



BLOG POST May 22nd 2025

Reduction in official development assistance: what impact and what alternatives for African countries?

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🕒 Reading time: 7 min



As African countries are facing ever-increasing financial needs, the financial resources available to them, both public and private, are shrinking, threatening not only their long-term development prospects but also the stability of their economies. What macroeconomic and sectoral impacts could the drop in official development assistance from the main Western donors have on African countries in general, and on the least developed countries in particular? How can the countries affected respond to this critical situation?

Significant funding cuts

Africa's financing needs, which are necessary to accelerate its structural transformation process¹ (i.e. promoting more productive activities with greater potential for creating decent jobs), are estimated at just over 402 billion dollars.² However, there has been a long-term trend decline in the total budget revenues of African countries as a proportion of GDP, falling from 23.5% to 19.3% between 2010 and 2023, and net transfers of financial resources from African developing economies to their creditors have become negative since 2020.³

Official development assistance (ODA) is therefore the main means available to African least developed countries (LDCs) to meet their financial needs. But global aid has fallen by 7% in 2024, and further reductions are forecast (-9 to -17% in 2025 according to the OECD)⁴ (IDDRI, 2025). China's loans to Africa, in particular, fell by 70% between 2018 and 2023.⁵

Macroeconomic implications

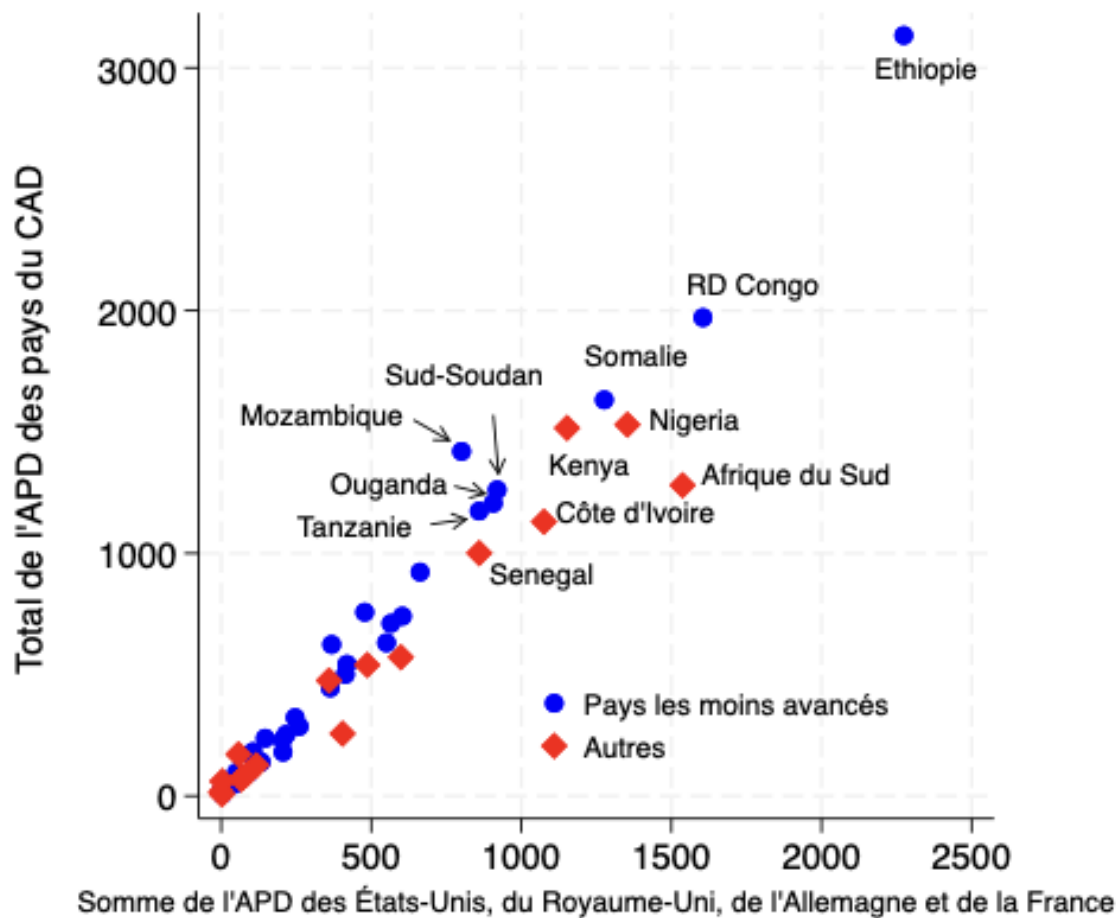
The macroeconomic implications of this downward trend could be considerable. By 2024, half of the 54 countries in the developing world devoting more than 10% of their budget revenue to debt interest payments were African.⁶ This drastically reduces governments' leeway and their ability to support growth and social spending. For example, in 2024, per capita interest payments in Africa⁷ represented USD 70, compared with USD 39 for health spending and USD 60 for education spending. This puts those countries further away from achieving the Sustainable Development Goals (SDGs).

Sectoral impacts

Recent analyses have shown that ODA cuts could have a significant impact on African countries, particularly those dependent on a limited number of donors.^{8, 9} In 2023, total ODA to Africa from Development Assistance Committee (DAC) countries was closely correlated with the amounts disbursed by four Western donors that had recently announced major aid cuts (the United States, the United Kingdom, Germany and France).

As shown in the Figure below, the countries most exposed to these cuts are Ethiopia, the Democratic Republic of Congo (DRC), Somalia, Southern Sudan, Mozambique, Uganda, Tanzania, Nigeria, Kenya, Senegal, Côte d'Ivoire and South Africa. However, the impact will be greater in the LDCs, because of the humanitarian crises and their budgetary constraints and reduced capacities.

Figure. Ratio of US, German, UK and French aid to total ODA received from DAC countries in Africa, 2023



Source : OCDE CRS, Dollars des É-U, Millions, 2023

Humanitarian organisations and United Nations agencies would also be strongly affected by the drop in ODA, leading to the interruption of programmes linked to education, health, innovation and access to energy. In the health sector, where there is a high concentration of funding, in 2023 the United States and the United Kingdom alone provided more than 50% of Africa's spending on programmes to combat HIV, malaria and tuberculosis.¹⁰ Countries such as Ethiopia, DRC, Mozambique and South Sudan received ODA amounts equivalent to more than 25% of their respective total national health expenditure in the same year.¹¹ In these countries, a total suspension of USAID-funded programmes would have a major impact on health systems, putting thousands of health professionals out of work.

Aid cuts also risk undermining progress on the energy transition and universal access to energy in Africa. This situation is all the more alarming given that the financing of clean and affordable energy in African LDCs is subject to the priorities of a limited number of development finance institutions and bilateral donors such as the United States (with the Power Africa initiative under the aegis of USAID), the United Kingdom, France and Germany. This suggests that the withdrawal of a small number of these players could result in a drastic drop in funding for energy-related projects in the region, exacerbating the profound energy access deficit and, consequently, slowing down economic and industrial take-off in the LDCs.

How can Africa bounce back?

But the decline in ODA is not irreversible for Africa, and governments have a number of levers at their disposal to finance development: strengthening South-South cooperation, setting up new investment partnerships emphasizing the commitment of private players, mobilizing domestic resources, and a new role for ODA.

African countries must diversify the development cooperation ecosystem by strengthening partnerships with other countries of the South, including China, India, the Persian Gulf States, and other middle powers such as South Korea and Turkey. These partnerships (also with Europe) should emphasize horizontal (peer-to-peer) relationships, as opposed to the old patterns of dependence and extraction, and promote Africa's participation in global value chains, which would require investment in the local processing of minerals, the improvement of intra-African road networks and the provision of clean energy. In addition, private investment by developed countries, particularly in the energy sector, which to date has mostly focused on fossil fuel projects, should be diversified.¹² At European level, discussions on these new partnerships with Africa aim to propose a new set of long-term alliances that will encourage investment and promote local economic development.¹³

But this diversification of partnerships must not lead to greater complexity and fragmentation of development aid. The implementation of national platforms such as Integrated National Financing Frameworks (INFFs)¹⁴ would help African LDCs to improve the coordination of development actors and funding flows, including those linked to climate and biodiversity.¹

Domestic resource mobilization (DRM) is also essential to reduce dependence on ODA and ensure ownership of development strategies and priorities in LDCs. However, tax revenue mobilization capacity remains below the threshold of 15% of GDP in African LDCs. Efforts to improve this performance should focus on improving tax structures, compliance and the implementation of tax policies. African LDCs also face unfavourable domestic environments (exacerbating informality and reducing the tax base), illicit financial flows (including money laundering, tax evasion and tax avoidance) and low tax/GDP ratios. Proposals to broaden the tax base, including more effective taxation of natural resources, the removal of fossil fuel subsidies, and the formalization of the informal sector,¹⁶ should be put forward at the next International Conference on Financing for Development, to be held in Seville in June 2025.¹⁷ African governments also have a responsibility to rationalize public spending, increase transparency (notably through the use of new technologies) and fight corruption. At international level, efforts to reduce illicit financial flows and double taxation are also needed to promote DRM.

Finally, the decline in ODA also requires a reconsideration of the priorities for available aid. The narrative of "doing more with less" would imply prioritizing areas of high potential, such as those that contribute to strengthening DRM and promoting domestic and foreign private investment (for example, through improving the business environment) in African LDCs. Priority should also be given to programmes to support administrative reforms that help strengthen the capacity of governments to guarantee and provide basic public services. This capacity is essential to reduce the vulnerability of LDCs to the unpredictability of external resources. However, it is essential to take account of national contexts, as the needs of individual countries may vary.

Key takeaways

The reduction in ODA will have significant macroeconomic impacts on African LDCs in particular, affecting various development sectors, from health and education to access to energy and the fight against poverty. Two scenarios are now possible: the first, in which aid volumes and programmes fully resume and even increase, including reaching 0.7% ODA/GNI (highly unlikely) in all the countries that have announced cuts; the second, in which donors drastically reduce or even completely cut aid programmes. With all the shades of grey between these two scenarios, the

uncertainties are massive and have serious consequences, underlining the great vulnerability of the countries concerned, in a context where the unpredictability of available external resources is likely to increase. It is therefore crucial for these countries, and for donors and the international community, to identify ways of reducing this vulnerability. This means stimulating the private sector and promoting more productive activities, while strengthening the capacity of LDCs to mobilize domestic resources. It also requires a global reconsideration of the function and contribution of ODA.

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