

BLOG POST June 19th 2025

Reduction in development aid: what sectoral impacts in least developed countries?

Auteur

Ben Katoka

Research Fellow, Financing Sustainable Development

 Reading time: 5 min

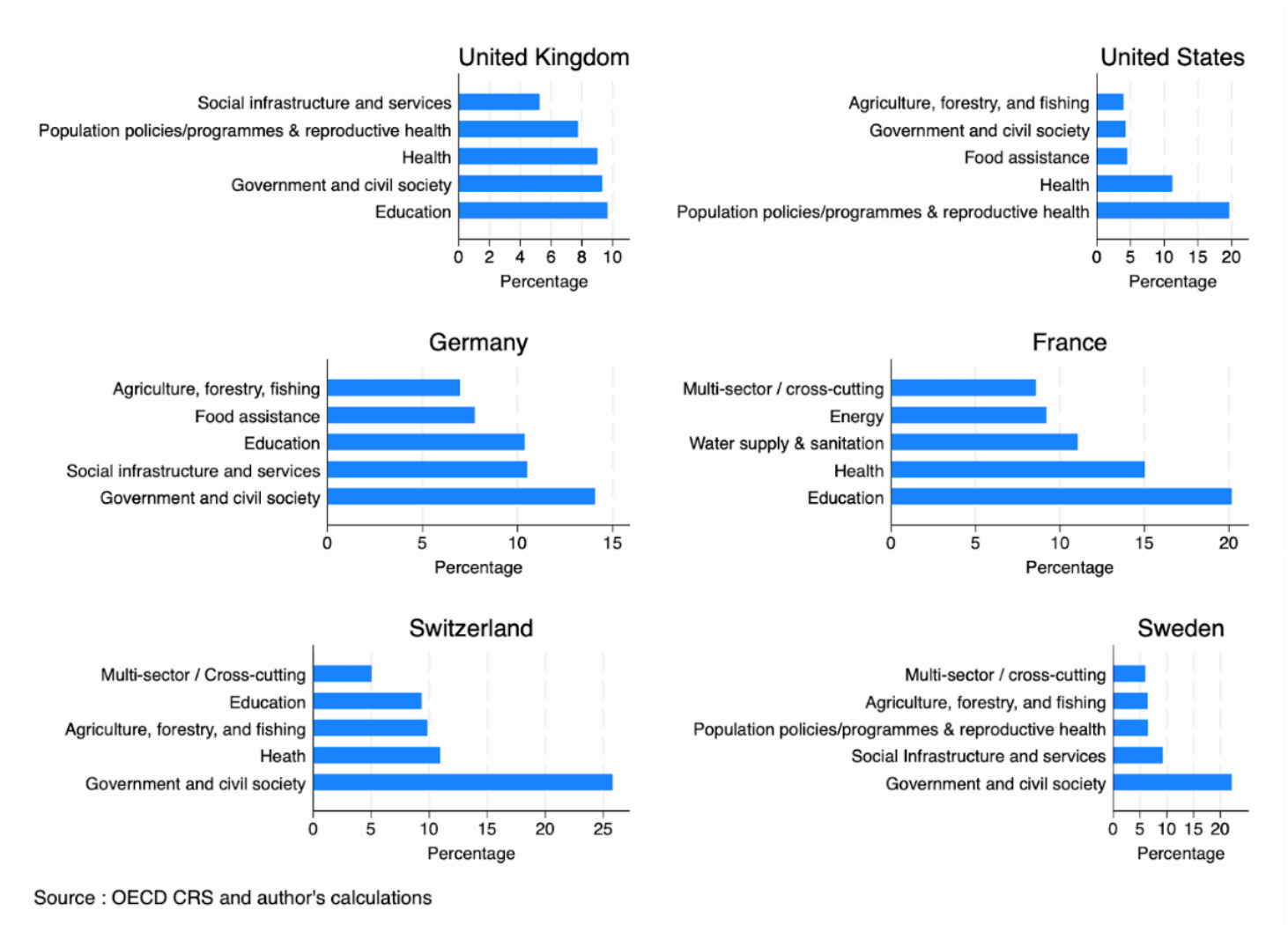
The announced cuts in official development assistance (ODA) by the United States and other major European donors (around 20% between 2024 and 2026) are likely to have serious consequences for least developed countries (LDCs), around three quarters of which are in Africa. Basic services (particularly health and education) and institutional capacity building will be severely affected in the short term, jeopardizing the long-term development and empowerment of these countries. What options do LDCs affected by these drastic cuts have at hand to overcome this crisis?

How is ODA projected to evolve in LDCs?

During the period 2021-2023, annual aid flows from OECD Development Assistance Committee (DAC) countries to LDCs amounted to approximately \$33 billion, representing about half of official international financing, with the United States, France, Germany, the United Kingdom, Sweden and Switzerland contributing more than 33%.^{[1](#)} In 2023, 10 LDCs, all in Africa (Tanzania, Mozambique, Uganda, Zambia, Malawi, Ethiopia, Democratic Republic of Congo, Rwanda and South Sudan), received 75% of these flows.

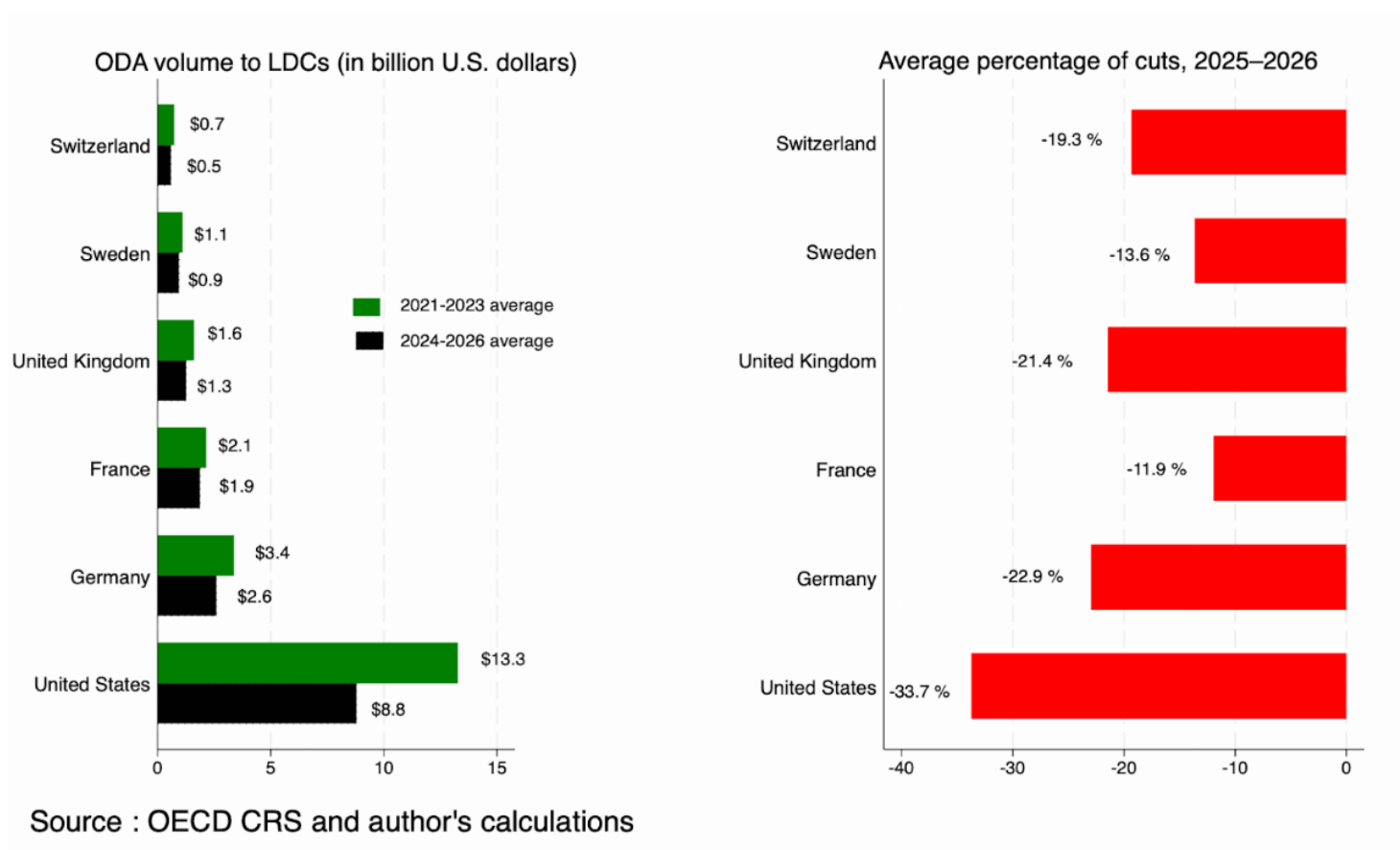
Among the sectors receiving the most funding are health, population and fertility policies, institutional capacity building and education (Figure 1).

Figure 1. Top 5 sectors receiving the most funding in African LDCs by donor (% of total ODA disbursements, average 2021-2023)



These areas are therefore particularly vulnerable to the significant reductions announced for the period 2024-2026 ([IDDRI, 2025](#)): the combined reductions of the six donors could reach around \$6 billion per year (Figure 2).²

Figure 2. ODA to LDCs before and after reductions



Note: This analysis is based on the [Budget Cuts Tracker dataset](#), which provides projections of ODA cuts for 2025 and 2026 for each DAC donor. For the purposes of this analysis, 2023 figures are used as a baseline to determine the percentage change in ODA disbursements for each DAC donor from 2024 onwards. This approach is necessary due to the lack of detailed information for years beyond 2023, both at the sectoral and recipient levels. Indeed, some reductions are already in effect, while others are planned but not yet formalized. Further details on the procedure for obtaining data on the extent of aid reductions by the six DAC donors are available upon request.

Impacts on health, population and fertility policies

In 2023, the United States and the United Kingdom alone provided more than 50% of African spending on programmes to combat HIV, malaria and tuberculosis.³ As a matter of fact, the largest reductions in ODA are expected to come from the United States (-\$4 billion per year on average in 2025 and 2026, or -33%), followed by Germany (-23%) and the United Kingdom (-21%). According to WHO estimates, USAID budget cuts could lead to 10 million additional cases and 3 million deaths related to HIV, 18 million additional cases of malaria, 200,000 polio-related disabilities and more than 1 million child deaths due to severe malnutrition.⁴ Sierra Leone, Tanzania, Mozambique, Liberia, Uganda, Malawi, South Sudan and Somalia are expected to be the countries most affected by the reduction in US ODA⁵, losing the equivalent of at least 25% (or even 50%) of their public health spending.

With regard to population and fertility policies, some African LDCs (notably Zambia and Tanzania) would be particularly vulnerable to reductions in international aid, particularly from the United States and the United Kingdom (80% of the total in this sector). Reductions of 33% and 21% in US and UK ODA would negatively affect recent

progress in maternal mortality (a decline of nearly 40% between 2000 and 2023),⁶ in addition to the risks of an increase in unwanted pregnancies and sexually transmitted diseases.

Impacts on the education sector

In most African LDCs, ODA is crucial for education. From 2021 to 2023, the United States (21%), France (17%), Germany (15%), the United Kingdom, Sweden and Switzerland contributed 64% of total DAC countries' ODA to this sector. If the 33% reduction in US ODA were applied, LDCs would lose some \$165 million each year. According to Save the Children, access to education would be cut off for more than 1.5 million children in more than 20 countries, mostly African LDCs.⁷ And for some countries such as Niger, Rwanda (where the decline could reach 50%),⁸ Sierra Leone, Liberia, the Central African Republic, Gambia and the Democratic Republic of Congo, where ODA accounts for between 20% and 50% of total education spending, the impact of the cuts would be particularly severe.

Reductions in ODA also have a human cost in the public sector, with significant reductions in the incomes of health and education workers in LDCs such as Ethiopia, Liberia and Malawi, reducing the quality of public services.⁹

Impacts on institutional capacity building

ODA also plays an important role in institutional reforms aimed at strengthening governance, public financial management (PFM) and domestic resource mobilization (DRM). In 2023, for example, around 60% of French aid to the government and civil society was devoted to PFM; in Senegal, as in all LDCs, France contributed nearly 80% and 70% of total DAC ODA devoted to PFM and DRM, respectively. This dependence on a single major donor (in this case, France) makes the country extremely vulnerable to any reduction in that donor's contribution.

Aid outlook in LDCs

Multiplying current and announced budget adjustments to ODA threaten development progress and exacerbate vulnerabilities in the world's poorest regions. Health programmes are particularly at risk, but disruptions are spreading to a wide range of sectors, from education and institutional reform to agriculture and population policies. Although empowerment should be a key priority for LDCs, renewed and effective international cooperation remains vital. New approaches to development cooperation are needed, including greater coordination between different ODA providers, private sector development, the promotion of more productive activities and the strengthening of domestic resource mobilization capacities.

With a view to transition, philanthropic foundations could and should also play a much greater role in LDCs, particularly in the health and education sectors, and this would require certain changes in the way these organizations operate.¹⁰

¹

Multilateral donors contribute 46% and non-DAC donors 3%.

²

This is approximately the combined annual budgets of Rwanda and Burundi for the 2024-2025 fiscal year; nearly 6% of the \$97 billion annual funding gap that threatens LDCs' ability to achieve the Sustainable Development Goal (SDG 4 on education by 2030; more than 20% of the costs of achieving SDG 6 targets on clean water, sanitation and hygiene in LDCs; nearly 10% of the \$61.8 billion that sub-Saharan African countries need

each year to achieve universal social protection by 2030; 11% of the additional \$54 billion that LDCs need each year to increase the number of health workers and build new sanitation facilities.

3

<https://www.mckinsey.com/industries/social-sector/our-insights/a-generational-shift-the-future-of-foreign-aid>

4

<https://nonprofitquarterly.org/impact-of-international-aid-cuts-on-african-communities/>

5

<https://www.cgdev.org/blog/26-countries-are-most-vulnerable-us-global-health-aid-cuts-can-other-funders-bridge-gap>

6

<https://www.who.int/campaigns/world-health-day/2025>

7

<https://www.savethechildren.org/us/about-us/media-and-news/2025-press-releases/aid-cuts-disrupt-education-1-8-million-children>

8

<https://world-education-blog.org/2025/04/09/what-is-the-potential-impact-of-recent-cuts-in-aid-to-education/>

9

<https://actionaid.org/sites/default/files/publications/The%20Human%20Cost%20of%20Public%20Cuts%20May%202025.pdf>

10

The Gates Foundation recently announced its intention to double its spending over the next 20 years, suggesting key refocusing, particularly in the health sector in LDCs.

GOUVERNANCE

FINANCEMENT DES ÉCONOMIES EN DÉVELOPPEMENT

AIDE PUBLIQUE AU DÉVELOPPEMENT

DEVELOPING COUNTRIES