attempt to draw certain conclusions from the academic literature on how aid's impact on education can be improved. These conclusions are triangulated with guidance from international organisations that analyse their interventions in the sector, such as UNESCO and the World Bank.

[21] See Freedom House, 'Countries and Territories', webpage, 2025.

3.1.3 The productivist vs developmentalist approaches

A UN University World Institute for Development Economics Research special issue covering the impact of aid on education describes two different models with different impacts: the so-called 'productivist' approach typical of ODA between the 1960s and 1980s and the 'developmentalist' approach used since the 1980s and early 1990s (Niño-Zarazúa, 2016).

The former is characterised by two main features: education aid focused on **physical infrastructure and labour productivity** to improve the competitiveness of developing countries and a **strong emphasis on secondary and post-secondary education**, including vocational training. This productivist approach revealed shortcomings, such as inadequate attention paid to incentives, social norms and various other demands. Reforms did not sufficiently account for contextual specifics and the unique needs of both governments and local communities. Furthermore, they failed to consider the incentives for countries to utilise educational resources effectively.

The developmentalist approach is based on two principles: **access to education as a universal right** that governments should fulfil, regardless of learners' race, ethnicity, or socioeconomic status and **social justice**, meaning that priority should be given to the most impoverished individuals.

Consequently, one would anticipate that the focus of aid would shift from secondary to primary education. From a theoretical perspective, this view is certainly reflected in the international frameworks (especially Education for All and the MDGs). Nonetheless, tertiary education has been the main recipient of ODA since 2000. In fact, primary education concentrates around a fifth and tertiary education around a third of total ODA spent on education (Niño-Zarazúa, 2016). The main characteristic of this developmentalist approach is that donors are more concerned about the impact of their interventions (e.g., recipient ownership, sustainability, capacity building), and aid efficiency is clearly important. Consequently, interventions have rigorous monitoring and evaluation systems. The developmentalist approach set the groundwork to increase the depth and amount of studies on the impact of aid on education, providing more evidence both at the project and national levels. In that sense, since the mid-90s, more countries have also worked to create systems which assess students' learning outcomes from a comparative perspective, making possible evidence-based policy-making (SACMEQ for Africa or LLECE for Latin America and the Caribbean countries in the mid-90s; PISA for OECD countries in the 2000s), although the complexity of establishing links between ODA and education have a limiting impact for research. Putting a stronger emphasis on country ownership and capacity building, the developmentalist approach also better aligned aid with countries' priorities, contributing to more focused and coordinated external support.

3.1.4 Project-based vs sector-wide ODA

Another notable policy shift within the donor community is a growing realisation that education interventions achieve **greater success and lasting impact when approached comprehensively** rather than through isolated, project-based efforts (World Bank, 2011, 2020). This approach is reflected in the Paris Declaration on Aid Effectiveness (2005) and the Busan Partnership for Effective Development Co-operation (2011), which focus more on stronger ownership where developing countries set their own strategies for development, moving away from projects towards long-term interventions, including sector and budget support. Educational reforms and interventions require time for effective outcomes, such as teacher training, updating curricula and improving infrastructure, before they translate into improved learning outcomes. Despite this, a significant amount of ODA that goes to education is project-based, which in 2010, for instance, amounted to almost half of the total education aid committed to developing countries (Riddell and Niño-Zarazúa, 2016).

In an effort to produce a more comprehensive approach, **stronger coordination among donors** must be enabled. If national priorities are not well aligned with donor interventions, it is impractical to allocate the time of the limited personnel with the requisite technical skills within LDCs' ministries and other national agencies.

3.1.5 Education access vs learning outcomes

The above-mentioned studies focus on education quantity (access) rather than quality (learning outcomes). In fact, when considering the relationship between quantity and quality in education, a **vicious cycle between enrolment and ultimate educational standards** could exist, which may even be exacerbated by ODA. If one increases the number of students entering the education system without addressing other crucial elements – such as facilities, textbooks, student-teacher ratios, teacher salaries or community engagement – one risks undermining the quality of education and reducing learning outcomes. Furthermore, higher enrolment rates do not necessarily ensure completion, as dropout rates can be high, particularly in countries where enrolment increases rapidly. The World Development Report of 2018 highlights this tension between quality and quantity by illustrating the significant number of illiterate students in countries that have rapidly expanded enrolment, such as Malawi, Zambia, Guyana and rural India (World Bank, 2018). In addition, a further side effect of continuing investment in quantitative rather than qualitative educational improvement is that the middle-class exits from the public system (Riddell and Niño-Zarazúa, 2016). A lack of diversity in public schools can lead to unequal resource allocation, especially if funding depends on student enrolment numbers or other input indicators. Moreover, students from disadvantaged families are more likely to perform poorly when they attend schools with concentrations of similar students (OECD, 2019).

In recent years, donors have increasingly recognised the need to shift their focus from simply expanding access to prioritising improvements in quality. However, **the lack of comparable data on student learning outcomes** makes it challenging for researchers to evaluate the relationship between ODA and educational outcomes effectively. The high costs associated with programmes that measure educational outcomes in terms of learning (such as PISA) further complicate their systematic implementation in low- and middle-income countries. Using data from SACMEQ for 15 African countries, Birchler and Michaelowa (2016) found a clear and positive correlation between aid and enrolment together with a positive, albeit modest, modest correlation with learning outcomes (Birchler and Michaelowa, 2016).

In the search for quality education, it can be seen that a significant portion of ODA has been dedicated to **capacity building**. Riddell and Niño-Zarazúa (2016) note that ODA has enhanced the technical skills of ministries, particularly in areas related to planning and Education Management Information Systems. However, they argue that donors have prioritised skills training aimed at producing immediate outputs, such as annual plans or censuses[22], without giving sufficient

[22] Censuses are official surveys involving the whole population within a defined system. For example, a school census involves all the schools within the education system. See UNESCO Institute of Statistics, 'Census', webpage.

attention to how these skills are applied within the ministries (Riddell and Niño-Zarazúa, 2016). This potential gap between technical skills for short-term and donor-driven needs vs long-term and country needs may be more pronounced in low-income countries, which have less capacity to negotiate with donors compared to middle-income countries.

Another avenue for increasing the impact of aid on education is **results-based financing (RBF).** This refers to any programme or intervention that rewards individuals or institutions after results are achieved and verified. According to the collection of best practices gathered by UNESCO, 'These rewards can be monetary or non-monetary and can be partial (such as a bonus on top of a salary) or whole (such as the cost of training a teacher under output-based aid)' (UNESCO, 2022, :3). Some countries such as Pakistan, Bangladesh, Tanzania and Jamaica have adopted RBF as a 'promising instrument to strengthen education systems and align incentives with desired outcomes' (UNESCO, 2022, 3). There are different institutions that provide RBF, such as the World Bank, the Global Partnership for Education and NORAD (Norwegian Aid Agency).

The World Bank's 2018 World Development Report states that, even when learning is the explicit goal of an intervention, achievement can be difficult because tasks within the education system are often fragmented by many different actors, which spreads out accountability (World Bank, 2018). Thus, the education system and theories of change are complex within any system that is part of RBF, containing multiple actors whose actions must be aligned for learning to occur (Lee and Medina, 2019). RBF initiatives are normally based on micro-level actions taken within the education system, aiming to change the behaviours of specific actors (teachers, say) through incentives to help them focus on desired results, such as improving student learning. In a review of RBF in education, Lee and Medina find more robust evidence of RBF's positive impact at the level of specific groups and individuals, with less evidence of effectiveness at the national or programmatic level (Lee and Medina, 2019). Another World Bank review found that 'most of these programs do not significantly increase or decrease inequality of pre-existing student learning outcomes' (World Bank, 2022: 3).

3.1.6 Traditional vs innovative finance

In the education sector, most grants have coexisted alongside loans, but it is difficult, if not impossible, to differentiate their impact when both are directed to the same recipient – generally ministries of education – to finance similar expenses, such as the education budget.

The effect of **national indebtedness on education** has also been the subject of reflection and analysis. A UNCTAD assessment highlighted external debt's significant impact on LDCs' fiscal space, constraining their ability to invest in essential services, including education. High levels of external debt have led to increased debt service costs, which often exceed government expenditure on critical social sectors such as health and education, a problem that the COVID-19 pandemic and other crises have worsened. Cuaresma and Vincelette analysed 23 'Heavily Indebted Poor Countries Initiatives' that have reached the completion point[23], with data from 1998 to 2005 now being available. They found that drop-out rates decreased in primary school after the

[23] Reaching the completion point means that a country has successfully implemented key reforms and met specific conditions agreed upon with international financial institutions. At this stage, the country becomes eligible for full debt relief under the Heavily Indebted Poor Countries Initiative.

completion of an initiative (Cuaresma and Vincelette, 2008). Ferry et al. find that debt relief initiatives[24] have a positive impact on primary school attendance among heavily indebted counties, showing that when countries participate in debt relief initiatives, their school-age children are around 10 % more likely to attend primary school (Ferry, de Talancé and Niño-Zarazúa, 2022).

The **mobilisation of private sector funding through blended finance in the education sector remains minor**. From the value of private finance mobilised by bilateral and multilateral development finance providers, only 0.4 % went to projects in the education sector, which points to the absence of financial return in numerous social sector transactions (UN, 2024a: 109). Most blended finance goes to the energy and financial sectors. Moreover, only a small fraction of private finance has gone to low-income countries compared to middle-income countries (UN, 2024a).

ODA, through private sector instruments, might imply a reinforcement of private education providers, which can exacerbate the middle-class exit from the public system (Riddell and Niño-Zarazúa, 2016). This might further worsen public provision, thereby increasing inequality and polarisation in the access to education services. However, there are nonetheless certain advantages. Private sector instruments can contribute to improving skills provision of skills and hence increase the overall availability of skills in low-income countries. In both low-income countries and middle-income countries, private sector providers are becoming increasingly important for secondary education[25].

3.2 The role of aid in advancing global health

3.2.1 Progress in health aid and health outcomes

ODA for health has grown substantially over the past two decades. In current prices and absolute terms, ODA allocated to health has tripled, rising from an annual average of USD 7.8 billion (2005-2008) to USD 17.6 billion in 2023[26].

Health outcomes have also followed a positive trend in recent decades. According to the latest SDG reports (UN, 2024b), progress has been made in key health indicators:

- Under-5 child mortality reached a record low of 4.9 million in 2022 – nearly half the number recorded in 2000;
- The incidence of HIV infections has reduced by 27 % since 2015;
- Rates of exclusive breastfeeding of infants 0-6 months old increased from 24.9 % for infants born in 2015 to 27.2 % in 2021;
- Stunting and wasting among children under 5 decreased from 40 % in 1990 to 22.3 % in 2022;
- Skilled birth attendance moved from 64 % in 2000-2005 to 86 % in 2023.

However, despite progress towards the SDG 3 targets, significant challenges persist. Communicable diseases continue to be a major issue, with record-high tuberculosis cases in 2022, increasing malaria cases, slow HIV infection decline, and 1.62 billion people still affected by

[24] The International Monetary Fund and World Bank launched the 'Heavily Indebted Poor Countries Initiative' in 1996. In 2005 the Initiative was supplemented by the Multilateral Debt Relief Initiative, to support progress toward the SDGs.
[25] Low-income countries: from 13.4 % in 2000 to 17.8 % in 2022; middle-income countries: from 20.7 % to 29.3 % in the same period in secondary education. See World Development Indicator, 'World Bank Data', webpage.
[26] The annual average in 2020-2023, including the COVID-19 response, was USD 22.8 billion.

neglected tropical diseases. Drug treatment coverage dropped from 11 % in 2015 to under 9 % in 2022, with women receiving less treatment than men. Universal access to sexual and reproductive healthcare has seen minimal gains, and the adolescent birth rate is declining too slowly. Universal health coverage remains elusive, with 4.5 billion people lacking essential services. Vaccine coverage also lags, with DTP-3 and measles vaccination rates below pre-pandemic levels, whilst global coverage for the first HPV vaccine in girls was only 27 % in 2023[27]. A projected shortage of 10 million health workers by 2030 poses a critical challenge to healthcare systems. Maternal mortality rates have only slightly declined from 227 deaths per 100 000 live births in 2015 to 223 in 2020, far from the target of 70.

Low- and middle-income countries (LMICs) account for a significant proportion of the global disease burden, primarily due to communicable diseases, such as malaria, tuberculosis and HIV/AIDS, as well as maternal, perinatal and neonatal conditions, along with nutritional deficiencies and non-communicable diseases (Global Burden of Disease 2021 Causes of Death Collaborators, 2024). Of all non-communicable deaths globally, 73 % are in LMICs.

In the face of such shortfalls, the UN has emphasised the need for continued and increased investment in global health (2024b). It is essential to evaluate the effectiveness of existing strategies to determine whether the current allocation and management of ODA over recent decades should continue or adapt to meet emerging goals. This includes assessing ODA's overall impact on health outcomes and, where possible, distinguishing the effects of different types of aid. This is key to addressing persistent health challenges and determining the relevance of innovative approaches.

3.2.2 Impact of ODA on key health indicators

Academic research exploring the relationship between aid, as allocated to any sector, and health outcomes has provided mixed evidence. For example, prior research indicates that total ODA is associated with reduced adolescent fertility rates in LMICs (Zhuang *et al.,* 2020), a small effect on sexual and reproductive health (e.g., use of modern contraceptives, skilled birth attendance, and coverage of anti-retroviral therapies) (Ekman *et al.*, 2023) and small improvements in life expectancy (Toseef *et al*., 2019).

In contrast, analyses of aid specifically allocated to the health sector show consistent and clear improvements in health outcomes. Increased aid to the health sector has been associated with lower maternal mortality rates and reduced gender-based disparities in healthcare access (Pickbourn and Ndikumana, 2016). Sustained and targeted aid, particularly in reproductive and maternal health, shows strong associations with declining maternal mortality (Banchani and Swiss, 2019). Higher levels of health aid are associated with larger improvements in life expectancy and child mortality (Bendavid and Bhattacharya, 2014). Research indicates modest albeit significant improvements in sexual and reproductive health indicators, such as skilled birth attendance and contraceptive use (Ekman et al., 2023). Increased health aid correlates with improvements in HIV/AIDS prevention and treatment outcomes globally (Dieleman and Global Burden of Disease Health Financing Collaborator Network*,* 2018). Furthermore, targeted aid for specific diseases such

[27] See WHO, 'Immunization coverage', webpage, 15 July 2024.

as HIV/AIDS, tuberculosis and malaria has been linked to reductions in disability-adjusted life years associated with these conditions (Kim *et al.,* 2022).

Relevant multi-sectoral approaches to aid are also effective. For instance, increased aid to health, education, water and sanitation, together with food/humanitarian assistance, correlates with reductions in under-5 child mortality (Lu *et al.,* 2017).

These findings are confirmed in analyses of priority regions. For instance, in Sub-Saharan Africa, health aid improves health outcomes (Yogo and Mallaye, 2015). Similarly, research suggests that doubling health aid reduces infant mortality by about 44 deaths per 1000 live births in low-income countries (Negeri, 2023). Yet analysis of individual country features is also important. For instance, health aid is associated with lower maternal mortality rates and reduced gender inequality, with more pronounced effects evident in stable states (Pickbourn and Ndikumana, 2016).

3.2.3 Vertical funds vs sector-wide interventions

Few issues related to health aid and service delivery have attracted as much attention as the debate on vertical versus integrated health programmes (Atun, Bennett and Duran, 2008). This debate on vertical funds is related to a broader discussion on aid fragmentation, which refers to the dispersion of resources across projects and interventions.

The Paris Declaration on Aid Effectiveness underscored the need for donor coordination to address these inefficiencies. This also applies to health, where sector-specific guidance by the OECD states that aid can significantly enhance health outcomes by increasing resources through programme-based and sector-wide approaches linked to better health service delivery, coverage and outcomes. These approaches rely on strong national health policies and strategies, emphasising the importance of country ownership (OECD, 2012).

Research has confirmed that fragmentation increases transaction costs and administrative burdens, straining already limited resources in low- and middle-income countries (LMICs). Aid fragmentation also creates inefficiencies, such as duplicated resources, disrupted services due to funding volatility, and misaligned priorities. Many LMICs remain highly dependent on external funding, making them vulnerable to sudden reductions when donor priorities shift (Huffstetler, 2022; Mao, 2023).

While general health aid offers greater sustainability and flexibility, it is often perceived as slow and diffuse in terms of results. Some research suggests that fragmentation can drive innovation and improve health outcomes in certain contexts, such as child survival, by fostering diverse donor approaches. Directing funding toward specific diseases – such as HIV, tuberculosis and malaria – rather than comprehensive healthcare, vertical programmes such as the Global Fund and GAVI can better orient funding to measurable successes, such as reducing mortality and morbidity in LMICs.

For instance, Gaumer et al. (2023) found that the US President's Emergency Plan for AIDS Relief funding not only improved HIV/AIDS outcomes but also contributed to reductions in maternal and child mortality and improved immunisation rates. Similarly, Weiss *et al.* (2022) reported that the United States Agency for International Development-funded maternal and child health programmes reduced under-5 mortality by 29 deaths per 1 000 live births between 2000 and 2016 in recipient countries. Moreover, some vertical programmes, such as the emergency Plan for AIDS Relief, yield broader spillover effects beyond their primary focus, including reductions in maternal and child mortality and increased immunisation coverage (Gaumer *et al.,* 2023).

According to international authorities in global health, the ultimate approach lies in balancing vertical funding with horizontal strategies that strengthen the overall health infrastructure, workforce skills development and supply chains. Guidance from the WHO highlights that integrated approaches tend to improve outcomes even in areas that are typical of vertical funds, such as HIV and other communicable diseases. It suggests that vertical programmes may be useful temporarily in weak health systems, for rapid responses, or for complex services requiring specialised skills, but policymakers should consider time-limited vertical programmes with strategies to mitigate negative impacts or indefinite programmes with mechanisms to enhance integration (Atun, Bennett and Duran, 2008). The Joint United Nations Programme on HIV/AIDS also describes the importance of national health systems in tackling epidemics as a lesson learnt from the COVID-19 crisis[28]. Similarly, the OECD finds that the surge of vertical funds has led to great progress in the international health agenda, but efforts have concentrated on visible epidemics such as HIV/AIDS, tuberculosis and malaria, while many health challenges remain underprioritised (OECD, 2020). The Organisation recommends that donors promote smooth transitions towards support for domestic health systems.

3.2.4 Different actors, different effects?

Research also analyses how the various types of actors involved in the aid-health relationship affect aid effectiveness. A central question in this research is whether private actors can perform better than public actors or whether they can play distinct and complementary roles in global health.

Firstly, this research looks at the channels of aid delivery. Aid directed at community health workers is linked to improved maternal and child health outcomes (Lu *et al.,* 2019). Non-state actors and non-governmental organisations play a key role in supporting community-based and civil society health initiatives. Additionally, private agencies mobilise resources quickly, allowing for faster crisis responses than are available through public channels (Zyck and Kent, 2014).

International organisations such as the World Bank[29] increasingly explore the allocation of health aid to public-private partnerships (PPPs). By pooling resources and expertise, these partnerships can increase access to health services by improving service efficiency, increasing technological innovation, and attracting additional investment.

Intervention research has reported examples of successful PPPs providing different efficiency gains to health systems. These include the provision of affordable medicines and diagnostic tools, the development of healthcare infrastructure, the adoption of advanced technology and training for healthcare workers, the expansion of service delivery capacity, quality improvement and certification, etc. (Abuzaineh *et al.,* 2018; Suchman *et al.,* 2018; Fanelli *et al.,* 2020). While the potential benefits of PPPs in healthcare are recognised, several concerns have been raised about their impact on health equity (de Bengy Puyvalée, 2025), and the importance of strong governance frameworks has been emphasised (de Bengy Puyvalée, 2025; Hellowell, 2019).

Secondly, research on health and development also examines the salience of philanthropists and private sector donors. This type of research examines whether private donors and their often-

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[28] See Joint United Nations Programme on HIV/AIDS press note on the pandemics prevention, preparedness and response accord. Joint United Nations Programme on HIV/AIDS, 'Member States negotiating the pandemic instrument have an opportunity to save lives and keep the world safe, says', Press Note, n.d.

[29] See World Bank resources on Public-Private Partnerships in Health

private implementing partners are more effective than public aid. For example, Ekman (2023) found that private aid facilitated access to contraceptives and maternal health services through non-governmental organisation partnerships. Similarly, Bendavid and Bhattacharya (2014) highlight the role of private donors in niche or neglected health areas that receive less attention from large public donors. Conversely, private sector aid has advantages in flexibility, innovation and speed. Private donors excel in disease-specific interventions, such as malaria and tuberculosis control, where targeted funding yields measurable health improvements (Lu *et al.*, 2019). Private actors are also found to be instrumental in global health research and development (R&D), funding innovations that governments may deprioritise due to budgetary constraints (Dieleman and Global Burden of Disease Health Financing Collaborator Network, 2018).

However, Schneider *et al*. (2021) caution that private aid often lacks coordination with national health systems, leading to fragmented healthcare delivery. Additionally, private donors frequently prioritise short-term, high-profile health issues while neglecting broader systemic challenges (Afridi and Ventelou, 2013). Wambaka (2022) notes that private aid has a limited impact on long-term health infrastructure, whereas multilateral public aid better complements domestic investments. Publicly sourced aid is generally more effective at strengthening national health systems, aligning with government priorities, as well as improving maternal and child health outcomes (Moitra *et al*., 2021; Ekman, 2023). Public aid, particularly through bilateral and multilateral mechanisms, has higher disbursement rates and contributes to long-term health infrastructure development.

In the public vs private debate in the health sector, it is important to understand that there is a high involvement of private philanthropic actors and non-governmental organisations in addition to companies. Therefore, not all the lessons learned about the role of the private sector in global health apply to situations in which for-profit entities are expected to invest in development projects, as in the case of EFSD+ projects.

3.2.5 Innovating health finance

The private sector's engagement in global health, particularly in R&D projects, could benefit significantly from innovative instruments that optimally combine public and private finance. Traditional donor-driven aid models are increasingly being complemented by blended finance and catalytic investments that leverage market-based solutions for health financing.

Blended finance entails the strategic use of development finance and philanthropic funds to mobilise additional private capital for sustainable development projects. By combining different financing sources, blended finance aims to mitigate risks for private investors, thereby attracting more investment into the health sector. The OECD has highlighted blended finance's potential in optimising financial flows for health by creating innovative financial instruments (Ilesanmi and Afolabi, 2020). For example, initiatives launched by the Global Financing Facility have successfully channelled investments toward maternal and child health programmes, demonstrating substantial returns on investment (Zakumumpa *et al.,* 2018). Evidence from recent studies indicates that blended finance not only leverages additional capital for health projects but also fosters innovations that may not be possible within traditional models (Kwesiga, 2023).

The Global Fund not only operates vertically to channel a significant volume of ODA grants but also advocates financial innovation to enhance national responses to HIV, tuberculosis and malaria. In its latest strategic plan, the Fund emphasises joint investments and blended finance. Similarly, it advocates catalytic investments, in other words, targeted strategies for the Fund to stimulate additional private investment into health initiatives. Such investment options can help address infrastructure gaps or areas underfunded by traditional mechanisms.

The Global Fund[30] has successfully employed catalytic investments for incentivising countries to mobilise domestic health financing resources, thereby enhancing programme sustainability. Evidence suggests that well-structured catalytic investments can lead to increased domestic resource mobilisation and potentially strengthen health systems. However, the impact of these interventions on health outcomes at the country level has not yet been sufficiently tested through empirical research.

Moreover, since grants account for nearly 90 % of total health aid provided over recent decades (although loans have slightly increased of late), research findings on the positive correlation between health aid and health outcomes can primarily be associated with grant-based aid. In any event, lessons learnt from analysis of the various actors involved in global health together with the strengths and weaknesses of vertical funding, suggest that even aid directed to concrete bankable projects will not produce the systemic effects needed to advance global health.

3.3 The role of aid in tackling extreme poverty

In keeping with the EU's strategy, income poverty reduction has historically been a primary objective in development cooperation policies and international agendas worldwide. In fact, the list of goals and indicators associated with the MDGs and SDGs begins with the reduction of extreme poverty, measured as the percentage of people whose income is below an internationally established minimum threshold. During the MDGs, extreme poverty was defined as living on less than USD 1.25 per person per day in 2005 Purchasing Power Parities. Under the SDGs, extreme poverty is defined as living on less than USD 2.15 per person per day at 2017 Purchasing Power Parities.

Poverty is multidimensional; the fight against it includes support for basic services such as those reviewed in previous sections. However, tackling monetary poverty specifically remains a central ODA goal. This can be achieved directly by way of livelihood support and social protection programmes, but it is also a general outcome expected from ODA as a whole.

In recent decades, the world has seen a sustained reduction in monetary poverty indicators, primarily associated with economic growth in the most populous developing countries. However, economic growth can also coincide with increasing inequalities and exacerbating poverty. The following paragraphs examine empirical analyses exploring ODA's impact on poverty eradication. Subsequently, from analysis of academic and international literature, they draw lessons about the types of aid that best contribute to poverty reduction, with particular attention to aid programmes specifically designed to address monetary poverty, such as cash transfers and social protection.

3.3.1 Decades of poverty reduction and recent setbacks

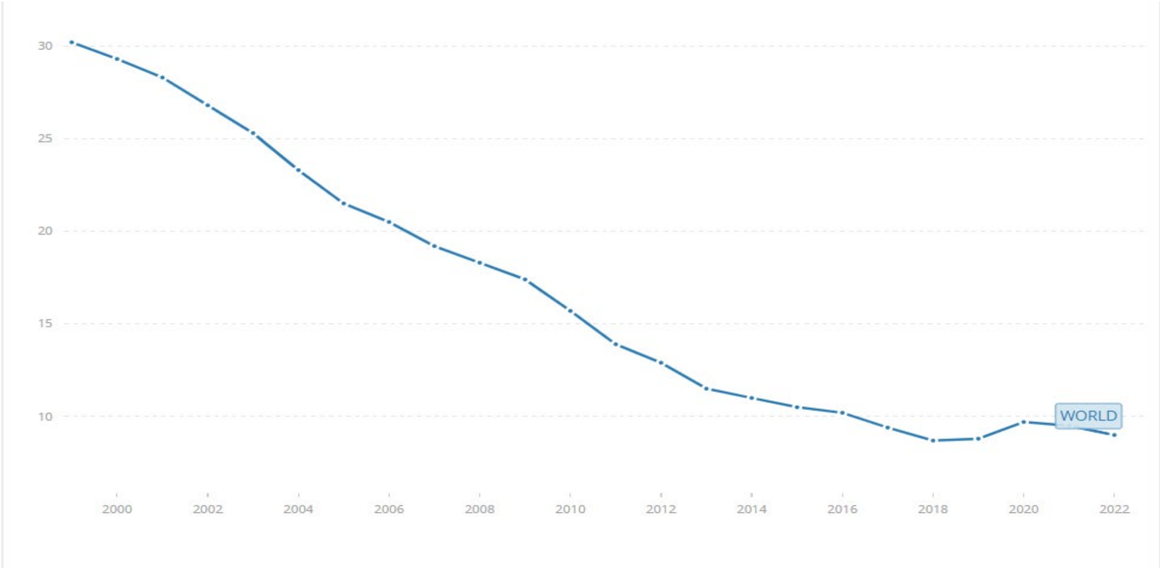
The global poverty headcount ratio, which serves as SDG indicator 1.1.1, has seen a sustained reduction in line with global development commitments set in the MDGs and SDGs. While in 2000,

[30] See the Global Fund approach to catalytic investments and innovative finance.

the ratio indicated that 33 % of the global population lived in extreme poverty, by 2022, the World Bank estimated that this had reduced markedly to 9 %.

Figure 7. Poverty headcount: % of population ratio living with less than USD 2.15 a day

(2017 Purchasing Power Parities)



Source: World Bank Group, 'Poverty | World Bank Data'.

Despite this promising trend, the UN notes that poverty reduction efforts experienced a significant setback in 2020 due to the COVID-19 pandemic. Indeed, worldwide, those living in extreme poverty increased from 8.9 % in 2019 to 9.7 % in 2020. Although most countries have already returned to pre-pandemic levels, projections suggest that by 2030, 590 million people (6.9 % of the global population) may still live in extreme poverty if current trends continue (UN, 2024b). The situation is worse in low-income countries, where, according to the UN, extreme poverty rates have not returned to pre-pandemic levels, with the level still at 25 % in the 75 most vulnerable countries.

To achieve SDG 1, 'End poverty', the UN places great importance on social protection, with target 1.3 advocating nationally appropriate social protection systems and floors aimed at coverage of the poorest and most vulnerable by 2030. The UN follows up on this front with indicators in social protection coverage by groups and has recently highlighted that, despite improvements, 7 out of 10 children worldwide still lack social protection coverage. According to the 2024 SDG report, achieving universal coverage will require closing a financing gap of USD 187 billion in middle-income countries and 60 billion in low-income countries (UN, 2024b).

Income poverty reduction has resulted in a sustained increase in ODA, but donors' support for social protection programmes that directly tackle income poverty has been rather low at 1 % to 2 % of global ODA[31]. Curiously, loans play a greater role here than in the education and health sectors. Between 2014 and 2023, loans represented 42 % of the aid allocated to social protection.

3.3.2 Does aid reduce poverty?

The most robust empirical analyses on the ODA-poverty link are panel data analyses. These analyses cover many countries over long periods. The Sumner and Glenie (2015) review identified six econometric analyses addressing the impact of aid on monetary income, of which five found a

[31] See OECD, 'OECD Explorer: CRS: Creditor Reporting System (flows)', webpage.

significant positive effect of aid on poverty indicators. For instance, Alvi and Senbeta (2012) examined the effect of ODA on poverty rates in 96 developing countries with data spanning from 1981 to 2004, finding positive impacts on countries' poverty rates and indexes. Another 2015 review found weak albeit positive evidence on aid and income distribution, although this is distinct from poverty reduction (Chong, Gradstein and Calderon, 2009).

More recent analyses have found similar results. Fifteen-panel data sets covering between 34 and 136 countries were reviewed by Mahembe and Odhiambo (2019). These authors organised evidence into two broad groups: studies that used non-monetary measures of poverty and those that used monetary measures. The review concluded that ODA has positively impacted poverty, both monetarily and non-monetarily. These same authors have developed a dynamic panel data approach to confirm the impact of ODA in Sub-Saharan countries and developing countries in general, confirming both its positive impact on poverty reduction and the influence of democracy on aid effectiveness (Mahembe and Odhiambo, 2020, 2021).

Overall, these empirical analyses confirm the logic of ODA as a driver of poverty reduction. This logic has been reaffirmed in different UN international fora, including recent Preparatory Committees of the FfD4 Conference, which link aid to 'critical socio-economic priorities in developing countries, such as poverty eradication, health, education, and social protection' (UN, 2025). The document also highlights that ODA is particularly important in low-income countries, where governments have lower capacities for domestic resource mobilisation.

3.3.3 How does aid reduce poverty?

Empirical analyses that test the correlation between aid and poverty reduction introduce other explanatory variables that shed light on the features of aid and recipients that can influence aid effectiveness. Unfortunately, each study considers a different set of variables; accordingly, the number of studies that sustain enabling and limiting factors is not as high as those that speak of the overall impact of aid on poverty reduction.

Yet, the type and modality are significant (Sumner and Glenie, 2015). Panel data from 1981 to 2004 showed that multilateral aid and grants effectively reduced poverty, while bilateral aid and loans did not. Two more recent studies confirmed that grants were more effective than loans in reducing poverty but provided mixed results when analysing the differential impact of multilateral and bilateral aid (Mahembe and Odhiambo, 2020 and 2021).

As for sectors, agriculture stands out as the productive sector where aid could make a greater contribution to income poverty (Mahembe and Odhiambo, 2019). Researchers have also considered agriculture, education, health and other social services as 'pro-poor' public expenditures[32] and compared them with non-agricultural productive sectors as well as economic infrastructures, finding that aid allocated to 'pro-poor' sectors is effective, but aid disbursed in other sectors has a greater impact on monetary poverty.

Additionally, reviews of panel data analyses show that the effectiveness of aid in reducing monetary poverty is influenced by a combination of factors related to the recipient country, including economic growth, public spending priorities, inequality and corruption (Summer and Glenie, 2015). On this last finding, research on aid and monetary income also converge with analyses on aid and

[32] 'Pro-poor' expenditures are expenditures that specifically reduce poverty.

health and education outcomes, which can be related to the comprehensive review by Mahembe and Odhiambo (2019) of fifteen-panel data covering dozens of countries and concluding that democracy enhances the effectiveness of aid.

3.3.4 The impact of cash transfers and social protection

In humanitarian action, there is significant consensus about the positive and direct impact of cash aid on the basic well-being of target populations (Doocy and Tappis, 2017). As for long-term development, the equivalent of humanitarian cash aid could be social protection, a sector which historically receives only minimal ODA[33].

This has been highlighted recently by Olivier De Schutter, the UN Special Rapporteur on Extreme Poverty and Human Rights, who finds that this neglect has limited the potential of ODA to support social protection initiatives effectively (De Schutter, 2025; UN, 2025). Moreover, the Rapporteur calls for donors to revisit their engagement in this sector in the context of the FfD4 Conference. While his report looks at many other sources of domestic and international development finance to realise SDG targets related to social protection, it finds that if donors allocated 25 % of committed ODA to social protection, it would cover 10 % of the current social protection gap and strengthen the capacity of systems to manage additional funding from other sources.

Evidence supports the UN Special Rapporteur's proposal to end extreme poverty. Indeed, the impact of cash transfers and social protection on poverty reduction has been the subject of extensive empirical research, particularly in the context of developing countries[34]. This review synthesises the findings from various studies, emphasising interventions that involve foreign aid, including those supported by multilateral institutions such as the World Bank.

Cash transfers, both conditional and unconditional, have been **widely recognised for their effectiveness in reducing poverty**. These programmes provide direct financial support to households, enabling them to cover basic needs such as food, health and education. Numerous studies have demonstrated that cash transfers effectively remove financial barriers, leading to improved health and educational outcomes. For instance, cash transfers have been associated with increased school attendance and better health indicators (Snilstveit *et al.,* 2016; Pega *et al.,* 2017).

Furthermore, empirical evidence suggests that cash transfers have significant long-term impacts on poverty reduction. Conditional cash transfer programmes in Latin America and Africa have shown substantial reductions in poverty rates among participants. These programmes not only improve immediate consumption but also contribute to long-term human capital development by enhancing health and education outcomes (Martins et al., 2013; Bastagli *et al.,* 2016).

Multilateral institutions, particularly the World Bank and UNICEF, have played **crucial roles in supporting cash transfer programmes** in developing countries. These institutions provide financial resources, technical assistance and policy guidance, which are essential for designing and implementing effective cash transfer schemes. The World Bank's involvement has been instrumental in scaling up these interventions and ensuring their sustainability by supporting cash

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[33] This section contains discussion of cash transfers in both a humanitarian aid context and in the context of social assistance and poverty eradication systems protection. Many social protection schemes are cash-based in that they involve direct cash transfers. This is explored in an earlier European Parliament study on microcredits and cash for development (Pérez *et al.,* 2020).

[34] See for instance the evaluations and policy papers available at J-PAL, the Abdul Latif Jameel Poverty Action Lab, 'Evaluations', webpage.

transfer programmes in countries such as Zambia, Ethiopia and Ghana, thereby contributing to significant poverty reduction (Pérez, Ayensa and Lacalle, 2020).

Foreign aid, including contributions from bilateral and multilateral donors, has been **vital in funding cash transfer programmes** in LMICs. This aid helps bridge the financial gaps that governments face when implementing large-scale social protection schemes. Foreign aid not only provides the necessary financial resources but also facilitates knowledge transfer and capacity building, enabling countries to design and manage effective cash transfer programmes (Doocy and Tappis, 2017).

4 Is the Global Gateway well suited to accelerate support for human development?

The Global Gateway strategy concentrates most of the EU's ODA under a framework designed to mobilise private investment through European banks and financial institutions. This approach aligns with the international community's broader objective of leveraging private sector involvement to move development finance from 'billions to trillions' to address the costliest aspects of the SDGs, such as energy transition, as explained in section 1. The following paragraphs assess the adequacy of this strategy to contribute to human development agenda targets according to the knowledge reviewed in section 2.

4.1 Focus on infrastructure projects

Consistent with the logic of mobilising private investment, Global Gateway flagship projects together with EFSD+ blended projects and guarantees, are **predominantly focused on infrastructure**[35]. In the education sector, for instance, these projects often involve the construction and renovation of educational facilities, such as schools and vocational training centres. Similarly, in the health sector, projects frequently focus on building hospitals and healthcare facilities. While infrastructure is undoubtedly important, this focus on physical assets echoes the old productivist approach that characterised ODA between the 1960s and 1980s. According to the literature, this approach has largely been overtaken by a developmentalist approach, which emphasises the holistic development of human capital and a stronger connection with the real needs of receiving countries.

Moreover, the UN has highlighted that the education and health sectors' financial needs are **more related to operational costs than capital investment**. In the education sector, operational costs include expenses such as teachers' salaries and training, educational materials and maintenance of facilities, which are crucial for the effective functioning of educational systems as well as high-quality education. In the health sector, operational costs encompass a wide range of expenses necessary for the day-to-day effective functioning of healthcare systems. These include salaries for healthcare workers, medical supplies and pharmaceuticals, medical equipment maintenance and operational expenses for healthcare facilities. Additionally, operational costs cover training and continual professional development for healthcare staff, public health campaigns and the implementation of health information systems.

[35] Global Gateway flagship projects for 2023, 2024, and 2025 were dominated by physical infrastructure investments, with about half of the projects in the climate and energy sector and about 20 % in transport. Less than 10 % were in education and research and health sector projects were a little over 10 % (Gavas and Granito, 2024).

The current emphasis on infrastructure projects under the Global Gateway and EFSD+ frameworks **may not adequately address these operational needs**. Hence, this potentially limits the overall impact on educational and health outcomes.

Moreover, infrastructure support tends to organise aid on a project basis, focusing on specific, isolated interventions. However, the literature advocates a more comprehensive approach at the policy level. In education, for instance, a sector-wide approach that integrates different elements of the education system (e.g., curriculum development, teacher training and student support services), is likely to yield more sustainable and impactful results. Comprehensive policy interventions can address systemic issues and create an enabling environment for long-term educational improvements. This approach makes possible the identification and, hence, the resolution of bottlenecks for education quality improvement, such as inadequate teacher training curricula and courses for learners that adequately incorporate 21st-century skills in all levels of education, thereby ensuring that all elements of the education system work cohesively towards common goals.

Regarding income poverty eradication, international guidance invites donors to support systemic interventions consisting of expanding social protection floors, which do not adapt to a project logic. The EFSD+ envisions contributing to social protection through investments by credit unions, cooperatives, associations and CSOs involved in revenue-generating activities. However, despite these theoretical aspirations, the EFSD+ has not yet produced significant results in the social protection sector. Support for social protection schemes does not adapt to project logic and requires a policy approach and large-scale support to fiscal authorities and existing social protection systems.

Additionally, policy-wide support makes it easier to align with nationally owned strategies and coordinate with other donors as well as multilateral organisations that share the principles of effective development cooperation. As discussed in section 1, aid fragmentation can impair effectiveness by creating inefficiencies and funding gaps. A comprehensive policy approach allows for better alignment with national priorities and enhances coordination among donors as well as international organisations.

4.2 Mobilisation of private resources and knowledge

Evidence in all three areas of our review shows that weak governance and democracy indicators undermine aid effectiveness, which invites the search for other forms of aid delivery outside the public sector, albeit **no conclusive evidence suggests that the private sector is more effective than the public sector**. Moreover, donors have a greater opportunity to influence governance and favour an enabling environment of transparency together with participatory policymaking when delivering aid through the public sector and providing policy-wide support rather than funding private sector-led projects.

The recent history of aid in education and health, along with related empirical analyses, indicates that **ODA channelled predominantly through the public sector has generally been effective**. Furthermore, unlike the field of energy, in these sectors international organisations have not made a broad call for mobilising investment and entrepreneurship. Nevertheless, certain aspects of human development can be effectively addressed through private investment and innovative finance. For instance, the private sector has played a significant role in vaccine production, particularly during the COVID-19 pandemic. The EFSD and EFSD+ have facilitated investments in local vaccine production and healthcare infrastructure[36], contributing to better manufacturing capacities for health products and technologies. These initiatives have helped strengthen health systems and increase the security of biopharmaceutical supply chains, fostering economic growth and productivity.

In the education sector, some studies have indicated that private sector involvement can exacerbate disparities if it leads to the proliferation of private education providers that cater primarily to wealthier segments of the population. This could result in a middle-class exit from the public education system, further deteriorating public provision and increasing inequality in access to educational services. Hence, while private investment and innovative finance play valuable roles, they must be complemented by robust donor support to achieve comprehensive and inclusive policies. There are specific areas in the education sector where ODA, through the private sector, can help strengthen education systems. Notably, in digital transformation, private companies are partnering with public authorities to provide software, hardware, digital learning resources and digital infrastructure.

However, it is important to recognise that private investment and innovative finance cannot address all aspects of human development. There is a need for systemic work that requires sustained donor support. Comprehensive policy interventions, large-scale programmes, coordinated efforts with fiscal authorities, and social protection systems are essential to address the broader challenges of human development. Donor support is crucial for building the capacity of governments, ensuring the sustainability of social protection schemes and addressing systemic issues that cannot be resolved through isolated projects. The World Bank and regional development institutions have demonstrated the effectiveness of such coordinated efforts in supporting social protection systems and promoting inclusive growth. Accordingly, while private investment and innovative finance play valuable roles, they must be complemented by robust donor support addressed to the public sector to achieve holistic and sustainable human development outcomes.

4.3 The financialisation of aid

Blended finance and private sector aid have been relatively scarce in the education and health sectors. Most finance mobilised by bilateral and multilateral development finance providers has been directed towards sectors such as energy and finance, with only a small fraction allocated to education and health. This reflects the lack of a commercially viable financial return in many educational and health activities. Despite this, traditional aid has generally performed well in these sectors, contributing to significant improvements in access and quality.

Lessons from poverty eradication efforts, as summarised in section 2, highlight the generally positive impact of aid in reducing poverty. This aid has predominantly been grant-based, particularly in the education and health sectors, but also in other social sectors. Macro-level

[36] One key example is the EIB's investment in early-stage vaccine development in Rwanda to accelerate research and development, strengthen technical skills and expertise, and support manufacture of new vaccines. See the EIB, 'Rwanda: EIB Global backs Akagera vaccine development', Press release, 14 October 2024.

analyses have tested the differential effects of grants and loans on poverty eradication, concluding that grants are more effective in reducing poverty.

There is **no conclusive evidence of the value added by the private sector and innovative finance to poverty eradication**. While private investment and innovative finance mechanisms, such as blended finance, have the potential to mobilise additional resources, their actual impact on poverty reduction remains uncertain. EFSD+ incorporates inclusive objectives by promoting and supporting access to health, education, employment, social protection and other social services with a clear focus on poverty eradication and inequality reduction. However, its open architecture, designed to mobilise private resources, faces difficulties in effectively reaching these goals. The development banks and international financial institutions geared by the European Commission are attempting to move the financing sector from its comfort area to underserved segments. Nevertheless, this is a demand-driven exercise, limited by the lack of capacity on the ground and the risk-aversion characteristic of the financial sector.

Finally, it must be noted that the human development gap, as estimated by the UN, remains in the scale of USD billions, which aligns with unmet commitments to ODA targets. In contrast, the trillions scale that has attracted much reflection in donor countries refers to other aspects of the SDGs, such as energy transition. This distinction underscores the importance of maintaining robust traditional aid mechanisms to address critical human development needs in LDCs, ensuring that these countries can make meaningful progress towards achieving the SDGs.

Even estimates for achieving the SDG targets related to social protection remain in the billions. However, these figures are not adequately integrated into studies on the development financing gap. Furthermore, despite its proven effectiveness, the EU is not paying sufficient attention to this crucial aspect of poverty reduction. Such financial needs' lack of integration into development financing analyses and strategies can limit the capacity of countries to implement robust and sustainable social protection systems, which are essential for reducing poverty and improving the well-being of the most vulnerable populations.

5 Conclusions and policy recommendations

Ongoing reflections of the European Parliament on aid effectiveness come at a critical juncture in global development finance. In mid-2025, the UN is convening its Fourth Conference on Financing for Development in Seville, just at a time when the United States is stepping away from the international consensus on development finance, which leaves the EU in a pivotal role. Yet, EU aid is also undergoing significant change by concentrating resources under the Global Gateway strategy, possibly removing the EU from some traditional approaches to development finance.

This paper consolidates existing knowledge on how ODA has contributed to human development over recent decades and provides some key inputs for EP reflection:

- ODA growth in recent decades has come along with progress in health, education and poverty reduction indicators. Moreover, most statistical analyses confirm foreign aid's positive impact and contribution to internationally agreed targets.
- Some goals remain unachieved in education, health and basic income, particularly in LDCs, just as ODA commitments remain unmet. Decades of development cooperation and evidence reviewed in this paper indicate that the people left behind in human development would

benefit from continuing or increasing ODA in line with previous development cooperation practices.

- Most aid successfully allocated to health and education has been delivered through grants. The evidence base for comparing the effectiveness of loans vs grants is very limited. However, loan-based aid has an obvious negative effect on already highly indebted countries, as the growing debt burden reduces policy space, including for financing health and education services. UN reports warn against the ongoing shift towards loans in the place of grants.
- Regarding aid channels and the comparison between the private and public sectors, many empirical analyses highlight the importance of governance as a driver of aid effectiveness. This might raise questions about channelling aid through the public sector in countries with high corruption indicators without adequate monitoring mechanisms. However, insufficient empirical analysis confirms the private sector's added value. Additionally, some studies consider non-governmental organisations, not the type of intermediary contemplated by the Global Gateway, as an alternative to the public sector to increase effectiveness.
- The Global Gateway is based on ODA loans and private sector instruments. Its logic consists of using EU budgetary resources to leverage capital from European development banks and financial institutions, as well as private capital, towards SDG-aligned investment opportunities in developing countries. This logic is entirely consistent with the international consensus on resource mobilisation and the Addis Ababa Action Agenda.
- Findings in this paper about the relevance and adequacy of traditional aid in social sectors do not contradict the UN consensus on the need for resource mobilisation and ideas about using ODA as a lever for private investment. This approach was taken to address a development finance gap associated with energy transition and climate action with a budget of trillions of USD. Empirical research reviewed in this paper refers only to human development, for which, according to the UN, the social sector's financing gap remains in the billions of USD.
- The Global Gateway strategy's relevance to human development challenges is limited by its predominant focus on infrastructure projects. In health and education, the financing gap estimated by the UN is mainly related to operational needs and less to capital investment. The financing gap in social protection systems has not been integrated into these estimates and has received little attention despite its proven effectiveness in poverty reduction. Moreover, logic indicates that it cannot be approached with project finance.
- Additionally, projects under the Global Gateway must be commercially viable or at least bankable, which is not always the case with the most relevant interventions in social sectors and LDCs.
- Empirical analyses on aid effectiveness in the health and education sectors also highlight the need to design coordinated sector-wide interventions. The Global Gateway strategy is more project-oriented and does not seem as fit for this purpose as traditional aid guided by country programming. Comprehensive policy interventions at the sector-wide level are essential for addressing systemic issues in education, health and social protection.
- Some parts of the education and health agendas can benefit from private-sector engagement. This is certainly the case for digital transformation in the education sector or

pharmaceutical development in the health sector. The Global Gateway strategy and the EFSD+ have adequately defined investment areas that may incentivise progress in this direction, but implementation reports indicate a low funding allocation to these areas. Different financial modalities are required to meet NDICI-Global Europe targets, such as allocation of 20 % of funding to social inclusion and human development or contribution to the EU's collective commitment to provide 0.2 % of EU gross national income as ODA to LDCs.

This paper does not question the Global Gateway's relevance in contributing to climate action and energy transition, nor has it explored the indirect possible contribution of the Global Gateway to poverty eradication through economic growth and job creation. However, it does confirm concerns about the adequacy of the Global Gateway strategy to address the inclusive dimension of sustainable development.

Accordingly, it is recommended that just as the Global Gateway applied the principle of shifting 'from billions to trillions' to EU aid, another strategy be adopted to apply the 'leave no one behind' principle. Such a strategy should:

- Recall EU aid's primary objective of reducing and eventually eradicating poverty;
- Align with UN guidance on how to accelerate human development targets contained under SDGs 1, 3 and 4 of the 2030 Agenda;
- Prioritise grants over loans;
- Provide a clear and credible roadmap for realising the NDICI-Global Europe's contribution to the EU's collective targets related to aid allocation for LDCs (0.2 % of EU gross national income) and the specific target on social inclusion and human development (20 % of EU aid).

In other words, the EU must balance its funding and political attention to ensure that poverty eradication, the primary goal of its development policy according to the treaties, is not overshadowed by other aspects of the sustainable development agenda. Such a strategy should be adopted as soon as possible, both to align with the UN Secretary-General's calls for an 'SDG rescue plan' and to address the ongoing challenges posed by political shifts in the United States.

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