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Undoing development: sketching the impacts of cuts in international cooperation

Team members:

Michidmaa Bayarsaikhan (michidmaa.bayarsaikhan@graduateinstitute.ch)
Lena-Maria Wolf (lena-maria.wolf@graduateinstitute.ch)
Emma Bruno (emma.bruno@graduateinstitute.ch)
Sirun Ohanyan (sirun.ohanyan@graduateinstitute.ch)

Faculty Lead

Dr Christophe Gironde

Partner

Jonathan Demenge, Policy Advisor, SDC
Séverine Donnet-Descartes, Policy Advisor, SDC

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ABBREVIATIONS

AAN	Afghanistan Analysts Network
ACAPS	Assessment Capacities Project
AIDS	Acquired Immunodeficiency Syndrome
ALNAP	Active Learning Network for Accountability and Performance in Humanitarian Action
ARV	Antiretroviral
ARTF	Afghan Reconstruction Trust Fund
BPHS	Basic Package of Health Services
CERP	Commander's Emergency Response Program
CGD	Centre for Global Development
CHNRI	Child Health and Nutrition Research Initiative
COVID-19	Coronavirus Disease 2019
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DRM	Domestic Resource Mobilisation
EU	European Union
FCDO	Foreign, Commonwealth and Development Office
GDP	Gross Domestic Product
GNI	Gross National Income
HER	Afghanistan Health Emergency Response
HIV	Human Immunodeficiency Virus
HNRP	Humanitarian Needs and Response Plan
HRP	Humanitarian Response Plan
IDA	International Development Association
IHEID	Institut de Hautes Études Internationales et du Développement
IMF	International Monetary Fund
IRC	International Rescue Committee
KFF	Kaiser Family Foundation
LDC	Least Developed Country
LIC	Low-Income Country
LMIC	Lower-Middle-Income Country
LGBTQIA+	Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual and other identities
MOU	Memorandum of Understanding

NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PEPFAR	President's Emergency Plan for AIDS Relief
PHR	Physicians for Human Rights
PSI	Private Sector Instrument
RMNCAH	Reproductive, Maternal, Neonatal, Child and Adolescent Health
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
SSRN	Social Science Research Network
TICGL	Tanzania Investment Centre and Government Liaison
UK	United Kingdom
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV and AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNHCR	United Nations High Commissioner for Refugees
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme
WHO	World Health Organization

EXECUTIVE SUMMARY

The year 2025 represented a pivotal moment in the evolution of the development architecture. Official Development Assistance (ODA) from Development Assistance Committee (DAC) member countries declined by 23.1% to USD 174.3 billion from USD 214.5 billion in 2024, marking the largest annual decrease ever recorded and the second consecutive year of aid reduction. This decline returned ODA to levels last seen in 2015, when the Sustainable Development Goals were adopted. The United States alone accounted for three-quarters of the total decline, with its ODA decreasing by 56.9%. The OECD projects a further 5.8% contraction in 2026, excluding the potential impact of ongoing conflicts, indicating a continued downward trajectory. This report argues that the current developments constitute a structural breakdown rather than a cyclical correction. ODA growth between 2020 and 2023 was driven almost exclusively by three exceptional, crisis-related categories: COVID-19 response, support for Ukraine, and in-donor refugee costs. Excluding these, the development-oriented core of ODA remained essentially stagnant during this period. The 2025 data reveal this stagnation, with bilateral core development programming declining by 26.3% and humanitarian ODA by 35.8%. Senior practitioners within the development architecture independently corroborated this assessment, describing the shift as likely to persist for decades, driven by both fiscal pressures and a diminishing sense of the original purpose of aid provision.

Distributional Effects

The aid cuts are not distributed evenly. Sub-Saharan Africa and Least Developed Countries (LDCs) experience the most severe impacts given their structural dependence on external concessional financing. LDCs experienced a 25.8% decline in 2025, while Sub-Saharan Africa saw a 26.3% decline. The eleven DAC members that announced cuts accounted for 76% of bilateral ODA to LDCs and 83% to Sub-Saharan Africa between 2015 and 2024, meaning no realistic compensatory mechanism exists when dominant providers retrench simultaneously (CGD, 2025b).

As a result, the most severe cuts are affecting countries least able to absorb them, while remaining resources are increasingly redirected toward geopolitically proximate recipients and delivered as loans rather than grants. In 2025, net flows to Ukraine reached USD 44.9 billion, surpassing total bilateral ODA to all LDCs or all of Sub-Saharan Africa combined. The loan-to-grant ratio for the most vulnerable recipients has doubled since 2010, rising from 13% to 28%, indicating that financing reaching LDCs increasingly generates future debt service obligations rather than providing genuine concessional relief. In sectoral terms, health experienced the largest absolute decline, with a reduction of USD 5.1 billion or 27% in a single year.

The case of Tanzania exemplifies this dynamic within a stable national context. The United States Agency for International Development’s (USAID) education portfolio, which had already declined from USD 25.2 million in 2021 to USD 11.5 million in 2024 before being halted entirely, did not serve as a substitute for public schooling. Rather, it constituted a targeted intervention addressing the education system's most significant structural deficiencies, such as training over 23,000 teachers in literacy and numeracy. In a context

where only four in ten pupils aged 10 to 14 could read a simple sentence in Swahili, and with Tanzania's education budget below the Sustainable Development Goal benchmark and a shortage of approximately 168,000 teachers in the public system, the withdrawal of this support leaves the structural crisis unresolved and intensifying.

Cumulative Impacts

Aid cuts are not merely a reversal of current spending, they undermine the financial foundation supporting public service delivery, institutional capacity, and long-term welfare. The distinction between humanitarian and development finance is critical. As one interviewee observed, "Nobody wants to receive a food parcel for 30 years every month. People want to send their kids to school. They want security and jobs. And humanitarian aid is obviously not here to provide all these things" (Interviewee 12, 2026).
The global health case study shows that over 63% of World Health Organization (WHO) country offices report job-related impacts from funding cuts. Africa's health systems face a projected shortage of 600,000 health workers by 2030. One in three reporting countries is experiencing critical shortages of essential medicines, and over 40% report interruptions in health information systems, meaning the architecture for measuring the crisis is being dismantled alongside the crisis itself. US foreign aid cuts have caused immediate, documented humanitarian crises in Tanzania, including medicine shortages, disease resurgence, and tens of thousands of children losing access to schooling.

The Afghanistan case demonstrates the extreme structural vulnerability. With 40% of GDP and 80% of government expenditure historically dependent on international assistance, the near-total cessation of development programming since 2021 has rendered the humanitarian system a substitute for functions it was never designed to perform. By 2025, the World Food Programme (WFP) was simultaneously reducing both the number of beneficiaries and the size of individual food rations. Girls excluded from secondary education since 2021 are now approaching the age at which they would have become teachers and doctors, creating a generational gap in the social reproduction of essential services that cannot be recovered within a decade.

Coping Strategies

The predominant response to ODA contraction has been non-adaptation, with activities ceasing in the absence of continuation or alternative funding. As one interviewee confirmed, "I am not aware of any domestic resources and private funds that have replaced the losses in ODA. What has happened is the activities have stopped, and there has been no continuation or alternative funding" (Interviewee 4, 2026). Domestic resource mobilization operates on timelines that are incompatible with the rapid pace of contraction. Private finance peaked at USD 77 billion in mobilized commitments but remains concentrated in banking, energy, and infrastructure, rather than in health, education, or social protection. Philanthropic finance declined by 7% in 2024. The share of development finance from emerging donors decreased from 16.2% in 2020 to 9.5% in 2024. In Tanzania, the expectation that cuts would be temporary led to reactive responses rather than strategic institutional reform and planning. In Afghanistan, organizations are not adapting but rather retreating; what is described as a humanitarian reset is, in practice, a managed exit from a population with no viable alternatives.

The winner-loser pattern is structurally consistent. Middle-income countries with stronger institutions, access to capital markets, and strategic relevance to major powers have a degree of room for maneuver. Low-income and aid-dependent countries do not. Adaptive capacity is as regressive as the distributional effects themselves. No alternative financing mechanism is operating at the scale, speed, or sectoral orientation required to substitute for ODA in the most exposed settings.

Paradigm Transformation

What is underway is not a temporary retrenchment within an otherwise intact system. It is a paradigm shift of fundamental renegotiation of the motivational, normative, and relational foundations of development cooperation. Four motivations have historically driven donor engagement, including solidarity and moral responsibility, historical obligation, common interest, and national interest. The balance among these is shifting decisively toward the last. The national interest has become dominant, framed in terms of mutual benefit and conditioned on aid for migration control, commercial access, and geopolitical alignment.

This “transactionalism” has concrete institutional manifestations with measurable human consequences. The United States has replaced USAID and PEPFAR (President’s Emergency Plan for AIDS Relief) with bilateral health agreements that tie aid to pathogen sharing, commercial provisions, and access to data. In Tanzania, PEPFAR's abrupt termination reached patients mid-treatment, with healthcare workers informing clients mid-consultation that they could no longer provide drugs or hospital transport. In Afghanistan, the withdrawal of development engagement has accelerated a transition to purely humanitarian logic that forecloses the possibility of structural recovery for a generation. Several African governments have publicly refused new US bilateral health agreements on sovereignty and equity grounds, with Ghana and Zimbabwe declining data-sharing provisions that offered no reciprocal guarantee of access to resulting medical innovations. The credibility costs of this transactional turn are real. As one senior development finance economist put it, "We are no longer listened to in Africa. They are not taking us seriously anymore".

Development cooperation is becoming more transactional, more geopolitically mediated, more fragmented, and less governed by poverty-focused, solidarity-based principles. The Tanzanian case shows what gradual erosion looks like in a stable context. The Afghanistan case displays what abrupt fragmentation looks like in a fragile context. The global health data show what happens when the sector most structurally dependent on ODA loses its principal funder with no transition and no replacement. When development assistance is no longer extended on the basis of need, solidarity, or shared humanitarian goals but is instead conditioned on what recipient countries can offer in return, whether their data, their resources, their compliance, or their markets, we must ask whether what remains can still be called development cooperation at all or whether we have simply arrived at a world in which the right to survive a preventable disease, to complete an education, or to access basic services is no longer universal but transactional.

1. INTRODUCTION

1.1 Context and Problem Statement

The international development architecture is entering a period of unprecedented disruption. After decades of steady growth that began with the Millennium Development Goals and reinforced by the response to COVID-19 is now in steep decline. The full scale and duration of this shift is still unfolding, but its consequences are already visible.

Official Development Assistance (ODA) from Development Assistance Committee (DAC) member countries had reached a record high in 2023 and then fell by 6% in real terms in 2024 to USD 214.5 billion (OECD, 2025a). Preliminary data published by the Organization for Economic Co-operation and Development (OECD) in April 2026 noted a total ODA decline of 23.1% in 2025 to USD 174.3 billion, marking the largest annual contraction on record and the second consecutive year. This reduction returns ODA to levels last observed in 2015, when Sustainable Development Goals were adopted (OECD, 2026). The United States accounted for nearly three quarters of the decline, as its ODA declined by 56.9%. This represents the largest single-year fall in volume from a single provider ever. OECD anticipates a further decline of 5.8% in 2026, a figure that does not yet incorporate pressures arising from ongoing conflicts in the Middle East and other regions (OECD, 2026).

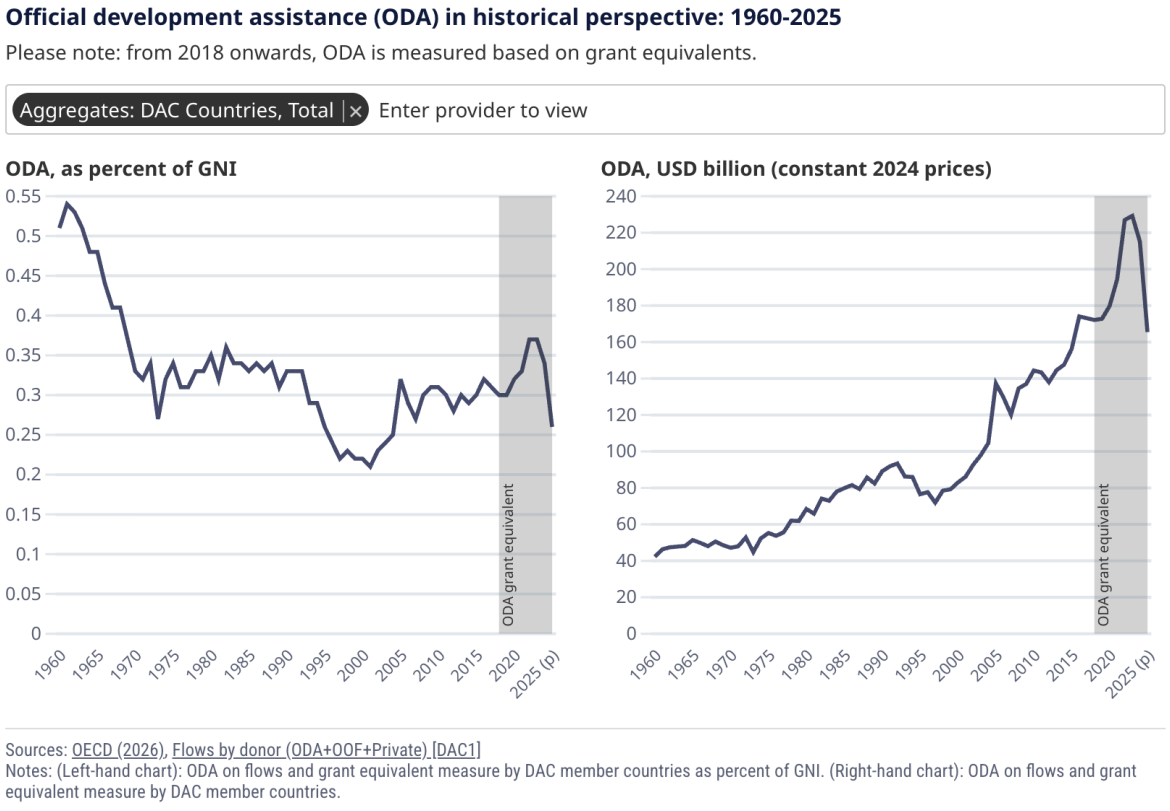


Figure 1: ODA in historical perspective, 1960-2024 (OECD, 2025a)

Figure 1 presents the empirical basis of the report. The prolonged upward trajectory since the Millennium Development Goals, further extended beyond 2020 due to the pandemic response and assistance to Ukraine, makes the reverse trend beginning in 2024, and

confirmed at unprecedented levels in 2025, appearing as a structural break rather than a routine fluctuation.

This decline is compounded by long-term structural underperformance. In 2025, ODA accounted for only 0.26% of the combined Gross National Income (GNI) of DAC countries, significantly below the internationally agreed target of 0.7% (OECD, 2026). Notably, bilateral core development programming fell by 26.3%, marking the largest recorded decline, while humanitarian ODA from DAC countries fell by 35.8% (OECD, 2026). The OECD notes that cuts have extended beyond the components of aid that typically fluctuate year to year, such as donor refugee costs and emergency spending. What is now deteriorating is the structural base of development-oriented financing itself.

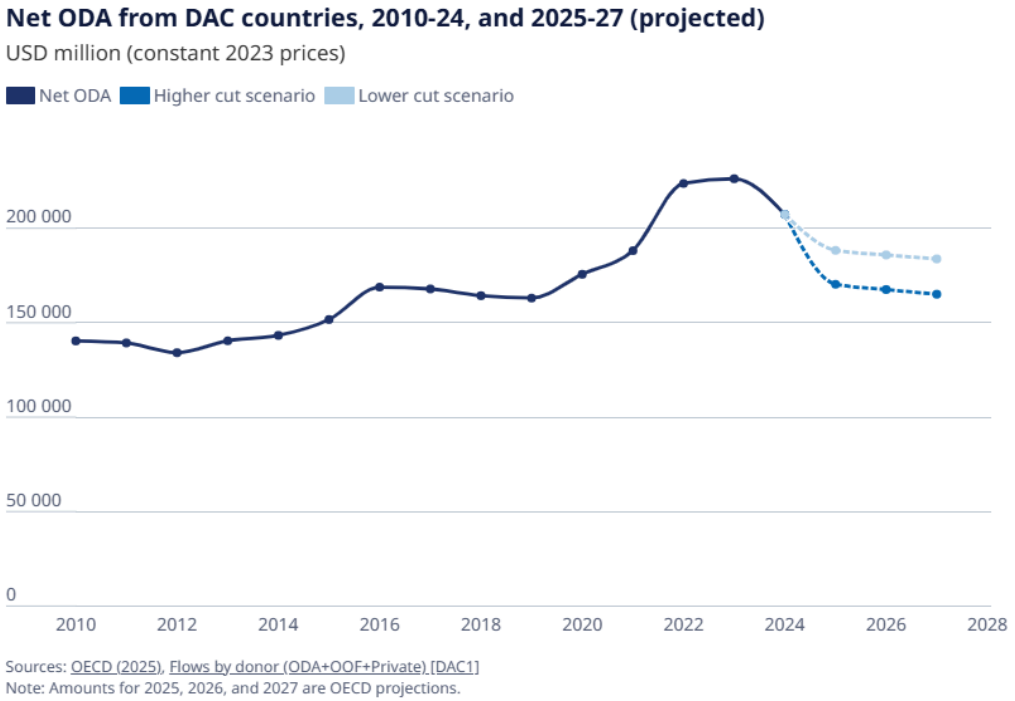


Figure 2: Net ODA from DAC countries, 2010-2024 and 2025-2027 (OECD, 2025a)

OECD projections for 2025–2027 shown in figure 2 suggest this is not a temporary dip but the beginning of a broader downtrend under both lower-cut and higher-cut scenarios.

Qualitative evidence from key informants reinforces this structural interpretation. A senior economist specialising in development finance and private sector mobilisation noted "We are unlikely to go back to the way it was before," pointing to USD 225 billion in 2023 as the high point of ODA (Interviewee 6, 2026). A senior policy analyst in public finance at an international organisation similarly acknowledged this as a system-wide shift that is likely to last for decades, not years (Interviewee 4, 2026).

A senior researcher in development finance and public policy framed the problem differently, arguing that "there is a sort of crisis of legitimacy amongst donors…the original purpose for aid-giving has kind of been eroded and pulled in many different directions, leaving no clear rationale to justify ODA to taxpayers" (Interviewee 13, 2026). A director of a humanitarian solidarity organisation reached a similar conclusion from another angle: "If this was really a

temporary adjustment, you would expect at least some donors to come in to compensate, but in practice, almost all are reducing" (Interviewee 3, 2026).

1.2 ODA in the Broader Development Finance Landscape

To contextualize the fluctuating levels of ODA, aid is situated within the wider landscape of development finance.

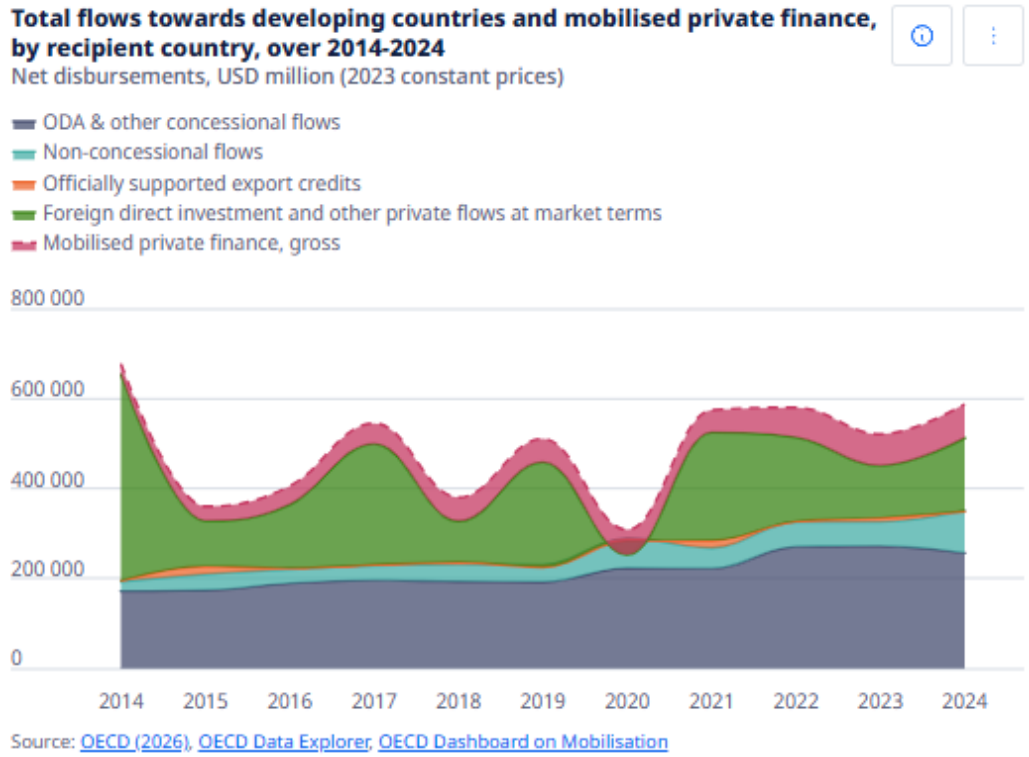


Figure 3: Total flows towards developing countries and mobilised private finance by recipient country, over 2014,2024 (OECD, 2026)

Figure 3 shows ODA in relation to total financial flows to developing countries, both in terms of scale and qualitative character. Remittances reached USD 865 billion in 2023, three times the volume of ODA, and foreign direct investment stood at USD 1.3 trillion (World Bank, 2024). In 2024, non-concessional finance reached USD 94.4 billion, a 75% increase over 2023, while foreign direct investment and other private flows at market terms rose by 40.6% to USD 163.3 billion. Mobilised private finance reached USD 75.1 billion in real terms, representing a 7% increase from the previous year. Officially supported export credits amounted to USD 1.4 billion, reflecting substantial repayments to provider countries (OECD, 2026). However, the growth of these financial flows does not imply that they can replace concessional aid.

Private flows are larger in aggregate but far more volatile. ODA and other concessional flows remain the most predictable and stable part of the financing mix. Private finance gravitates toward commercially viable sectors, and non-concessional flows carry repayment obligations that are often too heavy for the least developed countries (LDC) to sustain. These findings

indicate that, although ODA is not the largest source of external finance in aggregate terms, it continues to fulfill roles that other financial flows cannot readily replace, particularly in fragile settings, low-income countries, and grant-dependent sectors.

An interviewee noted that total ODA to Africa has now fallen below USD 55 billion, while remittances from Africans abroad are approaching USD 100 billion a year (Interviewee 2, 2026). The key question, they argued, is whether new instruments can be built to direct those flows toward development priorities, though they acknowledged this would be a structural transformation, not a quick fix for declining aid.

The Centre for Global Development (CGD) brief on development finance performance (Hughes et al., 2025) extends this analysis by demonstrating that the challenge involves both declining quantity and uneven quality. Across 40 assessed countries, total development finance declined from USD 198 billion in 2023 to USD 185 billion in 2024, representing a decline from 0.21% to 0.19% of combined GNI. In particular, in the 2024 assessment, the share of total development finance contributed by newer providers dropped to 9.5%, down from 16.2% in 2020. This trend directly challenges the assumption that diversification of providers is already compensating for established donor retrenchment (Hughes et al., 2025).

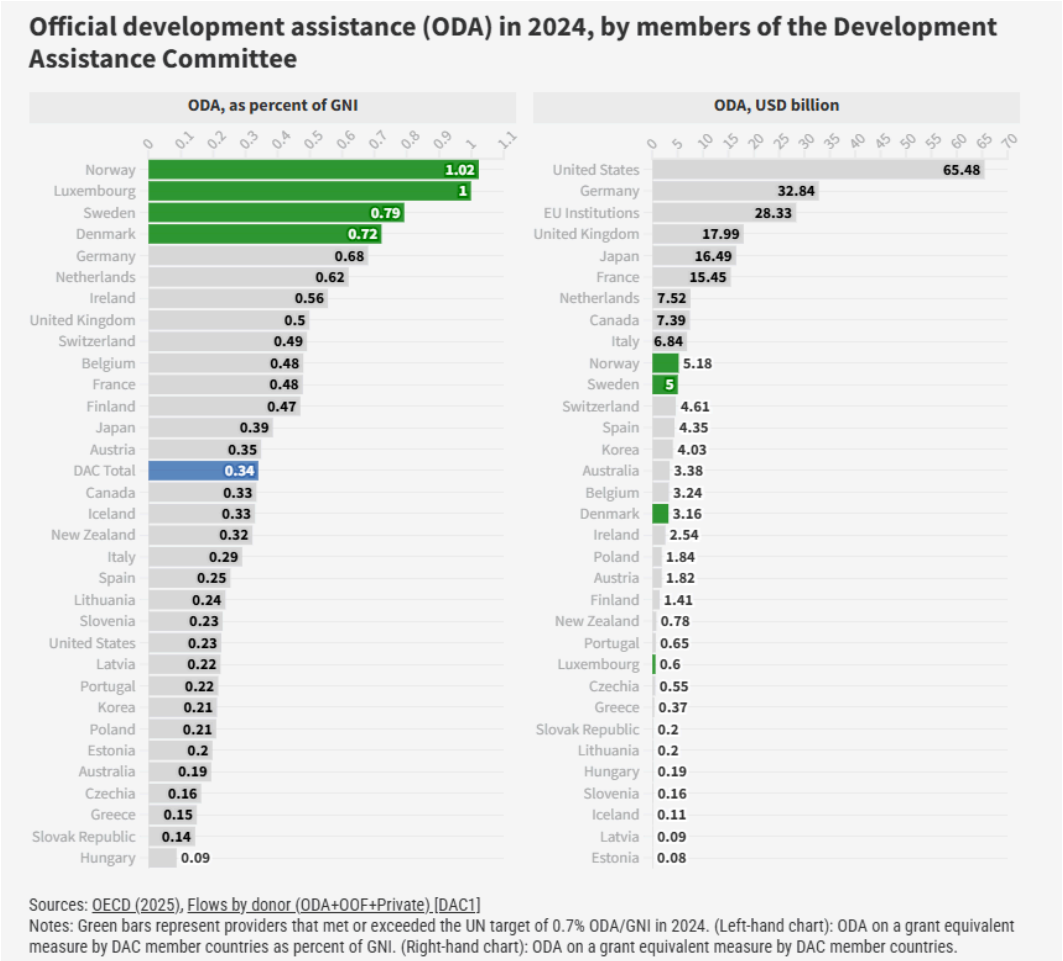


Figure 4: ODA in 2024, by members of the Development Assistance Committee (OECD, 2025a)

Figure 4 presents the aggregate data at the donor level, showing that reductions are concentrated among the United States, United Kingdom, Germany, and France. The budgetary decisions of a handful of political actors, therefore, carry disproportionate consequences for recipient countries and multilateral institutions alike. A senior official in a bilateral humanitarian aid agency captured the structural vulnerability directly: "They paid 45% of the entire official humanitarian effort until 2024. We saw what happened when they pay less, not at all or less. It is very vulnerable" (Interviewee 12, 2026).

1.3 Research Questions

This report is structured around four interconnected research questions:

RQ1: What are the distributional effects of budget cuts across regions, partner countries, and sectors?

RQ2: What cumulative impacts can be expected on human development outcomes, including health, education, livelihoods, and governance?

RQ3: What are the coping strategies followed by recipient countries and organisations? Who are the losers and winners?

RQ4: How do these transformations impact the development (and sustainability) discourse and patterns of relations between the global developed North and the developing South?

Collectively, these questions progress from quantitative and distributional considerations (RQ1), through sectoral and institutional dimensions (RQ2–RQ3), to systemic and normative issues (RQ4).

1.4 Methodology

1.4.1 Research Design

This report employs a mixed-methods approach, combining qualitative and quantitative analyses to connect macro-level ODA trends with sectoral, institutional, and country-level impacts. Given that quantitative data in several domains relies on estimates and projections and that academic literature on the 2024–2025 cuts is primarily cited in institutional reports, qualitative analysis through key informant interviews is needed to assess plausibility and interpret contextual variation.

1.4.2 Data Sources and Key Informant Interviews

This study draws on an extensive desk review of academic literature, policy briefs, and grey literature produced by the OECD, the World Bank, the United Nations (UN) system, prominent think tanks, and economic researchers. Qualitative depth is provided through 20 semi-structured key informant interviews with representatives from donor agencies, multilateral organizations, non-governmental organisations (NGOs), think tanks, and development finance research institutions. Interviews were conducted under the Graduate Institute's Research Ethics Guidelines, ensuring voluntary participation, informed consent, and confidentiality. Interviewees span a wide range of professional backgrounds, including

senior representatives of humanitarian and multilateral organisations, economists, policy analysts, researchers, and practitioners working across development finance, humanitarian aid, and international cooperation. Throughout the report, all contributions are anonymised using terms corresponding to the interviewee's area of expertise (Appendix 1).

1.4.3 Country Case Studies and Sectoral Study

Tanzania and Afghanistan cases were selected because both countries face significant vulnerability to ODA reductions yet differ considerably in terms of political context, state governance, fragility, and aid modality structures. This contrast allows the report to show how the same decline in international development funding unfolds across very different national circumstances, with Tanzania representing gradual adjustment in a stable, development-oriented setting while Afghanistan represents acute collapse in a fragile, aid-dependent one.

The report identifies global health as a dedicated sectoral study, as it has been one of the largest recipients of ODA over the past decade and is now particularly vulnerable to the current wave of cuts. Historically, the US has been the largest donor to global health programmes, and DAC members who reduced their budgets together contributed about 80% of bilateral health aid (Cavalcanti et al., 2025). According to a peer-reviewed Lancet study, current cuts could lead to an estimated 22.6 million more deaths across 93 countries by 2030, including 5.4 million children under five, undoing two decades of ODA reducing child mortality by 39% and HIV/AIDS deaths by 70% (da Silva et al., 2026).

2. DISTRIBUTIONAL AND CUMULATIVE EFFECTS OF ODA CUTS

2.1 Distributional Effects of Oda Cuts

What are the distributional effects of international cooperation budget cuts across regions, partner countries, and sectors?

The distributional effects of ODA closely mirror existing hierarchies of donor concentration, recipient country vulnerability, and sectoral dependence. What the 2024 data suggested and the 2025 data have now confirmed is a clear divergence. Significant bilateral contractions were already underway in 2024 but were masked by temporary multilateral compensation, which created the misleading impression of nominal gains in some recipient groups (OECD, 2026).

2.1.1 Geographic Distribution

ODA and concessional finance to Sub-Saharan Africa increased by 4% in 2024 compared to 2023. Small island developing states received 22% more, while landlocked developing countries also received 4% more. By contrast, flows to LDCs as a group fell by 3%, flows to countries experiencing high and extreme fragility decreased by 2%, and support for Ukraine dropped by 11% (OECD, 2025a).

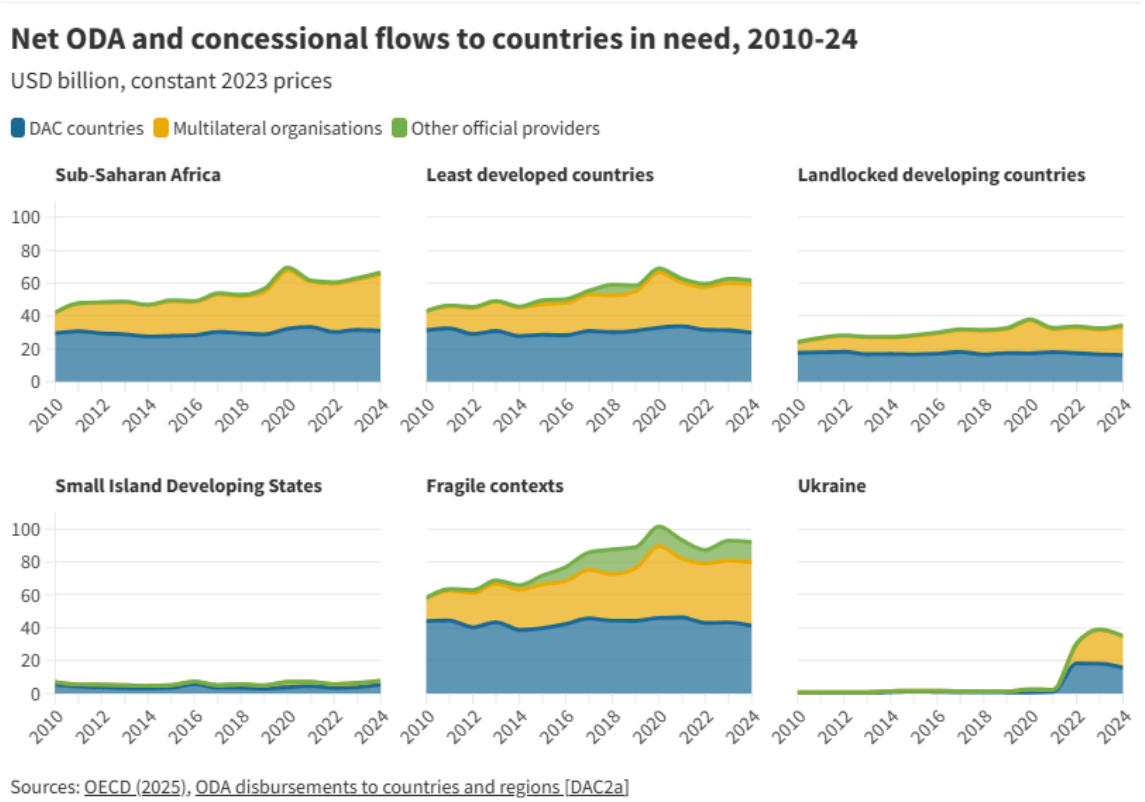
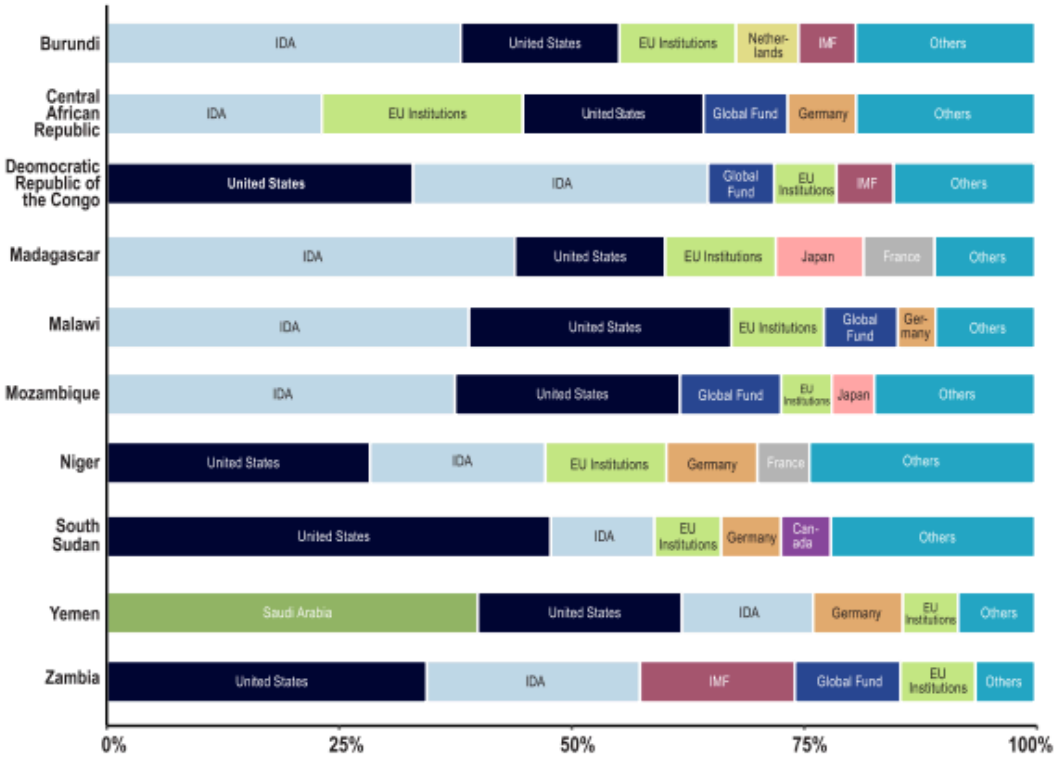


Figure 5: Net ODA and concessional flows to countries in need, 2010–2024 (OECD, 2025a)

As shown in Figure 5, Sub-Saharan Africa's 2024 gain was driven entirely by increased multilateral concessional flows, not by bilateral growth. The buffer was always temporary, however, since the same donor governments implementing bilateral cuts are also the main funders of these multilateral institutions. The 2025 data validate this interpretation: LDCs experienced a 25.8% decline and Sub-Saharan Africa a 26.3% decline (OECD, 2026). These figures show that the actual impacts corresponded closely to the worst-case scenario anticipated in earlier OECD projections.

The eleven DAC members that announced cuts accounted for 76% of bilateral ODA to LDCs and 83% to Sub-Saharan Africa between 2015 and 2024 (OECD, 2025a). An interviewee confirmed this specifically for Africa, citing International Monetary Fund (IMF) data presented to the G20 showing that ODA is declining faster for African countries than for non-African countries, leaving many African governments' medium-term development strategies structurally underfunded (Interviewee 2, 2026).

Share of total ODA received by the ten countries with the highest rates of extreme poverty (2023 projected), top five providers and other providers that report to the OECD



Note: IDA refers to the World Bank's International Development Association. "Others" refers to the remaining providers beyond the top five in each country.
Source: OECD (2025[6]), OECD Data Explorer, *DAC2A: Aid (ODA) disbursements to countries and regions*, http://data-explorer.oecd.org/s/ob; World Bank (2024[19]), Poverty and Inequality Platform (PIP) version 20240627_2017_01_02_PROD, https://pip.worldbank.org/.

Figure 6: Share of total ODA received by the 10 countries with the highest rate of extreme poverty, top 5 providers and other providers that report to OECD (OECD, 2025a)

Figure 6 supports the ODA cut distributional rationale by illustrating the extent to which the poorest countries rely on a limited group of concessional providers. In the ten countries with the highest projected rates of extreme poverty, the top five providers constitute the majority of ODA, with IDA, the United States, and EU institutions consistently among the principal funders. This concentration is significant because many of the bilateral donors and the multilateral organisations they support are currently experiencing budget reductions. Consequently, the figure underscores both poverty exposure and concentration risk. In the poorest countries, reductions in aid are likely to have severe consequences, as alternative financing sources are scarce and institutional barriers hinder substitution within the existing aid architecture.

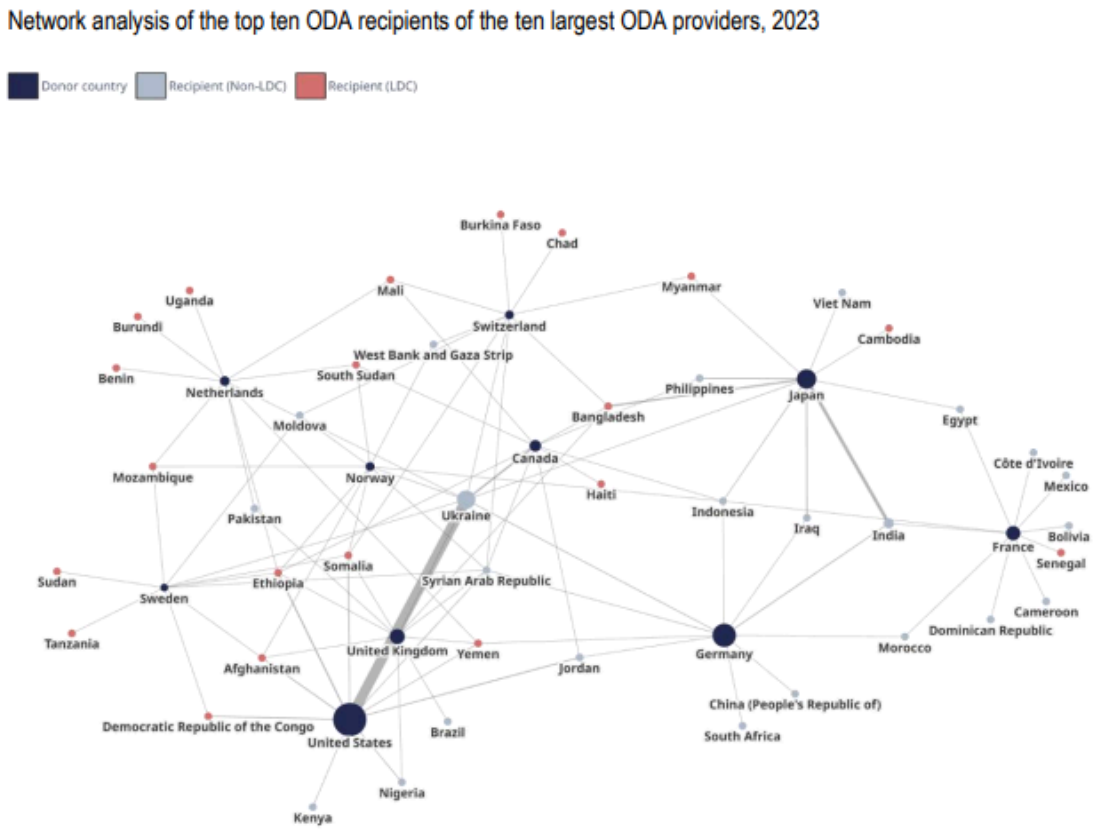


Figure 7: Network analysis of the top ten ODA recipients of the ten largest ODA providers, 2023 (OECD, 2025a)

Figure 7 reveals the architecture of aid vulnerability. The United States occupies the most central node, connected to the largest number of high-poverty LDC recipients. Ukraine's strong ties to both the United States and the United Kingdom, compared to its limited links with Sub-Saharan African LDCs, illustrates that geopolitical proximity is increasingly driving ODA allocation rather than development needs. Countries such as Afghanistan, Ethiopia, Somalia, South Sudan, and Tanzania are positioned as peripheral nodes with limited connectivity. The figure demonstrates that substitution within the current architecture is both limited and institutionally difficult: when two or three major donors simultaneously reduce their commitments, multiple LDCs lose their primary sources of financing.

The regional outlook for 2025 remains incomplete outside Sub-Saharan Africa and LDCs, but available data consistently point to widespread deterioration. Africa as a continent recorded a 23.9% decline in bilateral ODA in 2025 (OECD, 2026). Fragile and conflict-affected states across regions are projected to experience declines of between 18% and 29% against their 2023 baseline (OECD, 2025a). The United Nations Conference for Trade and Development (UNCTAD) data for 2023 shows that Latin America and the Caribbean experienced a 14.5% decline, although no confirmed projection for 2025 has been published. The situation in Asia is more varied. South and Central Asian LDCs are projected to face bilateral reductions of 1% to 8%, while Far East Asian LDCs may see marginal increases of 4% to 9%, reflecting Japan's relative stability as a donor in that subregion. Confirmed 2025 figures for the Middle East and North Africa, Europe excluding

Ukraine and Asia as a whole remain unavailable at the time of writing. The evidence as a whole supports the view that while the most severe and confirmed impacts are concentrated in Sub-Saharan Africa and LDCs, no developing region is protected against the ongoing structural retrenchment.

2.1.2 Pre-existing Structural Deprioritization of the Most Vulnerable

Current cuts are not happening in a vacuum. They are speeding up a shift in allocation patterns that was already underway before ODA reductions began. The CGD brief (Hughes et al., 2025) shows that between 2018 and 2023, development finance was increasingly targeted towards relatively wealthier recipient countries. During this period, the aid-weighted average income of recipient countries increased from 1.8 to 2.2 times the average income of low-income countries.

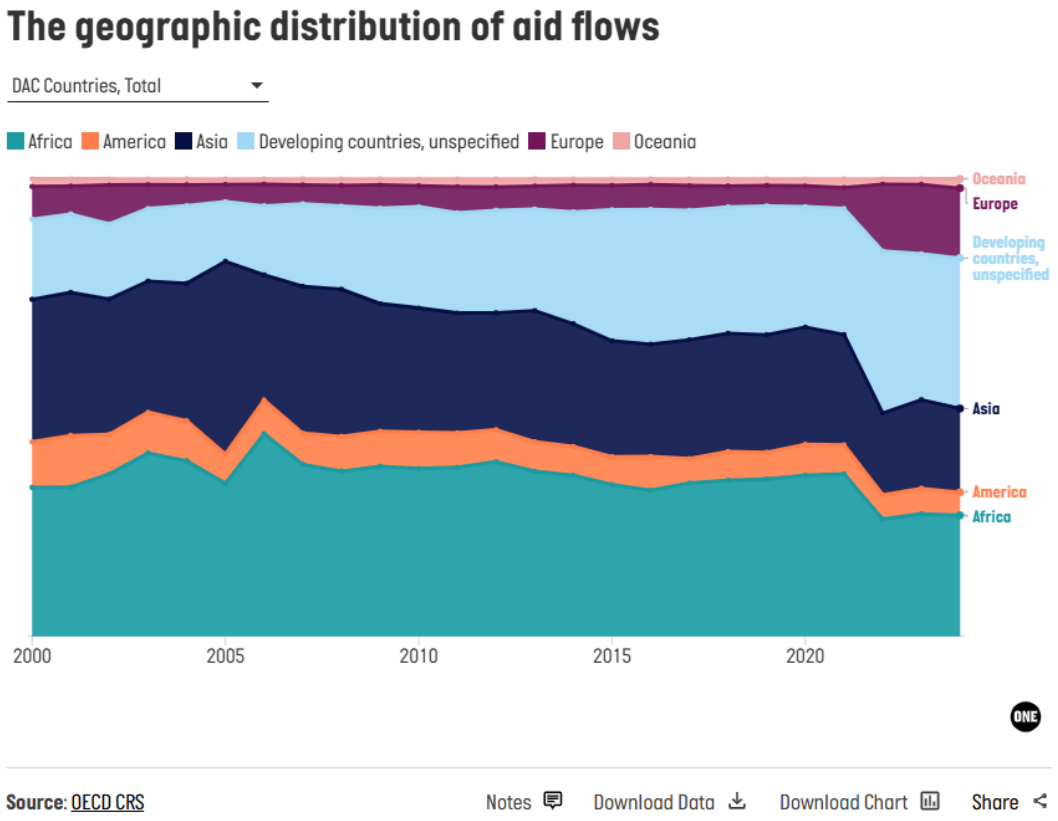


Figure 8: The geographical distribution of aid flows (*OECD CRS via ONE, 2025)*

Figure 8 shows that Africa's share of DAC aid flows has gradually narrowed relative to the expansion of unspecified flows, which are heavily weighted by in-donor refugee expenditure, and relative to flows directed toward Asia and Europe. The trend extends back more than a decade prior to 2024. This suggests that recent reductions are not repairing a well-functioning system but are instead exacerbating a structural misalignment already present in the aid allocation framework.

A researcher in a global development policy think tank identified a similar trend in the United Kingdom (UK). A growing share of UK aid is now channelled through UK-based

organizations, while the share going to recipient country-based organisations is declining, moving in precisely the wrong direction for the localization agenda at the moment when rhetorical commitments to localization are strongest (Interviewee 9, 2026). The CGD assessment further confirms that 28 out of 31 assessed providers showed an increase in the average income level of their bilateral finance recipients during this period, indicating that the shift is widespread rather than isolated.

2.1.3 Sectoral Distributional Effects

Preliminary data for 2025 provide clear evidence of sectoral decline. Bilateral ODA for core development programming declined by 26.3%, while humanitarian ODA fell by 35.8% (OECD, 2026). These figures indicate that cuts have now moved beyond the more volatile elements of aid and into the structural core of development financing itself.

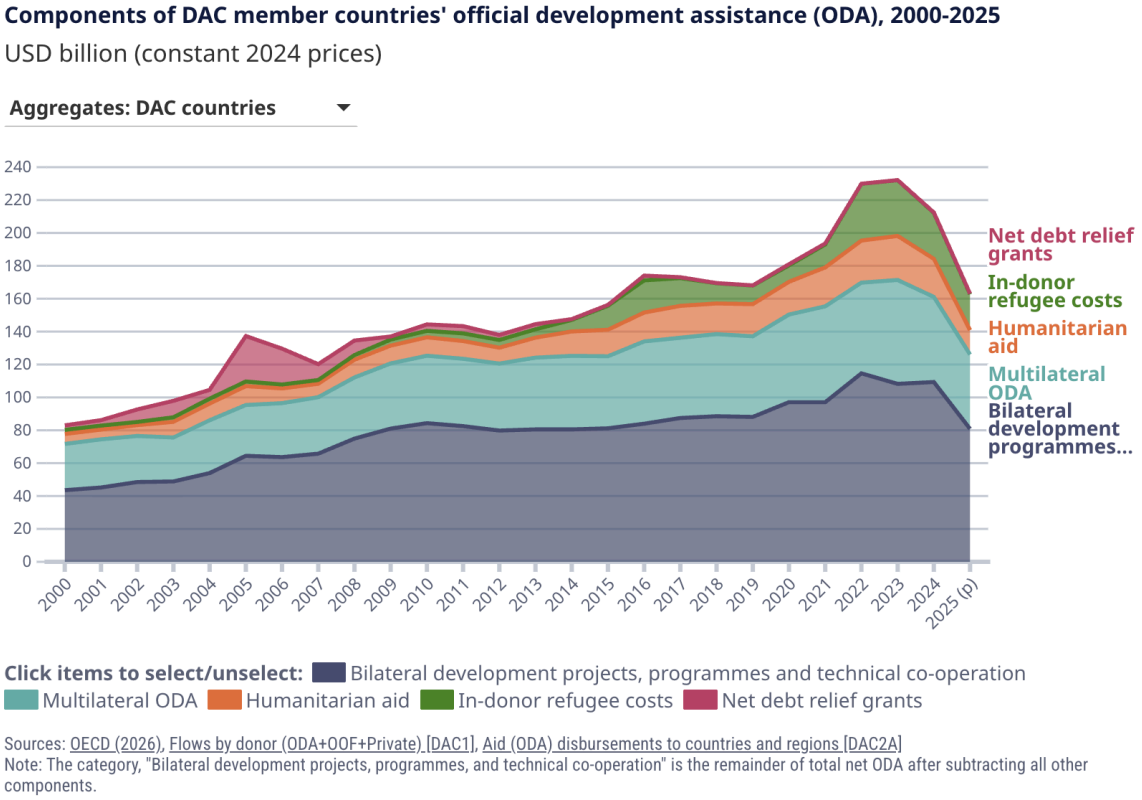
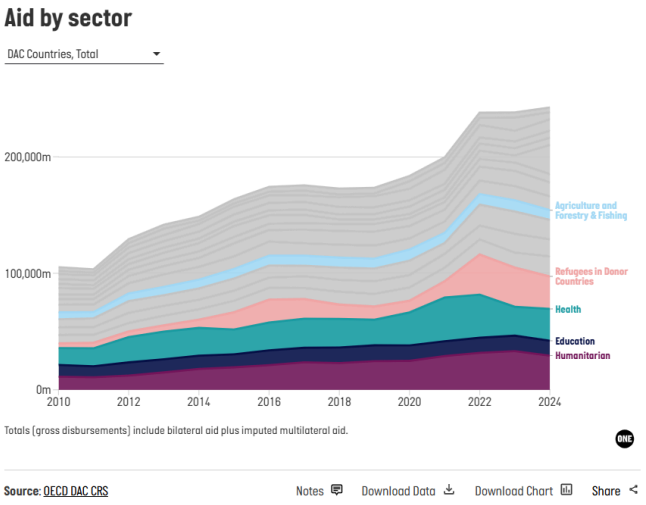


Figure 9: Components of DAC member countries' ODA 2000-2025 (OECD, 2026)

Figure 9 provides the foundation for understanding the 2025 sectoral deterioration. Tracking all major ODA components from 2000 to 2025, it reveals two distinct phases. The first is a long expansion in which bilateral development programmes, multilateral ODA, and humanitarian aid all grew, albeit unevenly across two decades. The second is the sharp 2025 contraction, in which ODA declined across nearly every component simultaneously. Most significantly, bilateral development projects, programmes, and technical cooperation are illustrated in the dark baseline layer that had grown steadily from roughly USD 45 billion in 2000 to over USD 110 billion by 2023 but contracts in 2025 for the first time in the dataset. Humanitarian aid falls substantially, in-donor refugee costs decrease by 22.1%, and multilateral ODA shrinks. Bilateral development programming had previously shown relative

resilience, increasing by 24.2% between 2019 and 2023. The 2025 reversal therefore signals that cuts have extended beyond the more volatile, crisis-contingent components of aid and into the very core of development finance itself.



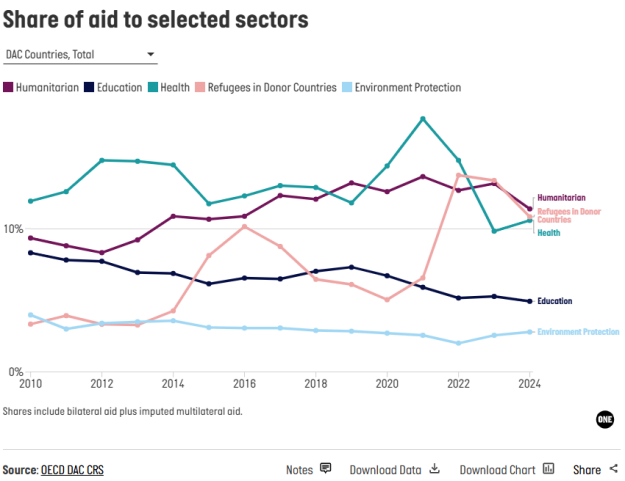


Figure 10a: Aid by sector — absolute volumes of selected sectors, 2010–2024 (OECD DAC CRS via ONE, 2025)

Figure 10b: Aid by sector — shares of selected sectors, 2010–2024 (OECD DAC CRS via ONE, 2025)

Figures 10a and 10b illustrate the ODA decline in a sectoral perspective. It is shown that although total ODA volumes nearly doubled between 2010 and 2024, this growth did not translate into proportional gains for core development sectors. The health sector's share peaked artificially during the COVID period before falling below its pre-pandemic level by 2024. Share in education declined from roughly 8% to below 5% over the same period. These figures support the argument that the 2025 cuts are deepening a structural misalignment that had already been shifting resources away from long-term development investment for over a decade.

One interviewee noted that the cuts have been largely untargeted. They also observed that certain institutions may be minimizing the visibility of these impacts, suggesting that the full sectoral consequences may only become apparent as longer-term consequences emerge (Interviewee 4, 2026). Another interviewee emphasized the structural vulnerability of social sectors, noting that private investors prioritize financial returns over social outcomes. As a result, sectors such as health, education, and social protection remain structurally reliant on concessional aid and are particularly susceptible when ODA contracts (Interviewee 6, 2026).

2.1.4 Institutional Distributional Effects

Multilateral donors were the only donor group that maintained ODA to developing regions in 2023, with multilateral ODA rising slightly to USD 49 billion while bilateral ODA from DAC members fell (UNCTAD, 2025a). Multilateral channels thus functioned as the system's primary stabilizer at precisely the moment when bilateral financing was already weakening. Yet this stabilization was structurally fragile.

The World Food Programme (WFP) receives 87% of its DAC financing from the eleven providers that have announced funding cuts, while UNHCR receives 83% and the Global Fund 81% (OECD, 2025a). Data from 2025 indicate a 12.7% decline in overall multilateral ODA and a 27% reduction in core United Nations contributions, demonstrating that this level of exposure now has significant operational consequences.

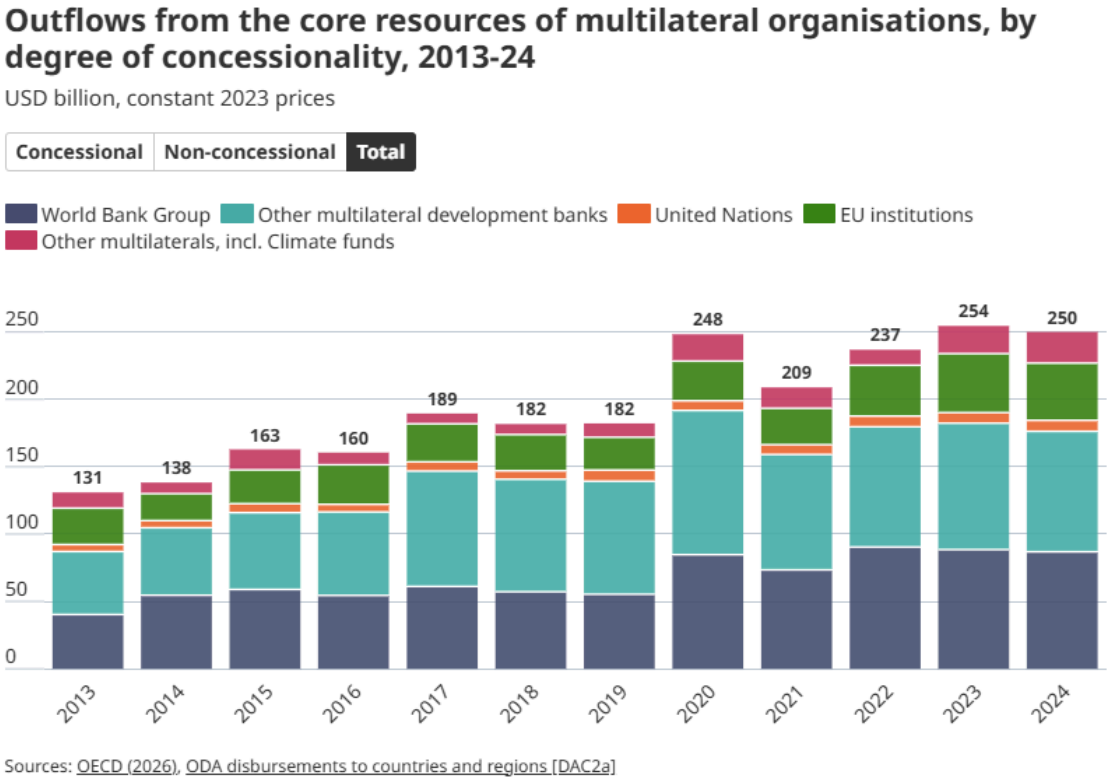


Figure 11: Outflows from the core resources of multilateral organizations, by degree of concessionality, 2013–2024 (OECD, 2026)

As shown in figure 11, the decline in multilateral outflows was concentrated in non-concessional flows, while concessional disbursements temporarily maintained the same pattern that helped create the resilience. This supports the argument that the multilateral buffer, which softened the first wave of cuts, was always precarious. As bilateral contributions to multilateral core budgets continue to fall, the ability to sustain concessional lending is undermined. The 2025 data confirm this, with a 27% decline in core contributions to the United Nations (OECD, 2026).

One interviewee observed that the countries reducing bilateral aid are also the principal shareholders of multilateral institutions. This dynamic does not produce a bilateral crisis that

multilateral organisations can resolve. It generates a systemic financing shock that hits the entire financial architecture simultaneously (Interviewee 13, 2026).

2.1.5 Geopolitical Reallocation and the Instrument Shift

The preceding analysis identifies where ODA is contracting and which recipients are most exposed. An equally important question concerns the allocation and terms of the remaining finance. Evidence suggests that the current system is increasingly shaped by political interests rather than developmental priorities.

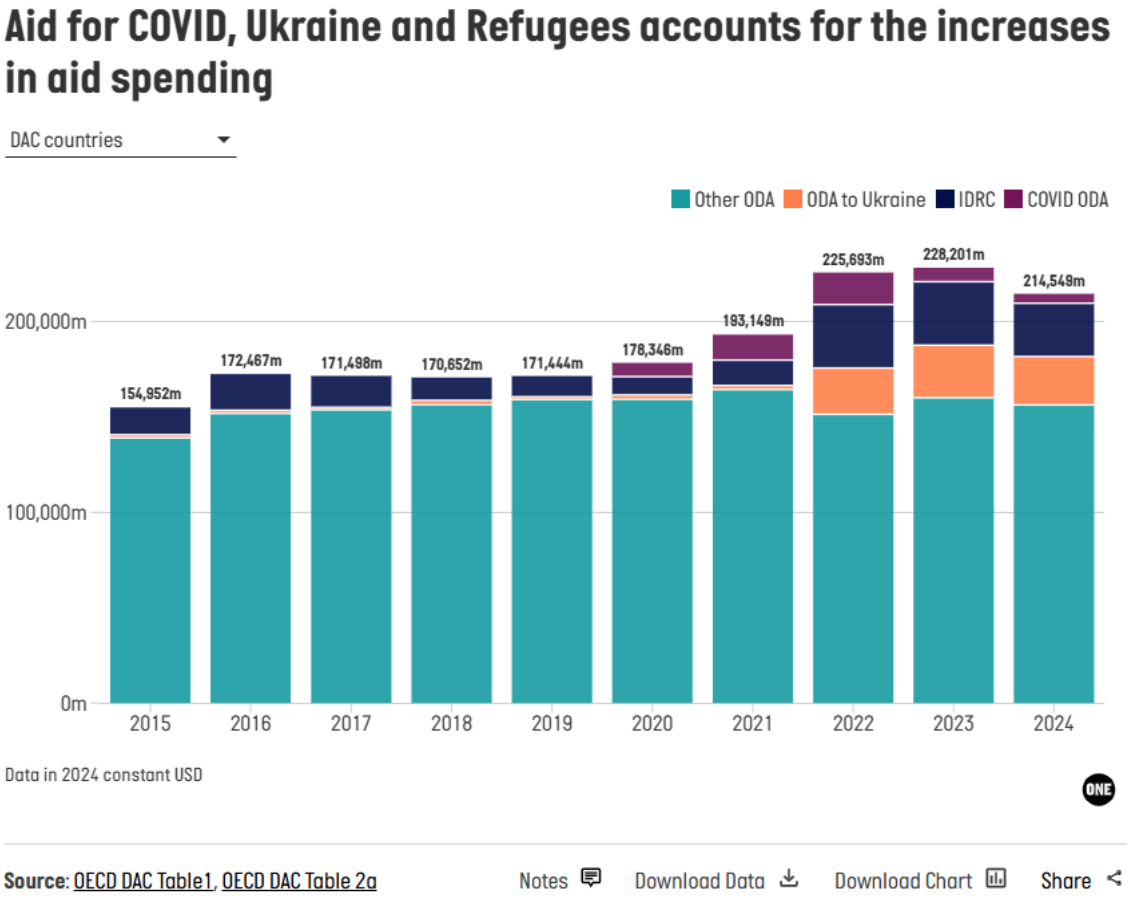


Figure 12: Aid for COVID, Ukraine, and refugees accounts for increases in aid spending (OECD via One Data, 2025)

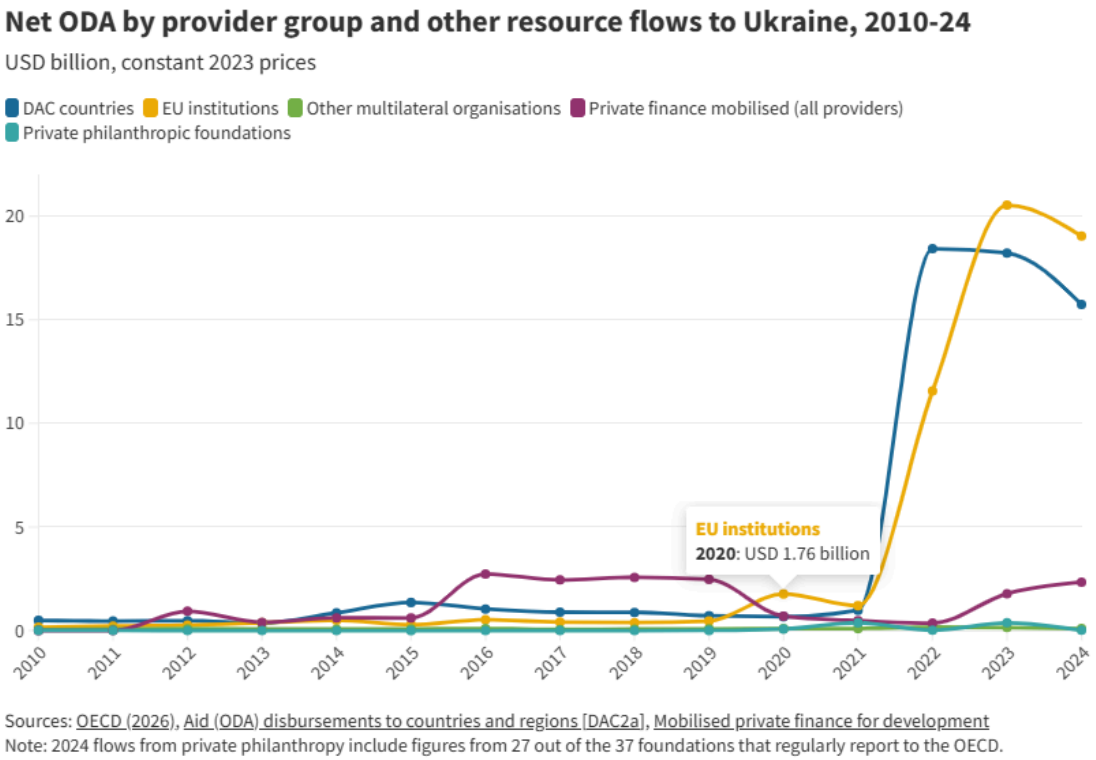


Figure 13: Net ODA by provider group and other resources flowing to Ukraine, 2010-2024, (OECD, 2026)

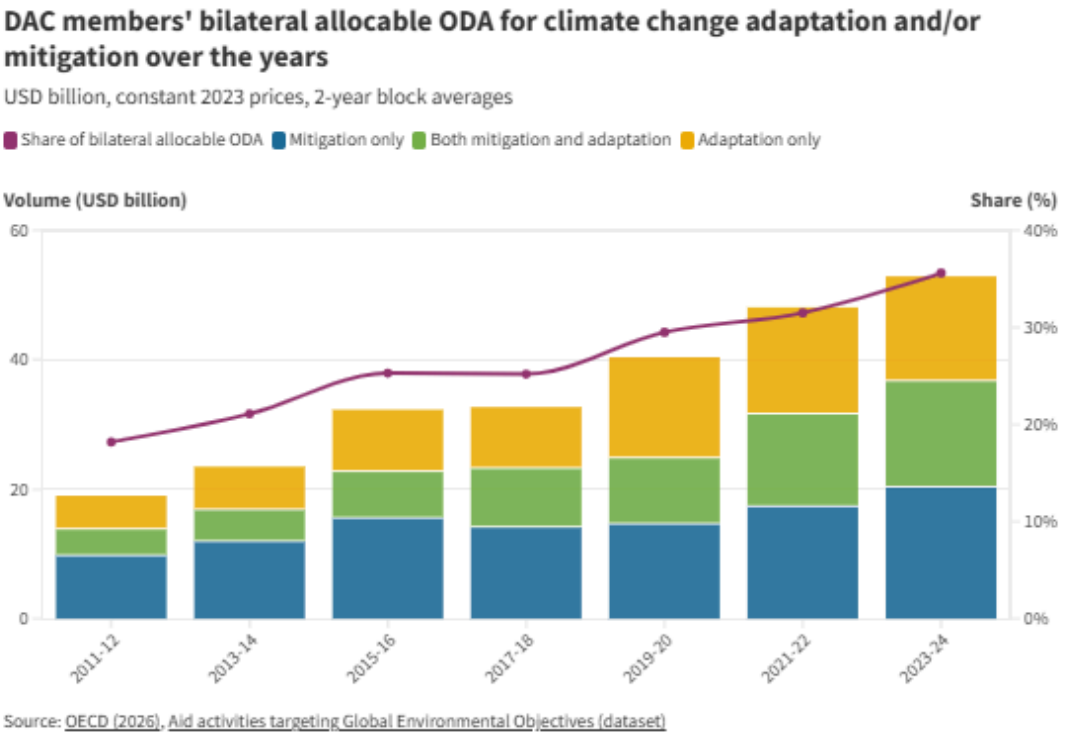


Figure 14: DAC members' bilateral allocable ODA for climate change (OECD, 2026)

Figures 12, 13, and 14, read in sequence, constitute visual evidence for this reorientation. Figure 12 showcases that virtually all headline growth in DAC ODA since 2021 is attributable

to three crisis-contingent categories, COVID-19, Ukraine, and in-donor refugee costs, while the development-oriented core remained structurally flat throughout. Figure 13 reveals the scale of the Ukraine concentration. When EU institutional outflows are included, net flows to Ukraine reached USD 44.9 billion in 2025, the largest volume ever directed to a single country in a single year, exceeding total bilateral ODA to all LDCs or all of Sub-Saharan Africa combined (OECD, 2026). Figure 14 completes the picture by showing that climate finance has simultaneously maintained and grown its share within a shrinking total, meaning other development priorities face a double compression of declining absolute volumes and declining relative share.

The political rationale underlying this reallocation was made explicit in interviews. One interviewee observed that the prioritisation of Ukraine by European donors reflects a political calculation, where proximity, strategic interest, and alliance solidarity, rather than vulnerability indices or humanitarian need, serve as the primary criteria (Interviewee 12, 2026). This observation is not a moral judgment on support for Ukraine. It is an analytical viewpoint on what drives allocation decisions and their implications for development-oriented recipients. When geopolitical proximity determines priority, the most structurally vulnerable countries absorb the residual.

The shift in financial instruments further amplifies the reallocation effects. The share of ODA provided to LDCs as concessional loans rose from 13% in 2010 to 28% in 2023, effectively doubling the loan-to-grant ratio for the most vulnerable recipients within just over a decade (UNCTAD, 2025a). This deterioration in financing terms matters because loans, unlike grants, generate future debt service obligations that reduce the fiscal space intended for development investment. One interviewee emphasized this by stating that "Commercial borrowing instruments in some contexts carry interest rates several times higher than comparable instruments elsewhere, generating debt stress that undermines the very fiscal space development investments are intended to create" (Interviewee 2, 2026).

Collectively, these dynamics reinforce the distributional rationale of Section 2.1.1. This is not solely a crisis of volume. It is also a crisis of direction and form. Remaining resources are increasingly redirected toward geopolitically proximate recipients, concentrated in crisis-contingent categories, and delivered through instruments that impose future costs on those least able to bear them. A defining feature of the present context is the shift from need-based to interest-based allocation and from grants to loans.

2.2 Cumulative Impacts on Development Outcomes

What cumulative impacts can be expected from ODA cuts on human development outcomes?

2.2.1 From Immediate Shocks to Structural Deterioration

The significance of current ODA cuts lies not only in their immediate fiscal impact but also in their potential to derail development trajectories built over decades. Previous periods of increased ODA have been linked to measurable improvements in child mortality reduction, access to disease treatment, and primary education enrollment. Reductions in aid do not merely reverse current expenditures; they threaten to disrupt the financial foundation

supporting public service delivery, institutional capacity, and long-term welfare (Hynes & Scott, 2013).

A central distinction is therefore essential. Humanitarian expenditure cannot substitute for longer-term development finance. One interviewee noted on this, stating, "Nobody wants to receive a food parcel for 30 years every month. People want to send their kids to school, they want security, they want jobs. And humanitarian aid is obviously not here to provide all these things" (Interviewee 12, 2026).

Emergency response systems are designed for short-term containment, not for building the institutional systems whose absence produces chronic vulnerability. As Jin and Oh (2012) and the OECD (2025) emphasize, this distinction separates the act of containing a shock from the process of sustaining a long-term development trajectory.

The 2025 preliminary data show clear sectoral deterioration. ODA to social infrastructure and services declined by 7% to USD 63 billion, marking the third consecutive annual fall. The health sector recorded the largest absolute reduction among subsectors, a drop of USD 5.1 billion, or 27%, within a single year. Country-programmable aid, the portion of ODA most relevant to multi-year planning, fell from USD 125 billion to USD 118 billion between 2022 and 2023, with the steepest reductions in Africa and Latin America.

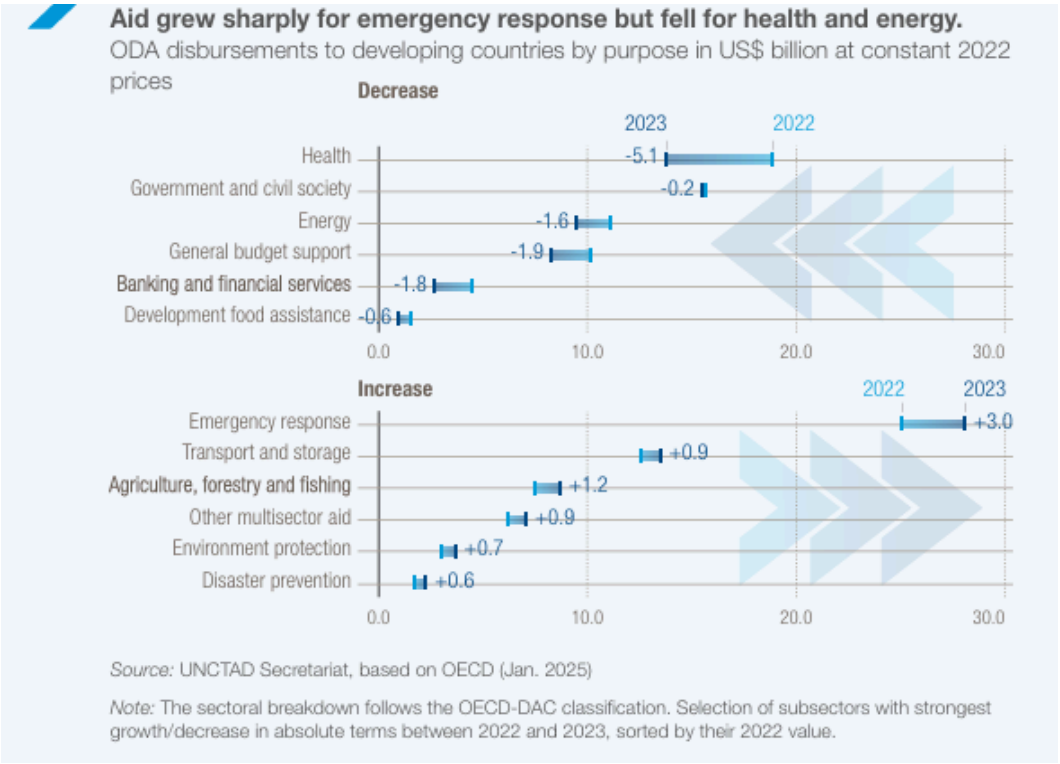


Figure 15: ODA disbursement to developing countries by purposes in USD billion at constant 2022 prices, (UNCTAD Secretariat, 2025)

Figure 15 illustrates the structural shift from development programming toward crisis response. The health sector recorded the largest absolute fall, while emergency relief recorded the largest increase. In other words, the aid system is contracting in sectors that

build lasting institutional capacity and expanding in those that address immediate survival. The compression of programmable aid adds a further dimension where institutions without predictable multi-year funding cannot invest in the capacity building that sustains development progress over time.

2.2.2 Governance, Institutional Continuity, and Limits of Emergency Substitution

A spatial analysis by Liu et al. (2026) in Scientific Reports finds that the effects of ODA are heterogeneous across development dimensions. Positive associations are identified for poverty reduction, hunger alleviation, and improvements in water and sanitation, while negative associations emerge for decent work, industry and infrastructure, life on land, and peace and institutional development. These findings suggest that the consequences of aid reductions will vary across sectors. The most immediate adverse effects are likely in areas addressing basic needs, while the implications for governance and structural transformation are more complex.

Some of the negative associations identified by Liu et al. reflect risks associated with aid dependence, including exchange-rate appreciation, reduced export competitiveness, and weakened institutional accountability. Under specific structural conditions, a reduction in aid intensity could potentially facilitate, rather than hinder, long-term economic transformation. This is consistent with the view of an interviewee, who argued that ODA reductions may act as a necessary signal that development models must establish greater self-reliance (Interviewee 2, 2026). Yet this argument remains highly contested and dependent on whether domestic fiscal systems and institutions are capable of coping with such a transition. In most LDCs and fragile states, those conditions remain absent. Therefore, this argument should not be generalized to contexts lacking the institutional prerequisites necessary for self-sustaining development.

Truong, Ly, and Nguyen (2026) further clarify the time dimension of cumulative harm, finding that ODA exerts a slightly negative short-term effect on growth due to administrative complexity and implementation delays, while identifying a positive long-term effect associated with investments in infrastructure and human capital. This path dependency is at the heart of the cumulative impacts argument.

One interviewee drew attention to one of the most neglected cumulative risks. When budgets are reduced, they often further marginalize people with disabilities, older populations, adolescent girls, and other already underfunded groups (Interviewee 3, 2026). Interviewees also identified a form of normative regression, noting that restrictions on language and programming categories can render certain groups invisible, thereby undermining inclusive programming and threatening to reverse rights gains achieved over the past two decades. The cumulative damage of aid cuts, therefore, operates not only through budgets and service delivery but also through the erosion of institutional recognition and political visibility.

The wider financing context adds to this concern. The annual investment gap for the Sustainable Development Goals (SDGs) increased from USD 2.5 trillion in 2015 to over USD 4 trillion in 2023 (UNCTAD, 2025a). This is further compounded by a secondary amplification mechanism identified by the OECD (2025). In 2023, nearly half of ODA to LDCs was

channeled through multilateral organizations, meaning that bilateral reductions in core contributions can trigger cascading contractions that extend well beyond the initial bilateral figures.

3. SECTORAL CASE STUDY: HEALTH

3.1 Health as a Priority Sector: Trends and Structural Importance

In 2021, ODA for health reached its peak (Harcourt & Rivera, 2022). In 2022, the health sector continued to receive the largest nominal amount of ODA from governments and multilateral institutions, amounting to USD 39.2 billion (Knox & Wozniak, 2024). In 2023, health became the second largest ODA commitment (Harcourt and Rivera, 2022). 64% of this aid designated to health was destined for basic health improvement (Oliveira, 2025).

Since the 1990s and until the dissolution of the United States Agency for International Development (USAID), the most important donor for aid designated to health was USAID (see Figure 16), contributing approximately 35% of all aid in the health sector each year for the past decade (Cavalcanti et al. 2025; Krugman 2025). In 2023, the United States was also the largest contributor of health development funding to protracted crisis contexts, providing USD 862 million (40% of the total), followed by Germany (11%) and France (7.9%). This funding supports malaria, tuberculosis, and infectious disease control, as well as basic healthcare and nutrition, serving as essential complements to the humanitarian response (ALNAP, 2025).

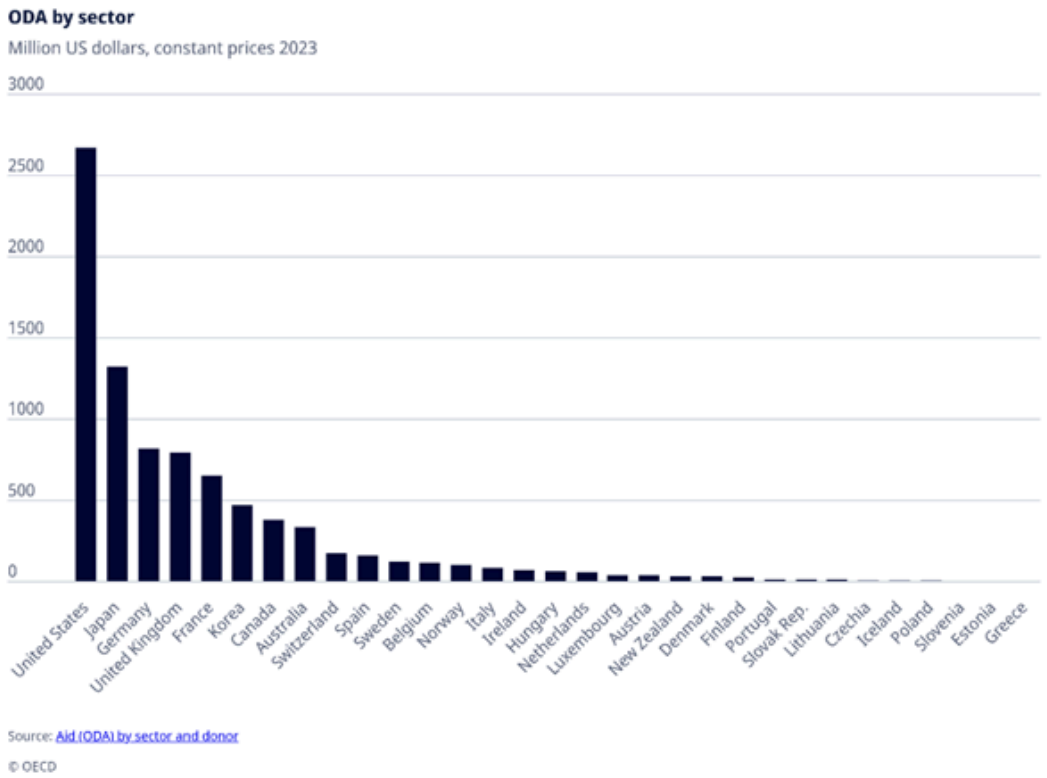


Figure 16: ODA for the health sector by DAC countries (excluding European Union) in 2023 (OECD, n.d.a)

As seen in Figure 17a, although ODA makes up only a small portion of total global health spending, it remains especially vital for low-income countries (LICs) and major disease programmes (see Figure 17b) (WHO, 2025a). In 2022, ODA made up only 0.7% of global health spending worldwide, while the vast majority was paid by governments, out of pocket by individuals, or by health insurance schemes (Institute for Health Metrics and Evaluation, 2025a). The amount of healthcare expenditure covered by national governments significantly decreases for LICs, where 26% of healthcare expenditure comes from national governments and 36% of the expenditure is covered by ODA (Focus 2030, n.d.).

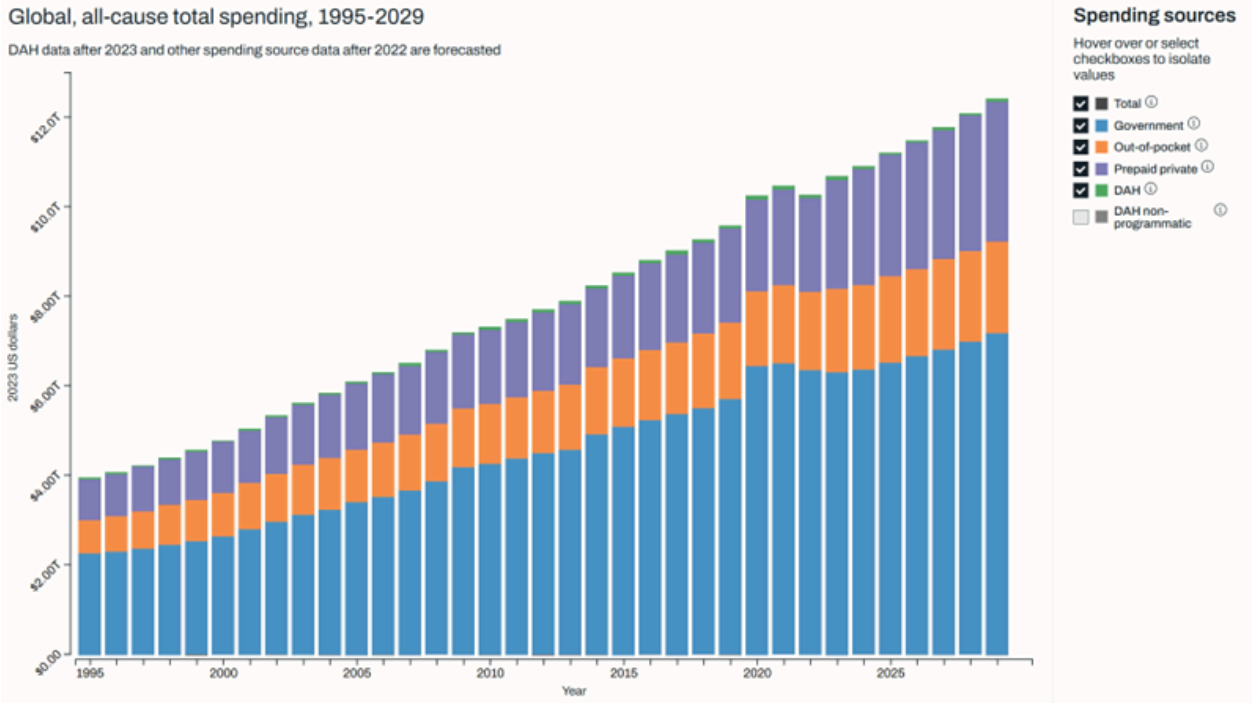


Figure 17a: Global all-cause total spending, 1995-2029 (Institute for Health Metrics and Evaluation, 2025a)

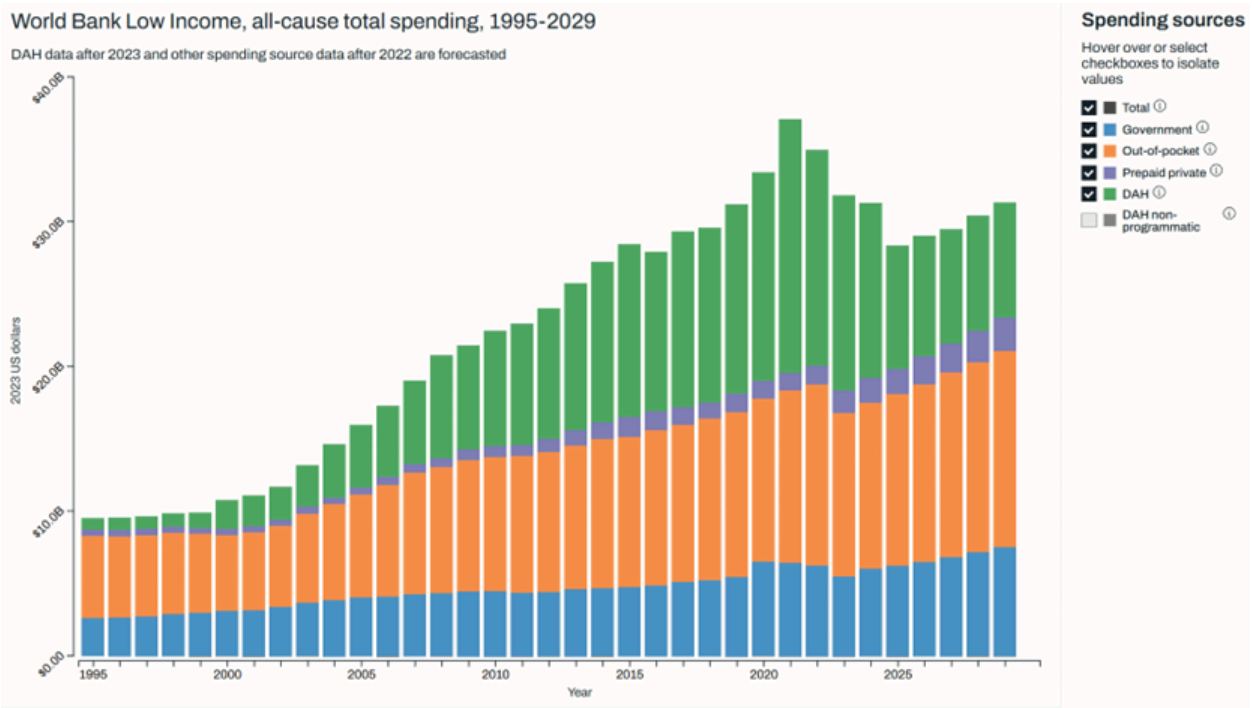


Figure 17b: LICs, all-cause total spending, 1995-2029 (Institute for Health Metrics and Evaluation, 2025a)

3.2 Quantifying ODA cuts

In 2024, several countries that had been major contributors to ODA for health simultaneously reduced their ODA for the first time in almost thirty years, leading to a 21% decline of development assistance for health in 2025 compared to 2024. USAID funding for health decreased by 67% (USD 9 billion), followed by the United Kingdom, which cut its development assistance for health by 39% (USD 796.1 million); France, which reduced funding by 33% (USD 555.1 million), and Germany, which cut funding by 12% (USD 304.5 million) (Krugman, 2025). In January 2026, the United States withdrew from the World Health Organization (WHO). With this retreat, the WHO lost its biggest donor and will have to significantly reduce its spending (Heidland et al., 2025; Malta, 2026). These reductions are already undermining efforts to control the spread of major infectious diseases, including HIV and malaria (Krugman, 2025). These reductions bring DAC ODA for health significantly below the average over the past decade (USD 24.83 billion from 2014 to 2023) and below its lowest level during that period (USD 18.20 billion in 2015) (see Figure 18) (Zurn et al., 2025).

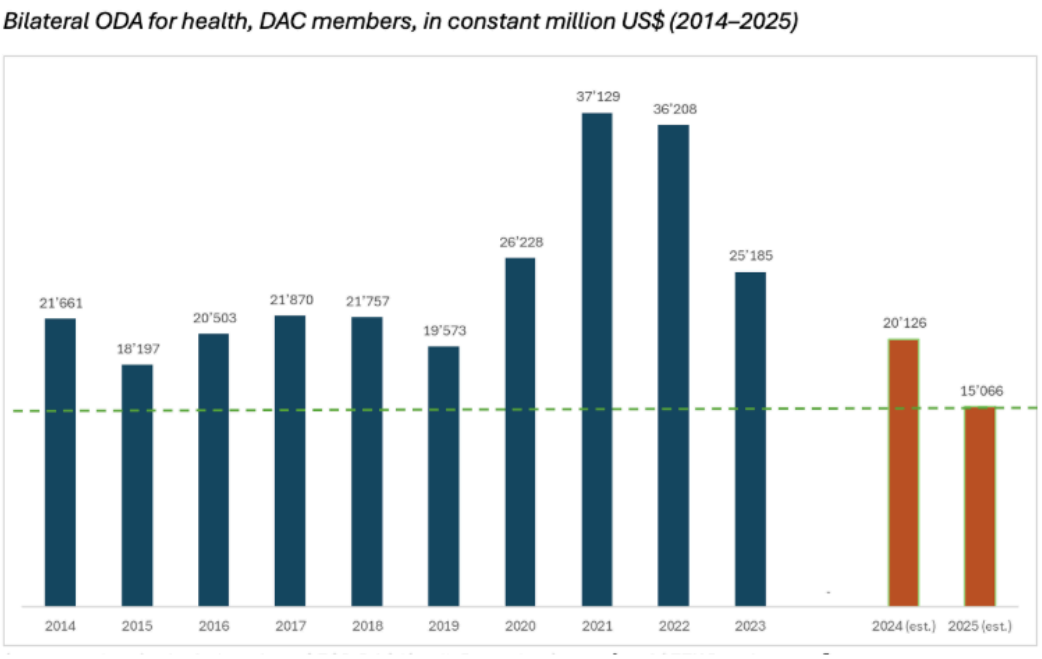


Figure 18: DAC members' ODA for health (Zurn et al., 2025).

As seen in Figure 19, these reductions are particularly severe in sub-Saharan Africa where around 82% of bilateral ODA came from the key donors that decided to reduce their budget, of which 25% went to health (OECD, n.d.b).

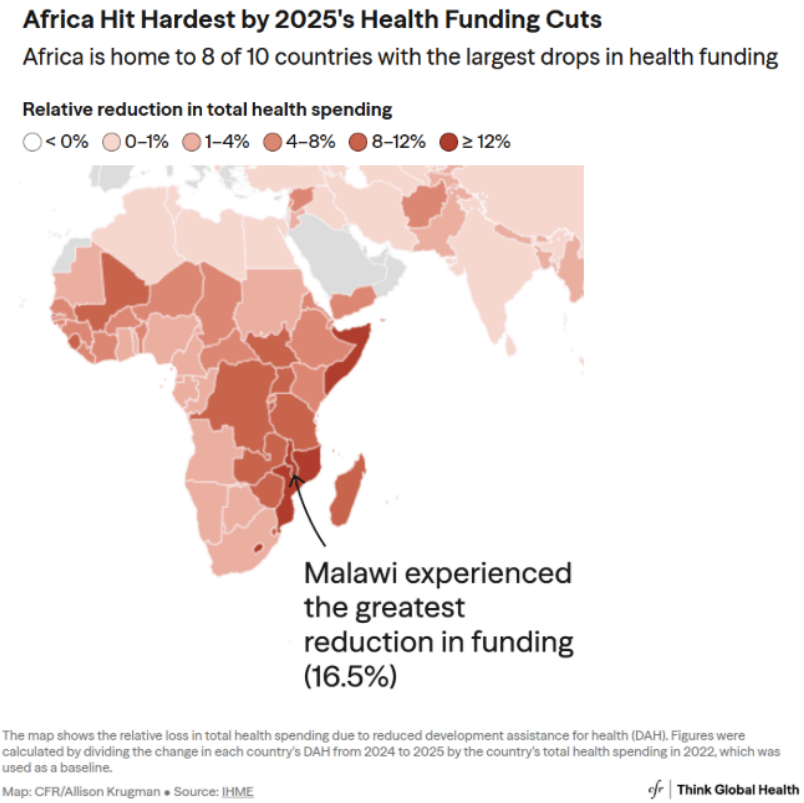


Figure 19: Countries most impacted by health funding cuts (Krugman, 2025).

3.3 ODA and Health: Evidence of Impact

These reductions become particularly significant when considered against the documented impact of ODA on health outcomes, most notably on HIV/AIDS. In a retrospective analysis of data from 133 countries and territories, including all low- and middle-income countries, USAID funding was associated with a 65% reduction in HIV/AIDS mortality between 2001 and 2021[1], saving an estimated 26 million lives, including 7.8 million children born HIV-free (Cavalcanti et al., 2025; Heidland et al., 2025). Similar USAID funded projects on malaria and neglected diseases reduced mortality by 51% and 50% respectively[2] (Cavalcanti et al., 2025)..

Overall, from 2000 to 2023, USAID-supported initiatives are associated with having contributed to preventing over 91 million deaths across all age groups, including 30 million child deaths. In countries receiving a substantial level of USAID, a significant reduction in under-five mortality could be observed: the mortality number fell from 10.1 million to 4.8 million. This suggests that during the past two decades, an important share of the global decline in child deaths in LICs and middle-income countries (MICs) may be attributable to humanitarian and development aid. Additionally, over the past two decades, USAID health interventions are estimated to have reduced mortality among women of reproductive age by 1.3 million deaths across all countries where USAID was active in the health sector. USAID's influence on health and mortality reduction goes beyond its direct financing of health programmes and interventions. The estimates of the effect of USAID on mortality also capture broader social determinants of health. USAID's interventions for poverty reduction, education, and water and sanitation initiatives may have significantly influenced health outcomes. An example is investments in education which have a positive influence on health, with each additional year of education reducing adult mortality risk by 1.9% and under-five mortality by 31% if mothers completed secondary education (Cavalcanti et al., 2025).

[1] This reduction was largely achieved by antiretroviral therapy delivered through the United States President's Emergency Plan for AIDS Relief (PEPFAR) (Akingbola et al., 2025).

[2] While the reduced mortality from malaria can be attributed to services such as the delivery of mosquito nets, indoor residual spraying, preventative treatments in pregnancy, seasonal preventative treatments, and rapid diagnostic tests, an important part of the reduced mortality in neglected diseases can be attributed to services, such as mass drug administration to at-risk populations, delivered by USAID's neglected tropical diseases program (PMI US President's Malaria Initiative, 2024; Wainwright et al., 2019).

3.4 Distributional and Cumulative Impacts of ODA cuts

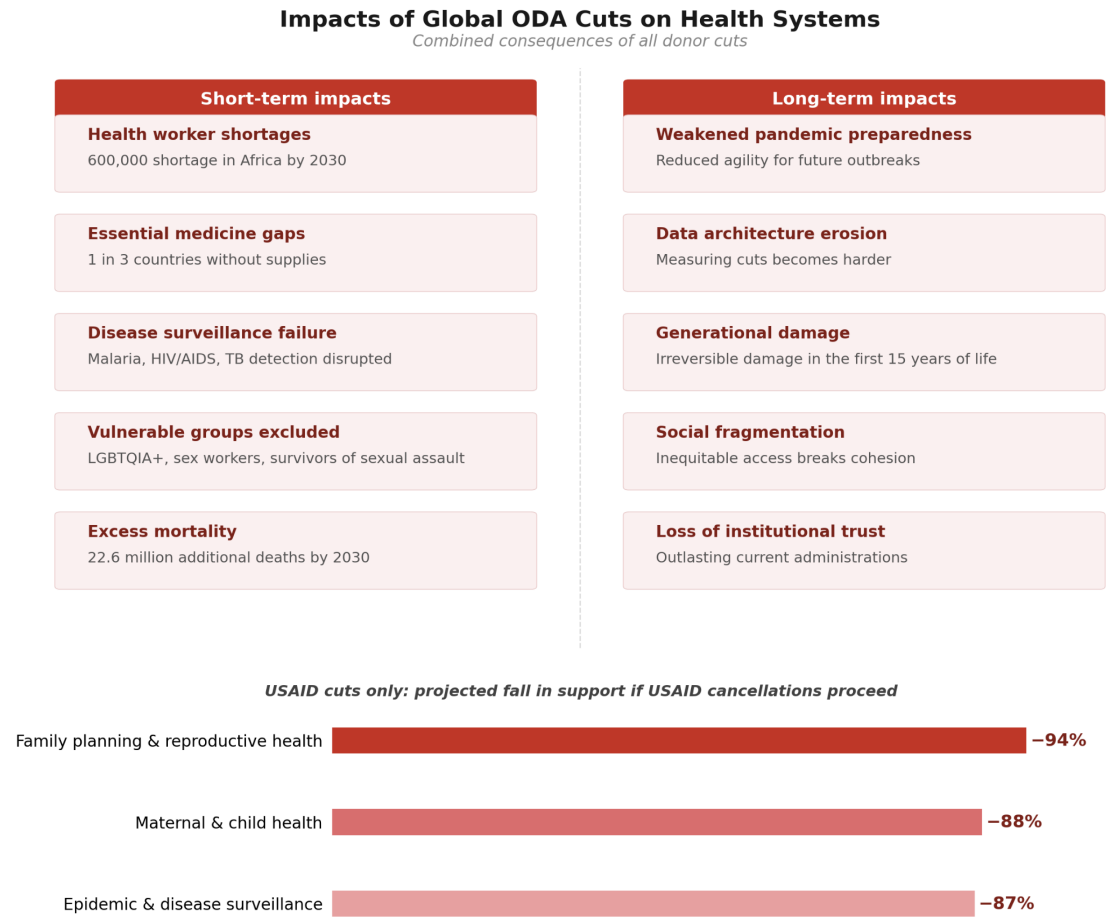


Figure 20: Short- and long-term impacts of global ODA cuts on health systems and projected fall in support across key health areas if USAID cancellations proceed

The recent ODA cuts have had immediate consequences regarding the shortage of the health and care workforce. According to a rapid assessment by the WHO, over 63% of WHO country offices report job-related effects due to funding cuts. Health systems in Africa are expected to face a shortage of 600'000 health and care workers by 2030 (Zurn et al., 2025). This shortage is the consequence of structural failures as well as aid cuts: unemployment and underemployment co-exist despite population need and workforce shortages. Structurally, not enough people are trained and those who are, remain unemployed because of the government's limited fiscal space[3] which will further contract due to ODA cuts. LICs in sub-Saharan Africa therefore experience a continued outflow of their most experienced and best educated workers (Pieterse, 2025). It should be noted that the relative contribution of ODA cuts and structural failure to the shortage of health and care workers cannot be precisely quantified.

Critical shortages of medicines and health products are leaving one third of responding countries without essential supplies, and over 40% of them are experiencing interruptions in key information systems as data collection is disrupted (WHOb. 2025). An expert working as

[3] The unemployment among health workers in sub-Saharan Africa is as high as 24% (Pieterse, 2025).

a public health director at a human rights NGO confirmed this by stating that the impact of ODA cuts on research will be felt for a long time to come (Interviewee 20, 2026). They added that the decrease in data availability will make it increasingly difficult to measure the scale and scope of ODA cuts as the data architecture and network are severely weakened. This negative impact on data systems was also highlighted by a global health policy expert, mentioning disruptions in India's national health information system which was largely paid for by the United States (Interviewee 11, 2026).

Cuts in ODA are already interfering with all health systems' functions, including health emergency preparedness and response, public health surveillance, and service provision. Significant disruptions have been reported in outbreak detection and response for malaria, HIV/AIDS, tuberculosis, and sexually transmitted infections. A global health expert at a research and implementation institute also reported a dramatic drop in funding for neglected tropical diseases (Interviewee 10, 2026). Additionally, according to a health financing expert, non-communicable diseases like cancers and mental health issues have been severely underfunded compared to HIV/AIDS for a long time because they are incorrectly viewed as "diseases of the rich". This dynamic has only been exacerbated by the recent ODA cuts. The expert commented that the trend away from HIV/AIDS funding could already be observed since the early 2010s (Interviewee 14, 2026).

An interviewee stated that sexual and reproductive health rights are particularly negatively affected by ODA cuts: "It has always been under pressure, but with the recent funding cuts, many donors have cut it completely" (Interviewee 10, 2026). This is confirmed by a WHO report which states that family planning and maternal and child health services are particularly affected by ODA cuts (WHO, 2025b). Global immunisation programmes are also experiencing funding gaps, following the United States' withdrawal of support from vaccine provider Gavi (Krugman, 2025).

Our interviewees confirmed that vulnerable populations are particularly affected by ODA cuts. Key populations, such as the LGBTQIA+ community and sex workers, are targeted due to the withdrawal of support for diversity, equity, and inclusion principles (Interviewee 11, 2026). One interviewee reported that in Tanzania, prohibitions restricted HIV prevention only to pregnant and lactating women, cutting off LGBTQIA+ and sex worker populations. Further, they brought up that survivors of sexual violence in Kenya now have to wait in the same 12-hour queues as malaria patients, ignoring their specific trauma and privacy needs. In the Democratic Republic of Congo, survivors struggle to access post-exposure prophylaxis (PrEP), kits that have medicines to prevent HIV infection and pregnancy, treat sexually transmitted infections, and document forensic injuries. The interviewee stressed that different populations have different needs and therefore require different care (Interviewee 20, 2026).

Due to USAID programme cuts, 79 million individuals who were previously targeted for assistance are no longer being reached. If the USAID cancellations proceed, support could potentially fall by 88% for maternal and child health, 87% for epidemic and emerging disease surveillance, and 94% for family planning and reproductive health programmes. The substantial funding reductions, along with the potential dissolution of USAID, could result in over 14 million additional deaths by 2030, averaging more than 2.4 million per year. This includes 4.5 million deaths among children under five, or over 700,000 annually (Cavalcanti

et al., 2025). When considering not only USAID cuts but also cuts by other major donors, these could lead to as many as 22.6 million additional deaths in developing countries by 2030, including 5.4 million children under five (Shalal, 2025).

In the long term, an interviewee worries about the impact of "horizontal" cuts, meaning ODA cuts on health system strengthening. Funding shortages will massively reduce health systems' ability to be agile and responsive toward new pandemics or changing epidemiological patterns. They also emphasised generational damage: cuts to services for newborns and children, such as nutrition and education, create irreversible damage. They argued that disruptions in the first 15 years of life strike at the backbone of an entire society (Interviewee 10, 2026). An interviewee also stressed the cumulative impact of ODA cuts on social cohesion. In their view, social cohesion can easily break down when certain groups do not get equitable access to crucial health services. Although the interviewee does not provide any evidence that this is already happening, they expect a collapse of social cohesion if ODA cuts are sustained (Interviewee 14, 2026). The unpredictability of global ODA and the abrupt cuts of particularly USAID have led to a loss of trust by recipient countries that will long outlast current administrations (Interviewee 11, 2026).

3.5 Coping Strategies

3.5.1 Emerging Actors in Health

With historically important donors for ODA in health reducing their budget, previously less critical donor countries are increasing their involvement. As seen in Figure 21, Australia, Japan, and South Korea slightly increased their contributions to development assistance for health (3%, 2%, and 4%, respectively) (Krugman, 2025).

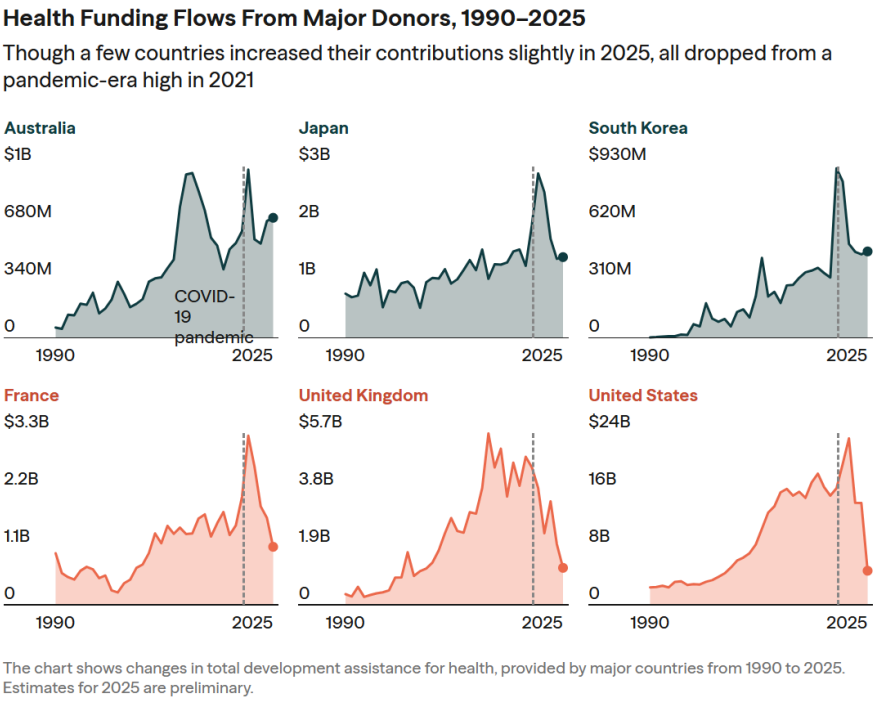


Figure 21: Australia, Japan, and South Korea all report slight increases in ODA for health (Krugman, 2025).

Against the backdrop of the global ODA cuts, these increases are minor. With the slight increase in ODA for health, Japan is now focusing on helping LICs and MICs expand access to high-quality health care through universal health coverage (Institute for Health Metrics and Evaluation, 2025b). While Australia's nominal ODA increased in 2025, real aid declined due to inflation. Even though Australia's 2025-2026 budget has seen an increase in allocation to regional health initiatives in the strategically important Pacific and Southeast Asia, the country's overall spending for health decreased (Australian Global Health Alliance, 2025). Australia has reduced its commitment to organisations such as the Global Fund, which supports HIV, tuberculosis, and malaria programmes (Krugman, 2025). This signifies a transition from global multilateral support to targeted regional involvement.

Apart from new country donors, an interviewee highlighted the importance of commercial actors' pledges to the global fund. Big pharma has stepped up with GlaxoSmithKline and Johnson & Johnson pledging money to the Global Fund (USD 6 million and USD 5 million, respectively). The Children's Investment Fund, which has previously not been an active player in global health, has pledged USD 135 million. This shows the importance of the right narrative: different actors can be attracted by tailoring the narrative to their interests (Interviewee 10, 2026).

According to several interviewees, emerging actors' aid modalities differ from the ones of DAC donors. An important part of development assistance for health by emerging donors centres around big infrastructure projects. For example, India supported the construction of a teaching hospital in the Maldives, a project deemed as not having a real benefit (Interviewee 14, 2026). An interviewee expressed deep concern about the potential disrespect of human rights and non-prioritisation of key populations by emerging donors. They are convinced that not all emerging donors will insist on HIV/AIDS programmes for LGBTQIA+ populations or for survivors of sexual violence. This will have human rights as well as public health implications, as these are high prevalence communities that need specific care and treatment. In contrast, PEPFAR followed a rights-based approach (Interviewee 20, 2026).

After the United States announced its retreat from the WHO, China has committed USD 500 million to the organisation in addition to maintaining its usual ODA for health (Krugman, 2025). Even before this latest commitment, during the 2020-2023 period, China was part of the top 30 voluntary contributors to the WHO, ranking 28th. Drawing on the numbers from the 2020 to 2023 funding period, with the USD 500 million pledge and the United States' withdrawal from the WHO, China would rank as the largest contributor of these 30 donors, surpassing the Bill & Melinda Gates Foundation and even exceeding the United States' previous contributions (WHO, n.d.). China's pledge, however, will mostly manifest in in-kind product contributions, not in actual cash (Interviewee 18, 2026).

3.5.2 Domestic Funding in Health Sector

As a reaction to external funding gaps, many ODA recipient countries are trying to increase or reallocate funding from domestic resources and transition away from aid dependency towards more sustainable self-reliance (WHO, 2025b). Some countries see this as an opportunity to strengthen public health systems and have successfully reallocated resources to fill funding gaps (Ghosh, 2025). Nigeria is expanding national health insurance to cover HIV and tuberculosis services. The country's Ministry of Finance has provided USD 200

million to cover funding shortfalls (WHO, 2025a). In 2025, Nigeria's health sector received its largest allocation in history, with USD 1.89 billion being dedicated to health (with the total national budget for 2025 being USD 36.6 billion). USD 200 million represents approximately 10.6% of the total annual health budget (BudgIT, 2025). It is important to note that despite increased health allocation, high inflation and exchange rate volatility have eroded the real value of funds (dRPC Development Research and Projects Centre, 2025).

Moreover, while South Africa has allocated an additional USD 1.5 billion for health expenditures in the 2025 budget, Thailand is working on incorporating NGO-led health programmes into the public health system (WHO, 2025a). Many countries, however, encounter challenges, including having to increase taxes to meet health care needs (Ghosh, 2025). As seen in Figure 22, government health expenditure per capita in LICs and lower-middle income countries (LMICs) doubled in real terms between 2000 and 2022, increasing from USD 24 to USD 46. After 2009, however, expansion in health expenditure slowed, with subsequent increases driven almost entirely by overall economic growth rather than deliberate health investment. Covid-19 led to a short-term surge in government health spending, but this trajectory did not last long (Kurowski et al., 2025).

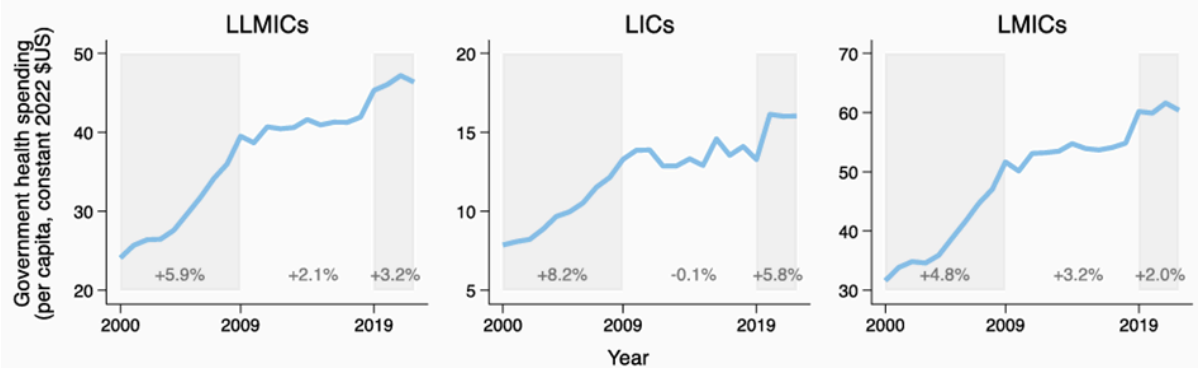


Figure 22: Trends in government health expenditure per capita and annual growth rates, 2000–2022 (Kurowski et al., 2025)

Countries' fiscal capacities to bridge the gap left by ODA cuts via an increase in domestic funding vary widely. Many countries have been unable to maintain the higher level of government health spending observed during Covid-19. Moreover, LICs and LMICs have even experienced a negative growth between 2019 and 2023 in the share of government health spending in general government expenditure. If the current spending trajectories in LICs and LMICs persist, they will fail to meet the per capita government health spending levels needed to achieve the global health goals by 2030 (Kurowski et al., 2024).

To return to spending levels required to meet the global health goals, countries would need to significantly increase the share of their national budgets dedicated to health. In LICs, where the national budget is currently contracting, the health share of government spending would need to grow by 1.3% annually on average, meaning the share would need to more than double between 2019 and 2029. LMICs whose general budget is also contracting would need to increase their health allocation by 0.77% annually. Countries whose budget is currently stagnating would need to increase their health share by just over 1% annually. In 2022, expenditure for health averaged USD 16 per capita in LICs and USD 60 in LMICs.

Benchmarks, however, indicate a minimum government spending of approximately USD 70 per capita in LICs and USD 90 in LMICs to achieve universal coverage with essential health services. Additionally, the government share of health spending currently lies at 42% which represents about half the level associated with effective financial protection. Such rapid increases over an entire decade are unprecedented and would require immense political commitment to prioritise the health sector (Kurowski et al., 2024, 2025).

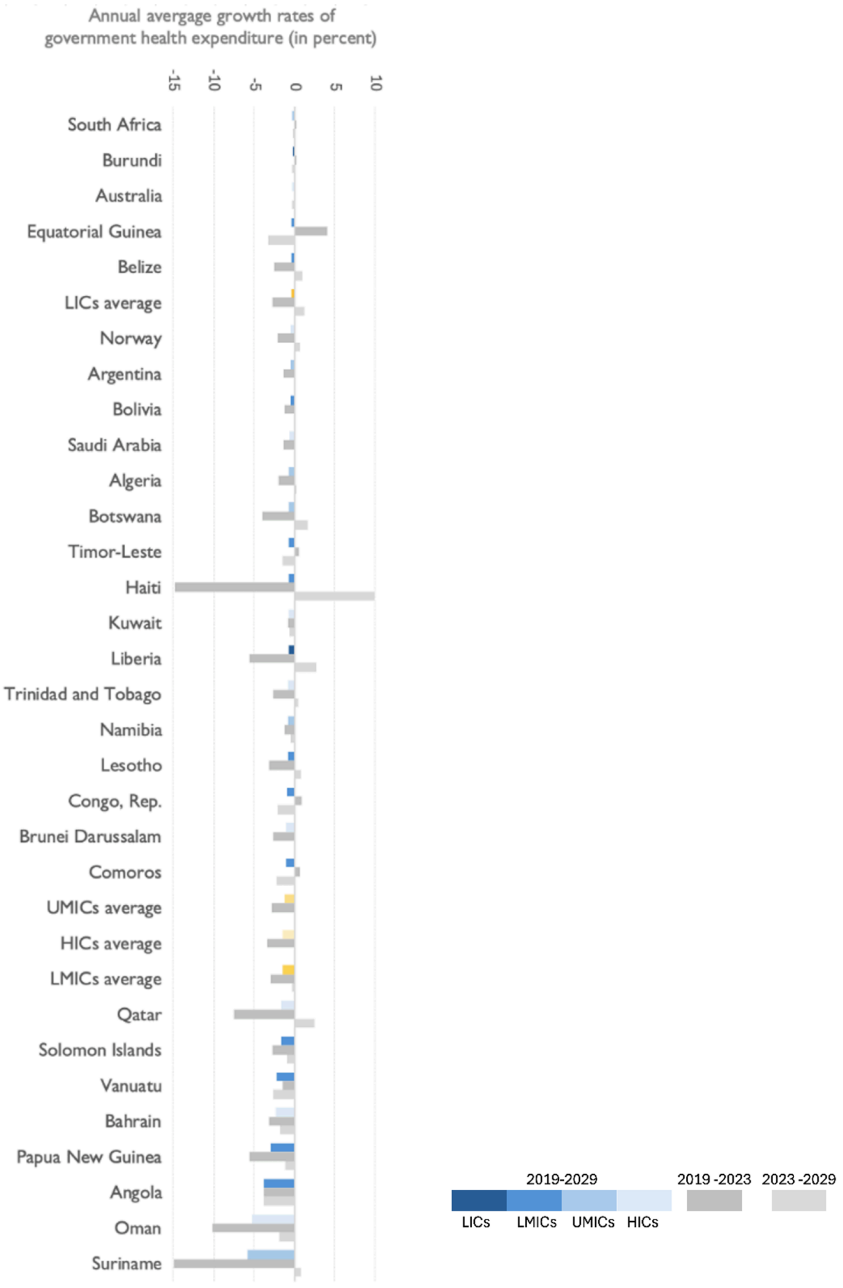


Figure 23: Annual average growth rates in real government health expenditure per capita, by country and income group, 2019–2029 (Kurowski et al., 2024).

As it becomes evident in Figure 23, it will be impossible for many countries to reach the needed increase in the share of health expenditure to reach 2030 global health goals (Kurowski et al., 2024). The inability of domestic funding to compensate for ODA cuts is confirmed by several interviewees. Even though the move towards more domestic funding and the resulting increased self-reliance is a step in the right direction, domestic funding will not substitute for big funding gaps. In LDCs, there is no substitute for money, as these countries will not be able to increase the share of their national budgets dedicated to health. In these cases, the idea of solidarity, and therefore ODA, remains crucial (Interviewee 10, 2026). An interviewee adds a layer to this picture by describing ODA cuts as a "wake-up call" for self-sufficiency. But while some countries, such as Nigeria and South Africa, are able to mobilise more domestic resources, this is impossible for the poorest countries where fiscal space is lacking and they are suffering from heavy debt burdens. However, the interviewee is still convinced that there is space in many countries' budgets to increase the priority given to health. The interviewee further expressed worries that with cuts in ODA and governments being unable to fill the funding gap, the burden will shift towards the individual. They warn that private domestic financing often manifests as out-of-pocket costs at pharmacies and clinics. This gap between commitment and practice expands to co-financing arrangements (Interviewee 11, 2026). As another interviewee noted, countries frequently include them in their budgets to satisfy donors, but the funds rarely materialise. Yet, the interviewee was not entirely pessimistic; they mentioned how the extra spending on the country level is useful for paying salaries and countering the huge loss in healthcare workers. The small increases in domestic funding, particularly in combination with devaluation, however, will not have a large impact on a country's ability to import live-saving medicines (Interviewee 14, 2026).

Uniquely among interviewees, one interviewee highlighted the resilience of healthcare workers who act as a domestic buffer by treating people for free or working unpaid: "They are actually agents of change, and they have really done everything to deal with fewer resources." (Interviewee 20, 2026)

An interviewee suggested that the focus should shift toward improving efficiency rather than increasing domestic funding. In developing countries, it is estimated that 20 to 40% of resources are wasted. However, they also noted the limitations of improving efficiency: if a country is already only spending a small amount of money, e.g. USD 20 per person, as is the case in many countries affected by ODA cuts, and the country subsequently gets 20% more efficient, the health system only ends up saving USD 2, which will not make a big difference. This is not a phenomenon limited to developing countries, there is room to improve in many health systems around the world (Interviewee 14, 2026).

A new paradox becomes apparent when taking a closer look at countries' debt. Interest payments on public debt are an important component of government budgets and therefore directly affect the resources available for health. As the average share of interest payments in general government expenditure is projected to intensify across all income groups from 2019 to 2029 (see Figure 24), this will leave countries with a smaller space to manoeuvre and limit their possibilities to increase health spending (Kurowski et al., 2024). Different Interviewees brought up the possibility of debt cancellation or restructuring as an avenue to open up fiscal space for health in national budgets. Drawing from their experience as a health financing expert, an interviewee estimated that debt cancellation will take place in the future. That said, they acknowledged that in some countries, over half of the debt is held by

commercial lenders who will not easily alleviate this debt (Interviewee 14, 2026). This view is shared by another interviewee who added a different dimension by proposing the possibility of restructuring debt (i.e., prolonging the time horizon for repayment or devaluing debt) (Interviewee 11, 2026).

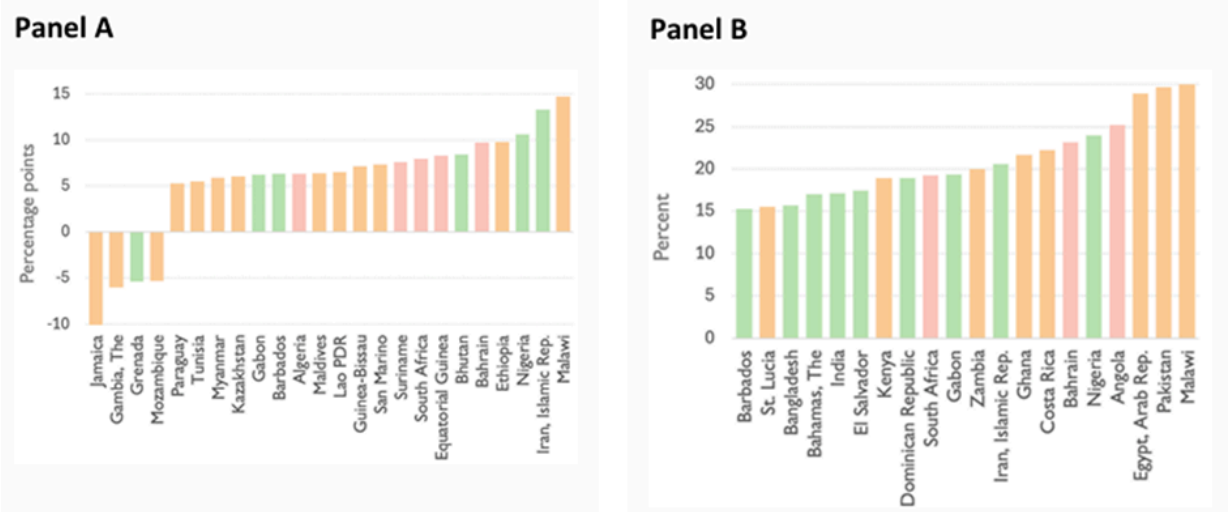


Figure 24: Countries with more than a 5% change in the share of interest payments in general government expenditure (Panel A) and countries with shares greater than 15% in 2029 (Panel B) (Kurowski et al., 2024)

In the upcoming years most LICs and LMICs will face further constraints on government health spending. Between high debt service obligations, sovereignty priorities, and climate-related pressures, competition for scarce government resources will intensify. The combination of slowing domestic spending growth and falling external support will further intensify the shortcomings in the health sectors (Kurowski et al., 2025).

3.5.3 Private Sector Engagement in Health Sector

To sustain essential health services amid a significant decrease in external funding, it is critical to reconsider how the private sector can be engaged to fill financing gaps, though opinions differ on how to balance commercial motivations with public health goals (WHOa, 2025). According to the 2023 Joint Report on the Mobilisation of Private Finance (2025), the total amount of private finance mobilised for all countries was USD 220.1 billion. Of that, USD 87.9 billion was mobilised for LICs and MICs, which represents a 24% increase from 2022. Across all countries of operation in 2023, the health and population sector accounted for approximately 0.71% of total private mobilisation. As seen in Figure 25, the sector's share was slightly higher in LICs and MICs, where 0.8% of total private mobilisation went towards health and population. This amounts to USD 1.56 billion across all countries and USD 734.8 million in LICs and MICs.

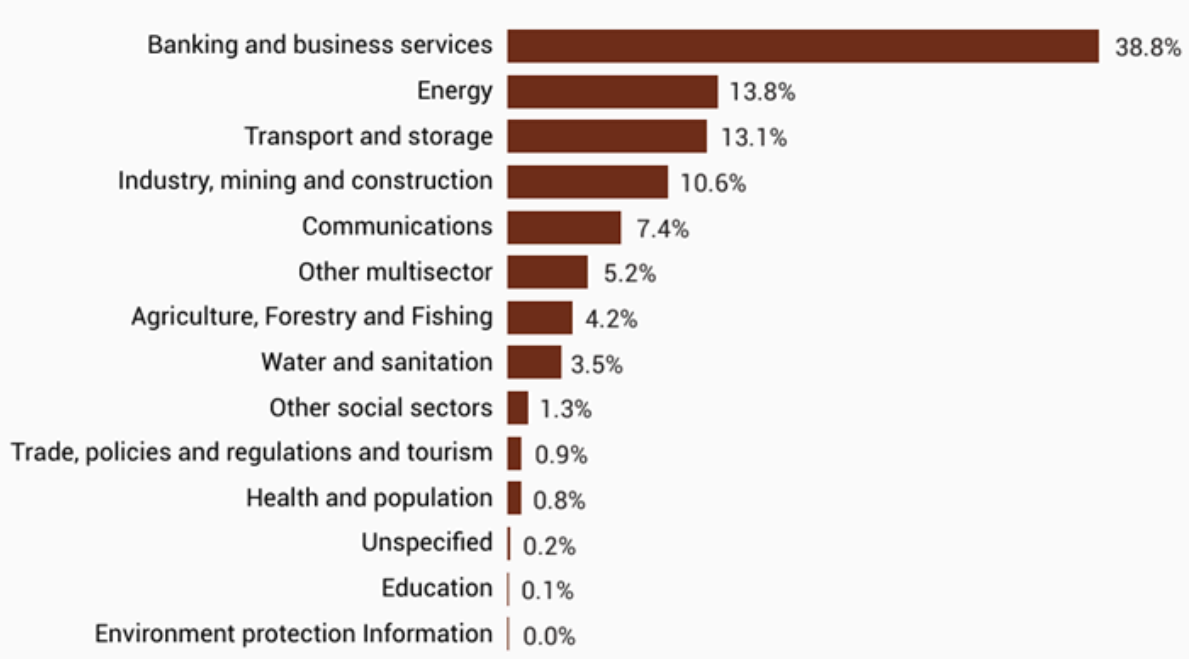


Figure 25: Total private mobilisation, LICs and MICs, 2023 (2023 Joint Report, 2025)

To put these numbers in perspective, the Global Fund alone invests approximately USD 4.6 billion annually in grants for health systems. This single organisation's annual contributions are nearly three times larger than the total private mobilisation for the health sector (Friends of the Global Fund Europe, 2025). Regarding private mobilisation, health and population are therefore largely overshadowed by other sectors.

Several interviewees expressed their scepticism regarding the potential of private sector engagement in the health sector. One stated that the evidence is weak that the private sector invests much in health. And if the private sector does invest, this rather serves large hospital chains that already have a very high standard and attract an affluent clientele. At the same time, public health facilities continue to struggle for sufficient funding. This interviewee therefore did not consider private sector investment to benefit the poor (Interviewee 14, 2026). This is confirmed by existing research: when profit motives are introduced into development finance, this can lead to inequitable results. Private investors are more likely to invest in regions where rich populations live and where they consequently can make more profit. Moreover, investment is more likely in profitable areas that, for instance, require expensive medical equipment than in more urgent but less profitable areas (Angelo 2023). Another interviewee echoed this statement: "The health sector needs to provide services to those in need regardless of their ability to pay. The private sector will not suddenly become a charity, as this goes against the pro-profit rationale of the sector." (Interviewee 11, 2026) One interviewee went as far as considering it a utopia that the private sector will step in and fund what public donors have provided previously. They also stated, however, that a change in narrative to underline the positive return on investment of the health sector may encourage private investment. The health sector should increasingly be framed as an employment or technology sector (Interviewee 10, 2026). This view is shared by an interviewee who argued that the private sector is interested in return on investments and that in social sectors, such as health and education, the commercial returns are limited (Interviewee 6, 2026). There is

the need to clearly define private actors' roles in order to protect sensitive health data. Private actors have to respect the AAAQ (Availability, Accessibility, Acceptability, and Quality) tenets of the right to health (Interviewee 20, 2026).

3.5.4 United States Bilateral Health Agreements

In recent months, since the dissolution of USAID, a new form of health agreement has emerged: under the America first Global Health Strategy, the United States government has released the so-called Memorandas of Understanding (MOU). These agreements represent a shift away from ODA toward jointly financed health agreements (Hirschfeld et al., 2026). The United States government justifies this transition by stating that the country's global health programs have become "inefficient and wasteful" and created a "culture of dependency among recipient countries". The MOUs are supposed to "keep America safe" and "advance American interests", further consolidating the "America first" rhetoric[4] (U.S. Department of State, 2025).

So far, 32 MOUs have been signed, the vast majority in Africa and others in Asia, Latin America, and Oceania[5] (Hirschfeld et al., 2026; KFF, 2026b). Most of the MOUs span a five-year period (2026-2030) with some exceptions being shorter (KFF, 2026b). The MOUs govern a total amount of USD 20.3 billion with approximately 37% to be funded by recipient countries. As seen in Figure 26, co-financing provisions vary widely from country to country, raising questions about different countries' capacity to meet spending benchmarks. Nigeria and Botswana pledged to fund the largest share of MOU spending, 59% and 78% respectively. Co-financing expectations increase by year relative to a 2025 baseline, with the United States contributions decreasing correspondingly. For some of the countries, the expected increase in co-financing exceeds the projected growth in government health expenditure (Hirschfeld et al., 2026).

[4] Through MOUs, the United State government seeks to 1) ensure that all of the funding for frontline commodity purchases and frontline healthcare workers is maintained, 2) ensure that data systems are in place to monitor epidemiology, service delivery, and supply chain data, 3) transition United States technical assistance from supporting individual clinical sites to supporting governments in taking over key functions, and 4) involve recipient governments by requiring co-investment in these efforts (U.S. Department of State, 2025).

[5] So far, the United States has signed MOUs with the following countries: Angola, Bolivia, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Côte d'Ivoire, Democratic Republic of the Congo, Dominican Republic, El Salvador, Eswatini, Ethiopia, Guatemala, Guinea, Honduras, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mozambique, Niger, Nigeria, Panama, Papua New Guinea, Philippines, Rwanda, Senegal, Sierra Leone, Tajikistan, Ugana (KFF b, 2026).

Bilateral Agreements Under the America First Global Health Strategy

Country coinvestments vary widely across MOUs, but recipients will sponsor about a third of their domestic health funding, on average

Country	U.S. MOU funding	Country MOU commitment	Total MOU funding	Percent MOU funded by country
Botswana[1]	$106M	$381M	$487M	78%
Nigeria	$2.1B	$3B	$5.1B	59%
Cameroon	$400M	$450M	$850M	53%
Angola	$71M	$50M	$121M	41%
Niger	$107.4M	$71.9M	$179.3M	40%
Lesotho	$232M	$132M	$364M	36%
Guinea	$91M	$51M	$142M	36%
Ethiopia[2]	$1B	$450M	$1.5B	31%
Rwanda	$157.8M	$70.6M	$228.4M	31%
Senegal	$63.1M	$27.3M	$90.4M	30%
Uganda	$1.7B	$500M	$2.2B	23%
Burundi	$129M	$26M	$155M	17%
Eswatini	$205M	$37M	$242M	15%
Malawi	$792M	$143.8M	$936M	15%
Mozambique	$1.8B	$70.6M	$1.9B	4%

Table: CFR/Allison Krugman • Sources: U.S. Embassies, U.S. State Department, MOUs, World Bank, IHME | Think Global Health

Figure 26: Co-financing expectation for selected African countries under the America First bilateral health MOUs (Hirschfeld et al., 2026)

In the absence of ODA, MOUs represent a pragmatic lifeline for some countries. As the majority of agreement texts has not been made publicly available in their entirety, a comprehensive assessment of their terms and implications remains difficult (Hirschfeld et al., 2026). It is known, however, that these deals come with conditions, which is why some countries like Zambia or Zimbabwe have rejected the proposed agreements. In March 2026, the United States threatened to withhold HIV funding provided through PEPFAR to pressure Zambia into granting access to critical minerals (Hirschfeld et al., 2026; Nolen, 2026). Similarly, mineral deals preceded health MOUs in Guinea and the Democratic Republic of Congo (Cullinan, 2026b). The MOU with Kenya remains suspended due to concerns about a one-way pathogen-sharing clause (Cullinan, 2026a). Kenya is not an isolated case. While the MOUs last for up to five years, the commitment to sharing health data remains in place

for up to 25 years (Public Citizen, 2025). These bilateral data-sharing arrangements risk fragmenting the global health information commons that underpins outbreak surveillance and pandemic preparedness. The COVID-19 precedent in which African countries contributed samples but accessed vaccines last, anchors recipient government resistance to asymmetric data agreements (Usher, 2021). Concerningly, some long-standing United States health priorities are nowhere to be seen in the MOUs: for instance, malaria, which previously received the second highest proportion of USAID assistance, is absent from some agreements. Of course, countries may choose to continue funding these areas independently, but co-financing requirements mean their own spending must follow the priorities of the United States, leaving less flexibility to address domestic health needs (Hirschfeld et al., 2026). Therefore, the emergence of MOUs is a development that warrants close monitoring.

4. COUNTRY CASE STUDIES

4.1 TANZANIA: DEVELOPMENT-ORIENTATED CONTEXT

4.1.1 General Country Overview

As of 2024, Tanzania[6] has a population of approximately 68.6 million, a GDP of USD 78.8 billion, and a GDP per capita of roughly USD 1’149 (World Bank, 2025a). Its economy is diversified across agriculture, industry, and services, though agriculture remains the dominant source of employment, engaging approximately two thirds of the working population (World Bank, 2025b). In 2023, Tanzania received USD 45.3 in ODA per capita from official donors, placing it in the medium aid-dependent category within the Eastern African sub-region and among the major beneficiaries of development assistance on the continent (UNECA, 2025). In fact, Tanzania’s domestic fiscal situation also increases its vulnerability. The country’s overall fiscal balance stood at approximately -2.9% of GDP in 2023, indicating limited public funds in contrast to rising spending demands (UNECA, 2025). The median debt-to-GDP ratio across Eastern Africa rose from 42.4% in 2011–2019 to 55.4% in 2023 (UNECA, 2025), which limits governments’ ability to compensate domestically for declining concessional financing. In light of this, ODA has historically played a stabilising role, filling gaps in health, education, agriculture and governance that the Tanzanian government has been unable to fully finance independently.

Foreign aid to Tanzania has been in long-term decline. ODA fell from USD 761 million in 2013 to USD 389 million in 2024 and is projected[7] to drop further to USD 118 million in 2025 (TICGL, 2025). Tanzania’s reclassification as a lower-middle-income country in 2020 may have contributed to this trend by shifting donor expectations around its capacity to mobilise domestic resources, although the actual reasoning behind donor reallocations remains multifactorial (Battaile, 2020).

[6] Tanzania is a LMIC in Eastern Africa and a LDC as classified by the United Nations.
[7] Final 2025 outturn data was not available at the time of writing; the 2025 figure reflects projections confirmed across multiple sources as of early 2026 (Taylor, 2026; The Chanzo, 2026)

4.1.2 Distributional Effects of ODA Cuts on Regions, Partners and Sectors

Tanzania's dependence on a small group of donors makes it particularly exposed to the recent aid cuts. According to OECD DAC data synthesised by UNECA (2025), the United States accounted for 86% of all bilateral ODA to Tanzania's health sector in 2023, totalling USD 563 million which is the most concentrated sectoral donor dependency documented in the entire Eastern African sub-region. In the governance sector, the European Union was the dominant provider (32%). In the education sector, funding was more distributed: the United States (18%), Sweden (18%), the United Kingdom (14%), Canada (13%), and South Korea (9%), all of which have announced or have implemented ODA reductions (UNECA, 2025).
This extreme concentration of donors left Tanzania structurally unable to cope with the sudden withdrawal of US aid without immediate service disruption. In fact, when the United States announced in January 2025 that it would suspend all foreign aid for 90 days, followed by the cancellation of over 83% of USAID contracts by March 2025, Tanzania's externally funded health infrastructure was left without its primary source of financing almost overnight (UNECA, 2025).

This sectoral concentration was confirmed in the interviews. The interview with the Public Health Director at a Human Rights NGO found that the United States has been providing the vast majority of funds for the HIV response in Tanzania, making the abrupt withdrawal particularly devastating: "It feels like a decision made on a spreadsheet about a budget or a programme actually impacts people's lives" (Interviewee 20, 2026). They also noted that PEPFAR had targeted populations at highest risk, including LGBTQIA+ populations, sex workers…, groups that donor-funded programs reached precisely because national governments were unlikely to prioritise them. The literature confirms this; in fact, UNAIDS (2025) documented that HIV prevention interventions previously funded by PEPFAR including the DREAMS programme, voluntary medical male circumcision, and PrEP for key populations were almost entirely halted.

Regarding the governance sector, the interview with a Program Officer at a donor agency explained that the United Kingdom's sudden withdrawal from the governance sector in Tanzania mid-programme, announced without prior warning during the first phase of a joint civil society support programme with the donor agency, forced early closure of the initiative (Interviewee 17, 2026). This illustrates how sectoral concentration risk extends beyond the United States to other traditional bilateral donors. They noted that this kind of abrupt donor exit makes long-term planning increasingly difficult and risks pushing smaller donors toward stand-alone mandate projects, undermining the principles of coordinated donorship.

On the question of regional and geographic distributional effects within Tanzania, this could not be developed further based on available interview evidence and represents a research gap. It is nevertheless reasonable to anticipate that remaining aid flows will disproportionately concentrate in urban centres, where logistical costs are lower, further widening pre-existing urban-rural disparities.

4.1.3 Cumulative Impacts on Human Development, Human Rights, and Governance

Health sector

Tanzania's health sector has been the most immediately and severely affected by the aid cuts, particularly in HIV/AIDS programmes. Donors historically funded more than 40% of Tanzania's national health expenditure, with the United States as the single largest contributor, providing an estimated USD 2.8 billion annually between 2012 and 2022 (Buguzi, 2025). Following the January 2025 freeze and the White House's proposed 66% cut to global HIV funding in May 2025, HIV service delivery in Tanzania was immediately destabilised (Buguzi, 2025). With approximately 1.4 million people living with HIV/AIDS relying on antiretroviral (ARV) medications (Hjortlund, 2025), and PEPFAR having historically provided over half of HIV response funding in Tanzania (PHR, 2025), the structural impact was severe. In 2023 alone, PEPFAR's Tanzania targets included providing HIV treatment to over 1.7 million individuals, voluntary medical male circumcision to over 600'000 men, and combination HIV prevention services to over 630'000 key and vulnerable populations (USAID, 2023). An interview with the public health director confirmed these impacts; they explained that the funding cut caused an immediate poly-crisis, with LGBTQIA+ populations and sex workers who had relied on USAID-funded prevention programmes, including PrEP[8], suddenly losing access to care (Interviewee 20, 2026). As the interviewee described: "In Tanzania, what you're seeing is this layered impact of funding cuts that are shrinking spaces for healthcare access and then government policies and criminalisation that are shrinking other places as well for queer populations" (Interviewee 20, 2026). This is confirmed by UNAIDS (2025), which documented a near-total halt of HIV prevention programming, widespread fear of service stoppage, ARV stockouts, disrupted sample transportation for testing, and patients dropping out of care. PHR's research (2025) documented dose skipping and medication rationing among People Living with HIV and they also noted that interruptions to ARV therapy increase the risk of drug-resistant viral strains. Also, around 5'000 healthcare workers, many directly involved in HIV and malaria prevention, lost their jobs without warning (Hjortlund, 2025). The interviewee further highlighted long-term structural risks beyond immediate stockouts. These include the collapse of community-based and outreach services; the erosion of research infrastructure, including clinical trials for next-generation HIV prevention tools like lenacapavir[9]; and the degradation of data collection and health surveillance systems that the United States had financed for years (Interviewee 20, 2026). They explained how these losses would have a downstream effect that would make it more difficult to even measure the scale of the crisis going forward. Experts worry that HIV infections might resurface in Tanzania, undoing years of gains made in the fight against the disease. If new financing sources are not found, the nation might face a serious public health emergency. Consequently, Tanzania (and the rest of Africa) may see a substantial spike in HIV-related fatalities, an increase in new infections, and the breakdown of vital healthcare infrastructure if immediate action is not taken (Hjortlund, 2025).

[8] PrEP (pre-exposure prophylaxis) is a highly effective daily medication or periodic injection taken by HIV-negative individuals to prevent contracting HIV from sex or injection drug use.
[9] Antiretroviral medication used to treat and prevent HIV/AIDS

Education sector

Tanzania's education system has benefited greatly from foreign funding, which has contributed to improve curriculum development, infrastructure, and teacher preparation. Programs including basic education, research and development, scholarships, and vocational training are expected to be impacted by the recent cuts. USAID's support for education in Tanzania had already been declining before the 2025 freeze, falling from USD 25.2 million in 2021 to USD 11.5 million in 2024, before being halted entirely (Mushi et al., 2025). However, to assess the actual loss this represents, it is important to be precise about what USAID was and was not funding. USAID's education portfolio in Tanzania was not a substitute for public schooling but a complementary intervention targeting its most persistent structural failures such as teacher training, early-grade literacy, and materials distribution. What has been interrupted is therefore not a parallel system, but the specific layer addressing gaps the public system could not fill on its own (USAID,2024). For instance, a 2023 survey of 285 schools in ten Tanzanian regions found that only four out of ten pupils aged 10–14 could read and understand a simple sentence in Swahili and that more than half could not read individual words (Taylor, 2024). Tanzania's education budget also remains below international benchmarks at 2.5% of GDP in 2023 against the SDG framework recommendation of 4-6% of GDP (Ministry of Education, Science and Technology, 2025). A shortage of approximately 168'000 teachers was estimated in the public basic education system, with a pupil-teacher ratio of 1:61 at the primary level in 2020, rising in rural areas (Global Partnership for Education, 2024). The evidence shows that USAID-funded programmes reached meaningful numbers of students and teachers, but the underlying learning crisis in Tanzania is structural, systemic, and longstanding. Figure 27 illustrates how cuts to foreign aid interact with these pre-existing structural weaknesses, compounding their effects across the education system.

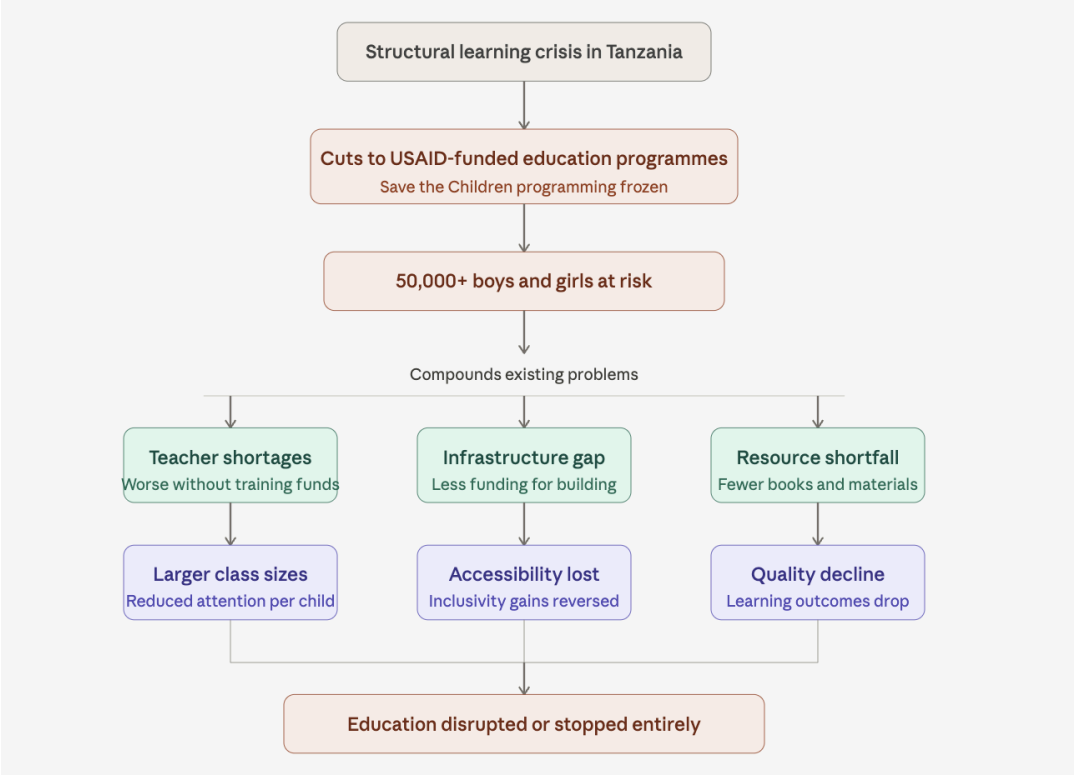


Figure 27: Structural vulnerabilities and the consequences of reduced foreign aid in Tanzania's education sector

Consequently, in Tanzania, more than 50'000 boys and girls face having their education disrupted or completely stopped due to cuts to Save the Children's education programming (Save the Children, 2025). The freeze might undo improvements gained in accessibility and inclusivity in education, as Tanzania already faces difficulties with teacher shortages and learning quality. These issues may be made worse by a drop in foreign aid, which might result in less money for infrastructure projects, teacher development programmes, and other crucial educational projects. Larger class sizes, a lack of educational resources, and a drop in educational quality might all be consequences of this (Mushi et al., 2025). Our interviewees didn't address the education sector in any meaningful way. They focused primarily on health and governance, respectively, and neither provided observations on education-specific impacts in Tanzania. This sub-question, therefore, could not be developed further and represents a research gap.

Livelihoods and the Economic Sector

The economic consequences of the ODA cuts for Tanzania are most clearly felt through the direct loss of programme funding, the macroeconomic exposure by Tanzania's aid dependence and the constraints this places on a country already facing structural economic vulnerabilities. On the direct programme level, the closure of the USAID-funded youth vocational programme Kijana Nahodha which targeted out-of-school youth with vocational skills and employment certification, reaching approximately 45'000 young people, illustrates the immediate livelihood impact of the freeze (de Vulpillieres, 2025). With 34.5% of Tanzanians aged between 15 and 35, and approximately 70% of them working in the informal sector, the sudden loss of skills-based programming deepens precarity for an already structurally vulnerable young population (de Vulpillieres, 2025). In addition, ODA for agriculture had been declining even before the cuts, falling from USD 156.99 million, in 2018 to USD 40.44 million in 2022 (UNCTAD, 2025b), threatening food security, smallholder farmer support, and rural employment. In fact, in Tanzania, in 2022, the agricultural sector accounted for 28.3% of GDP and 65.5% of all jobs, it also provided livelihoods for 75.5% of the poorest in 2020 (UNCTAD, 2025b). The drivers of this pre-existing decline in agriculture ODA remain unclear from the available evidence and constitute an additional research gap. However, it is consistent with the broader global trend documented by UNCTAD (2025a), whereby ODA flows to developing regions were increasingly redirected toward emergency, humanitarian, and in-donor refugee spending over the same period, at the expense of sector-specific development programming. At the macroeconomic level, the scale of aid loss relative to Tanzania's economy is significant. As previously mentioned, ODA to Tanzania is projected to drop to USD 118 million in 2025 from USD 761 million in 2013 (TICGL, 2025). Also, the suspension of an estimated USD 156 million in European Union support following the disrupted October 2025 elections, combined with the freeze of US foreign aid programmes, has created important financing gaps. It is important to also note, as the IMF's Selected Issues report (2025) makes clear and as the Program Officer emphasised in our interview, that some of Tanzania's economic vulnerabilities significantly pre-date the ODA cuts (Interviewee 17, 2026). Indeed, FDI fell from approximately 5.7% of GDP in 2010 to roughly 2% in 2023, and Total Factor Productivity's contribution to GDP growth turned negative in 2020-2023 (IMF, 2025). Therefore, these are structural issues, reflecting

constraints in economic diversification, productivity and private sector development, and it also shows that ODA was never primarily responsible. However, the point is not that ODA cuts are not the root cause of Tanzania's economic difficulties; rather, ODA was filling specific, targeted gaps in many sectors that the Tanzanian government's own tax revenues (13.1% of GDP in 2024) (World Bank, 2025a) are insufficient to replace. The cuts therefore remove a compensatory external financing layer from an economy that was already structurally constrained, without that structural constraint being the cause of the cuts themselves.

Human Rights and Governance

The interview with the Public Health Director revealed that the impact on human rights, particularly for marginalized populations, was one of the most underreported dimensions of the crisis (Interviewee 20, 2026). They described a chilling effect within the global health field: organisations that still depend on donor funding from the United States, the EU, or European member states are afraid to publicly document or speak about the harms they are witnessing, making independent documentation by NGOs especially critical. This has also been identified in the literature, where Rugeiyamu and Nguyahambi (2024) found that advocacy NGOs in Tanzania focused on checking state power, good governance, and human rights face the most severe civic space restrictions and that their resilience strategies face significant obstacles. Also, their structural dependency on external funders, the study argues, limits the scope of what NGOs are willing to publicly say or do. Additionally, our interview with the Program Officer provided the governance perspective. They explained that Tanzania's government has become increasingly authoritarian, particularly following the post-election violence of October 2025, making the governance sector increasingly difficult and unattractive for donors (Interviewee 17, 2026). As the Program Officer states directly: "If you see more donors retreating from supporting civil society, free media, human rights organisations, and you have a country that is increasingly authoritarian… you get weaker democratic institutions" (Interviewee 17, 2026). They also flagged the youth protests as a signal of deep underlying frustration, noting that without external actors providing civil society with at least some voice, the structural pressures could translate into longer-term political instability. Therefore, the relationship between ODA cuts and human rights outcomes in Tanzania is not direct but reinforcing: the cuts do not produce authoritarianism, but they erode the infrastructure of resistance to it. Unlike the health sector, where the causal link between funding withdrawal and service disruption is immediate and well-documented, the governance and human rights impacts are harder to isolate from broader domestic political dynamics. This distinction represents an acknowledged research gap, and further research would be needed to differentiate between the specific contribution of ODA cuts from Tanzania's authoritarian government.

4.1.4 Coping Strategies, Losers and Winners

Tanzania has adopted both government-led measures and broader coping mechanisms to mitigate the impacts of the US funding suspensions on its HIV/AIDS response and economic stability. These tactics include putting currency stabilisation mechanisms into place, giving priority to necessary health expenditures, allocating resources effectively, and upholding financial management and reporting openness (Mushi et al., 2025). Also, Tanzania is trying

to lessen its reliance on external health funding by raising USD 225 million in domestic revenue through new health-related taxes and levies. This amount is about half of the country's 2024–2025 health care budget. Thirty per cent of these revenues are directed to the Universal Health Fund, while the remaining 70% strengthen the AIDS Trust Fund, which aims to sustain ARV supply. Through public-private partnerships, Tanzania is also restarting local pharmaceutical production. In fact, ten new facilities for antiretroviral medications and other medical items are planned. Those measures are meant to optimize supply chains, lessen reliance on imports, and guarantee HIV care continues in the face of unstable donor financing (Buguzi, 2025). Beyond health financing, the Tanzanian government announced in January 2026 plans to sell a portion of its national gold reserves, valued at approximately USD 1.3 billion, to finance infrastructure projects, reflecting a broader attempt to mobilise domestic assets in the context of declining development assistance and international pressure following the October 2025 post-election violence (The Chanzo, 2026). The announcement ignited considerable domestic debate about the appropriateness of liquidating strategic reserves to compensate for aid losses, with critics questioning whether this represents a sustainable financing strategy or a short-term response that risks depleting long-term economic buffers. In addition, the CGD (2025a) found Tanzania's fiscal response to be the most comprehensive among the 18 Sub-Saharan African countries it examined, with the governments raising taxes on alcohol, telecommunications, gaming, and imported motor vehicles while proposing import-substitution strategies to reduce foreign financing dependence. The interviews confirmed these efforts while also highlighting their limits. The Public Health Director acknowledged the importance of increasing domestic health funding but emphasised that domestic budgets are not made overnight (Interviewee 20, 2026). They argued that what was missing was a planned transition period, and without one, even well-intentioned domestic responses cannot replace abruptly discontinued programmes. Additionally, the interview found that in Tanzania, peer educators were eventually rehired but on reduced pay and short-term contracts serving the general population rather than key populations. The Program Officer states that most organisations in Tanzania, such as NGOs, government ministries and donors, remain largely reactive rather than strategic in response to the cuts (Interviewee 17, 2026). They observed that NGOs are desperately seeking new funding on a case-by-case basis and that some entities may still be hoping the cuts are temporary. They were uncertain whether the government has a coherent long-term vision for coping, noting that the increasingly authoritarian context makes direct dialogue with government entities difficult. This statement is largely consistent with CGD (2025a), which found that despite Tanzania's relatively proactive tax measures, most adjustments are being absorbed through reduced service delivery and implementation delays rather than through transparent structural reform. On the question of losers and winners, the clearest losers identified across both interviews are marginalized populations[10] who were served precisely by programmes that have been cut. The Public Health Director described these as populations whose needs are not prioritised by governments and who depend on externally funded differentiated service delivery that governments do not replicate (Interviewee 20, 2026). Private sector-orientated infrastructure and trade programming appear comparatively insulated, as both interviews noted that donors refocusing on trade, infrastructure and private sector engagement are least likely to cut in those areas (Interviewee 17, 2026; Interviewee 20, 2026).

[10] LGBTQIA+ people, sex workers, people living with HIV, and rural communities without access to private healthcare

4.1.5 Impact on Development Discourse and North-South Relations

The interview with the Program Officer at a donor agency provided the most direct insights on this question. A growing tension can be observed between the official political rhetoric of Tanzania's government, where President Samia Suluhu Hassan has publicly stated she does not want traditional Western aid, preferring trade and investment, and the reality at the technical ministry level, where officials remain deeply concerned about losing donor financing for specific programmes (Interviewee 17, 2026). This disconnect between political speech and operational reality complicates the analysis of Tanzania's position in the evolving North-South development relationship. Emerging Southern donors, particularly from the Gulf States and China, are perceived as more attractive to authoritarian governments precisely because their conditionalities are lower and their partnerships are framed as business deals rather than democracy or governance requirements. A failed attempt to collaborate with China on malaria programming has been documented. In fact, despite initial interest, the initiative collapsed due to differences in working modalities, which led to delays and, ultimately, budget cuts from the donor agency's side (Interviewee 17, 2026). This experience suggests that while South-South or non-traditional donor partnerships are frequently cited as alternatives to fill ODA gaps, significant structural and operational barriers remain in practice. The income reclassification of Tanzania to lower-middle-income status in 2020 appears to have had a paradoxical effect on North-South relations within donor institutions. Since approximately 2020, Tanzania has appeared on the donor agency's internal list of potential programme exits (countries from which it might withdraw). This label can be considered questionable given Tanzania's actual inequality profile and the persistence of deep poverty. Nevertheless, within donor bureaucracies, it triggers questions about continued presence that are difficult to overcome even when field-level evidence argues for continued engagement.

A distinct perspective was raised in another interview on the question of accountability. It could be argued that the actions of the United States can be interpreted as a human rights violation but that European states, which have also dramatically reduced their development assistance and have not stepped in to fill the gap, must equally be held accountable (Interviewee 20, 2026). This observation is consistent with OECD (2025a) projections showing simultaneous bilateral ODA cuts from France, Germany, and the United Kingdom and points to a broader structural weakening of the multilateral development financing architecture that extends well beyond US policy alone. Finally, the Program Officer reflected on the erosion of trust between Tanzania and traditional Northern donors following the 2025 post-election violence and subsequent donor conditionality statements. Requests from northern donors for a public investigation were perceived as counterproductive, reinforcing the government's perception of Western donors as colonial actors (Interviewee 17, 2026). This dynamic illustrates a broader shift in development discourse where the legitimacy and reliability of Northern donors erode through abrupt cuts, political conditionality and broken commitments and where Southern governments have both greater incentive and justification to reorient toward alternative partnerships, even if those alternatives carry their own limitations.

4.2 AFGHANISTAN

4.2.1 Effectiveness and Limitations of ODA in Afghanistan

Afghanistan is considered one of the clearest examples of the limited effectiveness of international ODA in fragile states. Despite enormous flows of funds, including USD 47.2 billion in ODA between 2002 and 2012 alone, aid has failed to build a stable or functioning state. Large areas of aid, including extensive programs for stabilization and statebuilding, remained ineffective (Zürcher, 2022). A key example is the Commander's Emergency Response Program (CERP), a stabilization program run by the US Army, which aimed to win the support of the population through local aid and reconstruction projects. However, the measures did not reduce violence, but in some cases exacerbated local tensions. This happened because aid measures intensified competition for resources, were distributed or misused by local power brokers, and were simultaneously sabotaged or ‘taxed’ by insurgents (Zürcher, 2022). Even the multi-billion-dollar Afghan Reconstruction Trust Fund (ARTF), which aimed to support statebuilding and strengthen government capacity, did not improve state capacity. Reforms in public administration, the rule of law, and good governance remained limited for political reasons. Political elites continued to rely on patronage and corruption, showed little interest in reforms, and rejected changes that would have jeopardized their power. At the same time, donors overestimated the actual capacity of state institutions and predominantly pursued technocratic top-down approaches to problems that were primarily political in nature (Zürcher, 2022).

While state-building and economic development made little progress, aid measures in less politicized areas achieved visible progress. Before the implementation of systematic aid programs, the maternal mortality rate was approximately 1’600 deaths per 100’000 live births, while the under-five mortality rate stood at 257 per 1’000 live births. In response, a nationwide primary health care system was established in 2003 with the introduction of the Basic Package of Health Services (BPHS), increasing the number of health facilities by about 70% between 2004 and 2011. This expansion significantly improved physical access to healthcare, with coverage rising from 9% in 2002 to 57% in 2014 (Frost et al., 2016). These improvements were further supported by targeted investments in the health workforce: the number of midwives in service rose from 211 in 2005 to 3'333 in 2013, while the number of nurses increased nearly eightfold, reaching 5'766 (Akseer et al., 2016). The expansion of infrastructure and the healthcare workforce was accompanied by measurable improvements in healthcare delivery and health indicators. By 2015, the under-five mortality rate had been reduced by 29% to 91 deaths per 1’000 live births, while maternal mortality also fell significantly to 396 deaths per 100’000 live births. At the same time, prenatal care coverage rose from 16 to 53%, and the proportion of births attended by skilled health personnel increased from 14 to 46%. Over the same period, female life expectancy increased by approximately ten years, reflecting broader improvements in health conditions (UNDP, 2021).

Education also recorded substantial quantitative gains, although the quality of education remained low (Zürcher, 2022). By 2020, school enrollment had reached approximately ten million students, a tenfold increase compared to 2001 (UNDP, 2021; Qazi Zada & Qazi Zada, 2024).

The number of girls in primary education increased from almost zero in 2001 to over 2.5 million in 2018 and around four million by 2020, accounting for roughly 40% of all enrolled students (UNDP, 2021; Qazi Zada & Qazi Zada, 2024).

The number of female students in higher education also grew from around 5'000 in 2001 to more than 90'000 in 2018, while the female literacy rate more than doubled from 13% in 2000 to 30% in 2018 (UNDP, 2021). At the same time, the educational infrastructure expanded considerably, with the number of schools increasing from around 6'000 in 2001 to almost 18'000 in 2018, and a sharp rise in the number of teachers (Easar et al., 2023). Despite these quantitative advances, however, the education system continued to be characterized by structural deficits such as insufficiently qualified teachers, limited resources, and institutional weaknesses, which kept the quality of education low (Easar et al., 2023).

Nevertheless, fundamental socioeconomic problems largely persisted. Around 47% of the population still lived below the national poverty line in 2019, and many households remain structurally vulnerable because they have limited human capital and are simultaneously exposed to frequent climate and economic shocks. Against this backdrop, the estimated effects point to measurable improvements, but allow only limited conclusions to be drawn about broad-based poverty reduction or profound economic transformation (World Bank, 2025). This highlights a key tension in the Afghan context: while official development assistance has led to measurable improvements in services and human development, it has not resulted in sustainable institutions or broad structural resilience (Zürcher, 2022).

4.2.2 Political Rupture after 2021 and the Shift from Development to Humanitarian Aid

The change of government on 15 August 2021 led to a fundamental reshaping of the political situation and context for aid in Afghanistan. The government led by the Taliban has so far not been internationally recognized (UNDP, 2021).

Subsequent analyses from 2022 show that the lack of international recognition is not solely attributable to individual political measures but is rooted in the structure of the government system itself. The Taliban have established a highly centralized system of government in which power rests with a small, predominantly Pashtun elite. Women and other ethnic groups are largely excluded from political participation. At the same time, internal tensions between political and military factions are undermining institutional stability. As a result, Afghanistan is perceived as an unreliable partner, which further complicates diplomatic relations (Sakhi, 2022). These structural characteristics not only constrain external engagement with Afghanistan but also shape how international actors are perceived within the country. An associate professor at a Swiss graduate institute emphasized that the international response is often perceived as contradictory, since the general population bears the costs of the sanctions without the Taliban necessarily being weakened as a result. From the perspective within Afghanistan, this suggests that external isolation alone does not sufficiently explain the regime's relative internal stability. Instead, this stability may be partly linked to the fact that the regime is perceived as less corrupt than the previous government, which can contribute to short-term acceptance of authority (Interviewee 7, 2026). This connection is particularly evident in the justice sector, where Taliban courts have gained local legitimacy because they are perceived as more functional and less corrupt than the former

state judicial system (Interviewee 7, 2026). This suggests that, in fragile contexts, authority may depend less on formal institutions than on the perceived ability to ensure basic order. However, such local legitimacy does not lead to comprehensive state capacity (Zürcher, 2022).

These political and institutional dynamics had immediate economic consequences. The regime change triggered a sudden suspension of international aid and the freezing of Afghan reserves held abroad, causing a severe shock to an already weakened economy. Previously, foreign aid had financed around 40% of GDP and about 80% of government expenditures, highlighting Afghanistan's extreme dependence on external support. About 9 billion USD in Central Bank reserves held abroad were frozen, which led to Afghanistan's financial system largely coming to a halt. This increased financial instability and greatly limited overall economic activity and the private sector's ability to operate (UNDP, 2021).

Beyond financial constraints, a critical but often overlooked dimension of the crisis is logistical. A senior representative of a UN aid organization in Afghanistan emphasizes that border closures, altered trade routes, and heavy reliance on imports further limit the capacity for humanitarian action. Particularly in sectors dependent on internationally procured medical and nutritional supplies, shortfalls can hardly be compensated for locally (Interviewee 19, 2026). This further reinforces the effects of ODA cuts already described, as even existing financial resources can only be used to a limited extent without stable supply chains. The resulting delays and supply shortages exacerbate humanitarian needs while also limiting the scope and predictability of humanitarian aid (Interviewee 19, 2026).

Against the backdrop of an already shrinking economy, the combined effects of financial collapse, drought, the pandemic, and political uncertainty led to a rapid deterioration of the humanitarian situation. Poverty affected almost the entire population: by mid-2022, more than 90% of the population was affected, while nearly 23 million people, over half of the country's roughly 40 million population, were dependent on food assistance, which was a historic peak. At the same time, essential services such as health care and education came under acute threat: around 90% of the World Bank-funded Sehatmandi health centers were on the verge of closure (UNDP, 2021). As an interviewee emphasized, the lack of international recognition has fundamentally altered external support. External support shifted from externally funded and structurally fragile development structures to short-term humanitarian aid, thereby further reinforcing existing dependencies and institutional fragility (Interviewee 19, 2026). The current funding crisis differs from previous cuts in international aid in that it is not simply the result of declining donor attention or funding fatigue. Rather, it is directly linked to the Taliban's seizure of power, the lack of international recognition, and the reluctance of many countries and organizations to cooperate with the regime. In addition, operational constraints and the limited scope of action available to humanitarian organizations within the country further restrict humanitarian operations and complicate the delivery of aid.

4.2.3 Macroeconomic Consequences of Aid Dependency and Funding Cuts

The political rupture after 2021 exposed the structural dependence of the Afghan economy on external assistance and intensified existing macroeconomic vulnerabilities.
Between 2014 and 2023, Afghanistan received 12% of the total net bilateral ODA provided

by the four main donors to the least developed countries (LDCs), placing it among the most aid-dependent economies in South and Central Asia (OECD, 2025a). This dependence remained exceptionally high, with official development assistance still accounting for 26.78% of gross national income in 2022, one of the highest rates worldwide (Mo Ibrahim Foundation, 2025).

Following the Taliban takeover, GDP declined by 28.56% in 2021 and remained at this reduced level in 2022, before growing by 2.7% in 2023–2024 (World Bank, n.d.; UNDP, 2025). However, these figures should be interpreted with caution, as the reliability of economic data collection in Afghanistan is limited due to the government's limited statistical and administrative capacity, as well as the high proportion of informal and unregistered economic activities.

Despite economic decline, humanitarian assistance continued to provide limited economic stabilization by supporting household consumption. However, this stabilization remained limited, as 75% of the population still faced subsistence insecurity in 2024 (UNDP, 2025). The vulnerability of Afghanistan's economic model became particularly evident in January 2025, when the US almost completely halted its humanitarian support after financing nearly half of all humanitarian funding to Afghanistan in the previous year (OCHA, 2025).

These funding cuts occurred in a context of extremely high humanitarian needs: nearly half of the population, or around 22.9 million people, were identified as needing humanitarian aid in 2025 (IRC, 2025; OCHA, 2025). The 2025 Afghanistan Humanitarian Needs and Response Plan (HNRP), which aimed to provide vital services to 16.8 million people, required USD 2.42 billion in funding. By the end of the first quarter, however, only 13% of this amount had been committed, highlighting the depth of the funding and supply crisis. The funding shortfall is directly reflected in declining service coverage: while 9.4 million people received at least some form of humanitarian assistance between January and March 2024, only 7.6 million received assistance during the same period in 2025 (OCHA, 2025). These developments extend beyond immediate humanitarian impacts, as ODA cuts are projected to reduce gross national income (GNI) by 5.0% by 2026 (Center for Global Development, 2025).[11]

4.2.4 Distributional and Cumulative Effects of Aid Retrenchment Across Sectors

Education Sector

In 2023, the largest bilateral donors to the education sector in Afghanistan were the United States (26%), Germany (14%), and Japan (14%) (OECD, 2025a). A field-based health and education specialist working for an international NGO emphasized that, while Taliban policies remain the main driver of the current deterioration, the decline in international aid has further weakened support structures for women (Interviewee 8, 2026).

Afghanistan now ranks last in the Women, Peace, and Security Index, as bans on education and employment further exacerbate gender inequality (UNDP, 2025). In 2025, more than 13 million children affected by the crisis in Afghanistan were in need of educational support, while approximately 9 million were not attending school. 57% of these children were girls

[11] No up-to-data coil be identified

(Geneva Global Hub for Education in Emergencies, 2025). Girls and women continue to be denied access to secondary and higher education, which will further reduce female literacy rates (UNDP, 2025).

In areas without functioning schools, the International Rescue Committee (IRC) offered community-based education programs, which provided teachers, learning materials, psychosocial support, and basic WASH services to promote children's learning and well-being. Following the US funding cuts, nearly 300’000 children lost access to education (IRC, 2025). Educational programs are not only being scaled back but are also increasingly being transformed into informal or deliberately adapted formats (Interviewee 8, 2026). As a result, education is losing its institutional character and shifting toward low-threshold, more welfare-oriented functions. Financial constraints are further exacerbating this trend.

Food security and agriculture

Food insecurity in Afghanistan is similarly shaped by the interaction between pre-existing vulnerabilities and declining humanitarian assistance.
In 2024, 75% of people in Afghanistan were affected by subsistence insecurity, which is 6% more than in 2023 (UNDP, 2025). Between November 2024 and March 2025, 32% of the total population was projected to face crisis food insecurity or worse (Integrated Food Security Phase Classification 3+) (UNDP, 2025). Rural communities are particularly vulnerable, as livelihood insecurity in rural areas was 15% higher than in urban areas. This is especially significant given that 71% of Afghanistan’s population lives in rural areas (UNDP, 2025).

At the same time, Afghanistan continues to face natural hazards that further worsen living conditions: severe floods hit all 34 provinces in 2024 and affected more than 170’000 people (OCHA, 2025). While these shocks, such as destroyed infrastructure and failed crops, are not directly linked to cuts in aid funding, declining humanitarian financing limits the scope for an effective response and pushes communities deeper into poverty and insecurity. Without sufficient funding, disaster prevention and long-term resilience measures cannot be carried out, which keeps the cycle of emergencies and humanitarian needs going (OCHA, 2025).

The funding cuts in 2025 led to the suspension of 400 nutrition facilities. This affects around 80’000 children under the age of five, as well as pregnant and breastfeeding women, who now no longer have access to specialized nutritional treatment. The dismantling of this life-saving infrastructure leads to an increased risk of acute and chronic malnutrition (Clark & ANN Team, 2025; OCHA, 2025). As one interviewee emphasized, “nutrition services aren't available for children… we’re not able to reach all targets” (Interviewee 15, 2026).

Health Sector

Total ODA for the health sector in Afghanistan amounted to USD 214 million in 2023. The US accounted for 37% of this total, while Germany accounted for 19%. The two largest donors, the US and Germany, have announced further cuts in ODA for the period 2025–2027 (OECD, 2025a). More than 14 million people have limited or no access to medical care, and nearly 9.5 million people live more than ten kilometers from the nearest health facility (El Baz et al., 2025; IRC, 2025). Many communities lack access to clean drinking water and basic sanitation, increasing the risk of disease outbreaks that can

potentially spread across national borders (IRC, 2025). Only 37% of children aged 12 to 23 months are fully vaccinated, and the vaccination rate is even lower among older age groups (El Baz et al., 2025). Children are particularly vulnerable due to very low vaccination coverage: only about half receive the first vaccination dose, and only a good third receive the second (Tello, A., 2025).

Against this already fragile backdrop, US funding cuts have led to the suspension of key programmes in the areas of health care, vaccination campaigns, malnutrition treatment, access to clean water, and protective measures. By April 29, 2025, 409 health facilities had closed or ceased operations. The southeastern region has been most severely affected, with 72 facilities closed or shut down (Clark & ANN Team, 2025). As a result, more than 700’000 people are losing access to vital aid services. Pregnant women, nursing mothers, children, and internally displaced persons are particularly affected, as vaccination programs, maternity and obstetric care, and malnutrition treatment have been severely disrupted (Tello, A., 2025). Particularly worrying is the fact that 875'000 children are suffering from severe malnutrition, while treatment for more than 15'000 severely malnourished babies has had to be abruptly halted (El Baz et al., 2025; IRC, 2025).
In addition, the WHO reports that in the first two months of 2025, over 16’000 suspected measles cases were registered, and 111 people died from the disease (Tello, A., 2025). However, these figures likely reflect only part of the actual crisis, as health research and data collection have been severely curtailed due to funding cuts. This considerably limits planning, resource allocation, the implementation of measures, and the monitoring of the situation on the ground (El Baz et al., 2025). As one interviewee emphasized, “This will affect not only the scale, but also the predictability of services” (Interviewee 18, 2026). Diseases such as measles could largely be prevented through vaccination. Yet low vaccination coverage, widespread malnutrition, poverty, and limited access to health care reinforce one another and increase vulnerability to preventable diseases.

Beyond the immediate consequences, these developments point to a structural shift in the Afghan health care system. An employee of an international health organization explains that the increasing scarcity of resources is shifting care more and more toward short-term life-saving measures and responses to disease outbreaks, while preventive services and continuous primary care are increasingly being neglected. Routine vaccinations, disease surveillance, services in the areas of reproductive, maternal, neonatal, child, and adolescent health (RMNCAH), and the treatment of severe malnutrition are particularly affected. As a result, funding cuts are leading not only to reduced coverage but also to declining continuity and reliability of health care, particularly in hard-to-reach regions of Afghanistan. This trend is exacerbated by the gradual phase-out of key funding mechanisms such as the Afghanistan Health Emergency Response (HER) project, as well as potential further cuts by multilateral development banks (Interviewee 18, 2026).

4.2.5 Coping Strategies in Afghanistan

State Responses

The regime has adopted measures to stabilize its revenue base. For example, stricter controls and new fee systems led to higher government revenues. This was possible because parts of the private sector remained economically active despite the crisis.

Agriculture and trade continued to generate added value. They were supported by existing domestic demand and international aid inflows, which maintained a tax base (UNDP, 2025).
At the same time, administrative reforms were introduced, including simplified procedures in the mining sector and new regulations in the microfinance sector. These measures increased public revenues, strengthened short-term fiscal capacity, and supported macroeconomic stabilization (UNDP, 2025). However, the government's scope for action is severely limited due to weak institutions. The Taliban have neither functioning administrative structures nor a stable financial and banking system, making it virtually impossible for them to overcome the crisis on their own (ACAPS, 2025; World Bank, 2022c). Given these limitations, the regime has increasingly relied on external actors to sustain essential services, particularly in the areas of health, education, and social security, which are largely provided by UN organizations and international NGOs (ACAPS, 2025).

Beyond these domestic limitations, the government is attempting to break out of its international isolation, with China playing a particularly important role. China is intensifying its contacts with the Taliban primarily out of security and economic interests: access to raw materials, stability along its own western borders, and the potential integration of Afghanistan into Chinese infrastructure and economic initiatives (Kaushiki et al., 2025). However, this cooperation remains limited and primarily serves Chinese priorities without providing significant financial support or long-term reconstruction programs. Despite political reservations, India also maintains limited contacts with the Taliban, particularly through humanitarian and technical channels (Kaushiki et al., 2025; Interviewee 18, 2026).
While these contacts open up individual political or economic avenues for action, they can neither replace broader international recognition nor compensate for the absence of necessary structural reforms. Both, however, are likely to be important prerequisites for more comprehensive international development cooperation (ACAPS, 2025; Shimada, 2025). At the political level, the Taliban government keeps refusing to make fundamental political and human rights changes, especially regarding the rights of women and girls (Qazi Zada & Qazi Zada, 2024; Shimada, 2025). This obstructionist stance prevents the conditions for sustainable development and keeps Afghanistan in a state of permanent dependence on short-term humanitarian aid (ACAPS, 2025).

Operational and Institutional Adaptation of UN Agencies and NGOs

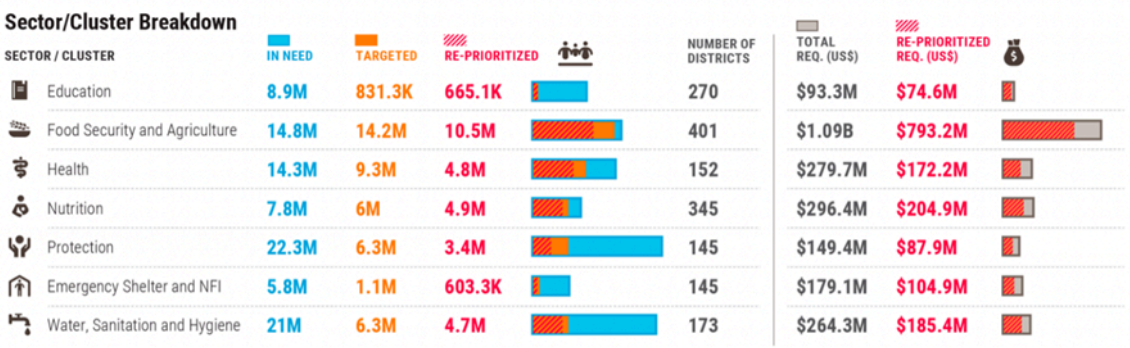
Since aid no longer flowed through government channels, organizations had to meet two conflicting demands simultaneously: accountability to donors and coordination with the Taliban as the de facto rulers. This led to higher transaction costs, more permits, and additional reporting pressures. At the same time, scarce resources were shifted from implementation to security measures. Humanitarian aid remained possible but became less efficient and institutionally more fragile (Shimada, 2025).

Against this backdrop, the current funding cuts are clearly exposing the structural weaknesses of the Afghan aid system. However, the impact of this system-wide shock is unevenly distributed. Two interviewees emphasize that larger international NGOs are much better able to cushion the impact of funding cuts through stable donor networks and flexible reallocation of existing funds, while smaller Afghan organizations, particularly women-led NGOs, are coming under significantly greater pressure (Interviewees 8 and 15, 2026). As resources become increasingly scarce, geographic prioritization is also being driven more

and more by operational and financial constraints, further marginalizing remote and rural regions (Interviewee 15, 2026). At the same time, another interviewee explained that the remaining resources are increasingly being concentrated on population groups with the most acute needs. As a result, less visible but still vulnerable groups are more frequently left outside the scope of support. Funding cuts thus trigger chain reactions throughout the entire aid structure and disproportionately impact local implementing partners (Interviewee 19, 2026).

At the operational level, humanitarian flights have been reduced, and numerous offices have been closed or merged. An analysis from March highlights the scale of these adjustments. 78% of all coordination positions at the national and regional levels are at immediate risk of being eliminated, which may result in hundreds of experienced staff members being laid off (OCHA, 2025). Organizations are closing locations and entire programs or withdrawing from particularly affected regions. For example, a large international medical NGO dependent on USAID had to lay off around 60% of its employees in 15 provinces. The same NGO was forced to close several clinics, while the IRC had to suspend central health, WASH, and protection services (Clark & ANN Team, 2025). This reprioritization is further described as part of a broader “humanitarian reset.” A program officer of a donor agency summarizes that this involves reducing overlaps, cutting administrative and personnel costs, and directing available funds more consistently toward immediate life-saving measures. Reduced food rations at the World Food Programme are cited as one concrete example. The current funding crisis is thus visible not only in shrinking coverage but also in a qualitative thinning of aid (Interviewee 16, 2026).
In addition to these operational and organizational pressures, these developments also affect the temporal organization of aid. An interviewee describes how NGOs are increasingly confronted with interrupted funding cycles, delayed disbursements, and a lack of predictability. This undermines long-term program management and further narrows the focus to short-term, life-saving measures, while areas such as resilience, livelihoods, and local governance are becoming increasingly less important (Interviewee 15, 2026).

These pressures have also led to a systematic reprioritization of humanitarian interventions within the 2025 Humanitarian Response Plan (HRP). Due to severe resource constraints, humanitarian organizations have significantly reprioritized interventions at the district level. Of 401 districts, 145 are now considered to be in particular need of support. Of these, 95 districts are at the highest level of severity (level 4), and 50 districts are at the second-highest level (level 3). This classification is based on an intersectoral analysis of need and the strategic reach of existing programs. However, the humanitarian community emphasizes that without renewed and sufficient donor support, even this greatly reduced planning cannot be sustained in the long term (OCHA, 2025).



Sector/Cluster Breakdown

SECTOR / CLUSTER	IN NEED	TARGETED	RE-PRIORITIZED	NUMBER OF DISTRICTS	TOTAL REQ. (US$)	RE-PRIORITIZED REQ. (US$)
Education	8.9M	831.3K	665.1K	270	$93.3M	$74.6M
Food Security and Agriculture	14.8M	14.2M	10.5M	401	$1.09B	$793.2M
Health	14.3M	9.3M	4.8M	152	$279.7M	$172.2M
Nutrition	7.8M	6M	4.9M	345	$296.4M	$204.9M
Protection	22.3M	6.3M	3.4M	145	$149.4M	$87.9M
Emergency Shelter and NFI	5.8M	1.1M	603.3K	145	$179.1M	$104.9M
Water, Sanitation and Hygiene	21M	6.3M	4.7M	173	$264.3M	$185.4M

Figure 28: Urgently Prioritised Humanitarian Needs and Response Plan, Afghanistan (OCHA, 2025)

As illustrated in Figure 28, this downsizing is also reflected in OCHA's 2025 assessment (via Afghanistan Analysts Network). UN Emergency Relief Coordinator Thomas Fletcher warned that the humanitarian sector in Afghanistan is likely to shrink by about a third (Clark & ANN Team, 2025). As an interviewee put it, organizational coping is increasingly shaped by contraction and strategic reprioritization (Interviewee 15, 2026).

Beyond these operational adjustments, resource scarcity also increasingly shapes how aid allocation decisions are made in practice. One interviewee explains that decisions about staff reductions or program cuts in Afghanistan cannot be based on technical criteria alone but must also consider ethnopolitical sensitivities. As a result, cuts are often designed so that no particular group is visibly disadvantaged, in order to avoid fuelling local tensions. Allocation decisions, therefore, become politically sensitive negotiation processes (Interviewee 8, 2026).

In response to these constraints, some international actors in Afghanistan are increasingly turning to phased handover approaches, in which selected services are not abruptly discontinued but are gradually transferred to the de facto authorities. As an interviewee explained, these measures primarily aim to preserve basic services under severe financial and operational pressure. They are accompanied by limited capacity-building measures and greater service integration. Contributions from regional actors often take the form of in-kind support and are therefore only partially flexible in practice, meaning that they have so far only been able to compensate for funding gaps in Afghanistan's health system to a limited extent. The interviewee further suggests that the sustainability of such handovers depends strongly on their duration: the more gradual and extended the transition period, the more likely it is to remain operationally viable (Interviewee 18, 2026).

Beyond these immediate operational inefficiencies, the current aid regime is also associated with a deeper erosion of institutional capacity. As an interviewee emphasized, the abrupt funding cuts have led to a significant loss of expertise, as many experienced staff members have left the country and are unlikely to return: "a lot of senior and very experienced staff left – and they will never come back." (Interviewee 16, 2026). The current crisis therefore not only weakens ongoing humanitarian efforts, but also undermines the institutional foundations necessary for future crisis management and long-term recovery processes.

Household Responses

Many families try to survive with the help of emergency strategies, such as the reduction of food consumption, taking on debt, child labor, or arranged marriages for underage girls, as well as the sale of animals or property. Because of the banking sector's instability and restricted access to financial services, many families increasingly depend on informal financial methods like hawala[12]. In addition to these coping strategies, remittances from the Afghan diaspora also play a role in supporting households. Although relatively modest, they amounted to around $320 million in 2023. This represents 3.2% of GDP and was an important additional source of income for many families (UNDP, 2025).

An interviewee makes clear that the growing vulnerability of many households cannot be explained by declining international aid alone, but results from the interaction of several crisis dynamics. Alongside funding cuts, public employment opportunities are shrinking, while returns from Pakistan and Iran are increasing simultaneously. For many households, this means that income sources, external fallback options, and migration-based survival strategies are eroding at the same time. Negative coping strategies, therefore, appear less as isolated reactions than as expressions of an intensifying multiple crisis (Interviewee 16, 2026). This collapse of the formal financial system not only had macroeconomic consequences but also weakened the informal safety nets on which many households depend. Remittances in particular became harder to access and less reliable. As a result, an important source of household support was disrupted, which further damaged livelihoods (Interviewee 7, 2026).

Beyond these financial constraints, support mechanisms are often limited to family, or kinship, based networks, while broader forms of mutual aid exist only to a limited extent. Combined with widespread trauma, this hinders collective coping strategies and significantly limits societal resilience in the face of ongoing crises (Interviewee 8, 2026).

4.2.6 Development and North–Afghanistan Relations

“It’s not only less aid – it’s how Afghanistan is suffering from the way aid has been structured… the cuts just exposed it” (Interviewee 15, 2026). As this suggests, the recent funding cuts in Afghanistan points less to a sudden collapse than to the underlying fragility of an aid system that has long depended heavily on external donors.

This fragility is linked not only to weak state institutions but also to the structural conditions of international aid itself. This is particularly evident in the so-called “aid paradox”: due to a lack of international recognition, development cooperation is no longer primarily implemented through state structures but is instead increasingly fragmented and indirect. As a result, aid remains largely disconnected from state governance processes, which further limits its long-term effectiveness (Shimada, 2025).

Several interviewees also described a fundamental disconnect between funding priorities and actual needs. While many regions require long-term investments in healthcare,

[12] An informal, trust-based money transfer system operating outside traditional banking

education, infrastructure, and economic opportunities, international aid continues to focus primarily on short-term humanitarian measures. At the same time, the much-discussed localization of aid has so far remained limited: Afghan NGOs predominantly handle operational implementation tasks, while strategic decisions and financial control remain with UN organizations and major international actors. As a result, asymmetrical power and decision-making structures persist between international donors and local organizations. One interviewee therefore advocates for a stronger bottom-up approach based on direct and long-term partnerships with local organizations (Interviewee 15 and 19, 2026).

These dynamics are further exacerbated by political stalemate at the international level. Since 2021, the framework for international cooperation has remained largely politically frozen. Fundamental changes therefore depend less on technical reforms within the aid architecture than on the stance of key international actors, particularly the U.S., toward the Taliban government. At the same time, external financing remains indispensable for Afghanistan, as regional or philanthropic actors have so far failed to provide an equivalent substitute for large-scale international support (Interviewee 16, 2026).

The Afghan case thus highlights a central dilemma of international development cooperation in fragile contexts: although external aid remains indispensable in the short term, the political and institutional conditions under which it is provided simultaneously contribute to reproducing long-term dependencies and crisis dynamics.

5. TRANSFORMATION OF THE AID SYSTEM

5.1 Coping Strategies and Emerging Actors

What coping strategies are being adopted, and who are emerging winners and losers?

5.1.1 The Unequal Architecture of Adaptive Capacity

What appeared in 2023 as a coping mechanism had itself become part of the crisis by 2025. Adaptive capacity is highly unequal, and its distribution closely mirrors existing hierarchies of development vulnerability. The decline in aid may be cushioned to some extent by countries with stronger fiscal systems, access to credit markets, and the institutional capacity to build alternative partnerships. Low-income and fragile states, where ODA funds a large share of public expenditure, have much less room for adjustment (OECD, 2025a).

The most common reaction to cuts in ODA has been non-adaptation rather than effective adjustment. “I am not aware of any domestic resources and private funds that have replaced the losses in ODA … what has happened is the activities have stopped and there has been no continuation or alternative funding” told by an interviewee (Interviewee 4, 2026). This contradicts the substitution narrative that is often cited. Another interviewee confirmed that much of the humanitarian sector is still in shock, with organisations primarily focused on managing cash flow and ensuring the institutional safeguarding of organisational survival (Interviewee 12, 2026). The strategies discussed below should therefore be understood as partial or aspirational pathways rather than as compensatory mechanisms.

5.2.1 Domestic Resource Mobilisation and Private Finance

Domestic resource mobilization (DRM) is the most frequently cited long-term coping strategy. The UNCTAD report (2025a) places it at the centre of its forward-looking recommendations. However, one interviewee precisely defined the structural limit: "If the UK decides to cut its aid budget by 50% within one year, recipient countries cannot mobilize that equivalent financing in the same time period. DRM takes time. It requires the economy to grow before you can start collecting taxes on that level. Countries have to set up systems, it is not a one-to-one swap by any means" (Interviewee 13, 2026).

Private finance mobilization reached a historic high in 2024, with USD 77 billion mobilized through official development finance interventions, mostly by multilateral development banks, which accounted for 76% of the total (OECD, 2025a). However, an interviewee stated that private finance cannot replace concessional resources, at best, it can complement them. They further argued that private investments go where returns are visible and where risks are manageable, but in social sectors returns are limited, and therefore private investment is minimal (Interviewee 6, 2026). The same applies geographically that LDCs and fragile states receive relatively low private investment.

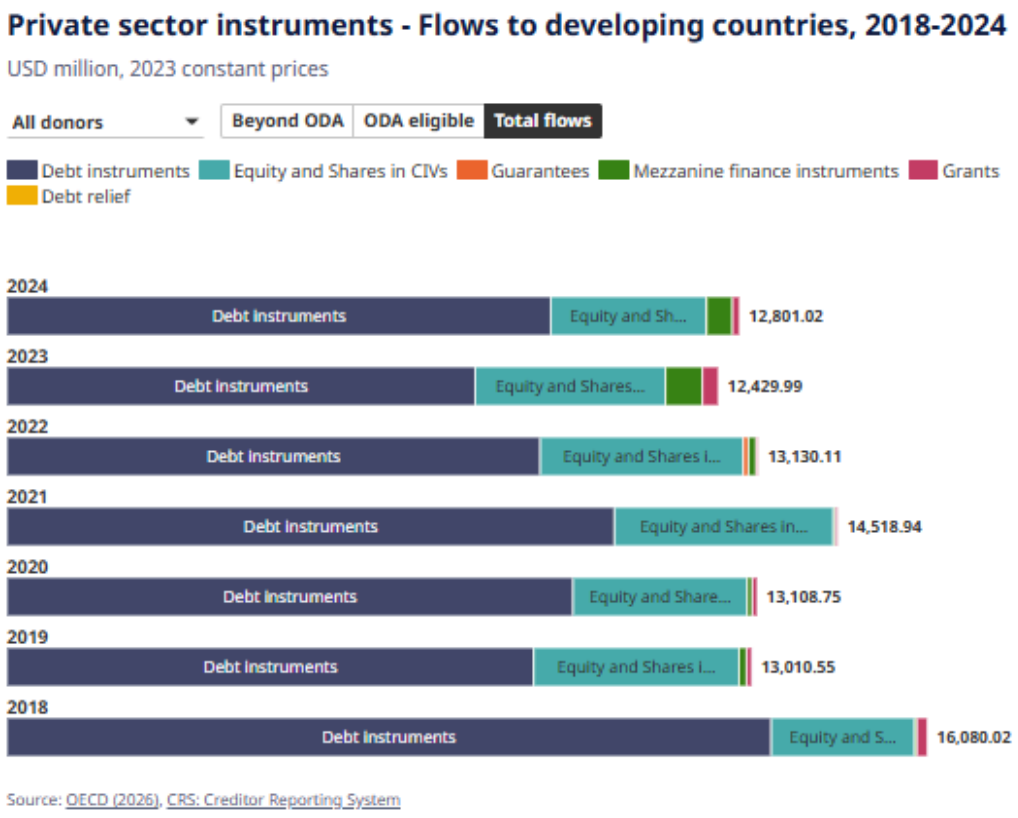


Figure 29: Private sector instruments - flow to developing countries, 2018-2024, (OECD, 2026)

Figure 29 shows that private sector instrument (PSI) flows have been flat in real terms between USD 12.4 billion (2023) and USD 16.1 billion (2018) per year, with no sustained upward trend. PSIs account for only 1.9% of total ODA. Private sector financing through official development channels is largely loan-based, imposing future obligations on recipient

governments rather than providing the concessional transfers on which low-income countries most depend. Private sector instruments serve as a useful complement to concessional finance in the context of the USD 4 trillion annual SDG financing gap documented by UNCTAD (2025a), but they do not replace the scale of support that current retrenchment requires.

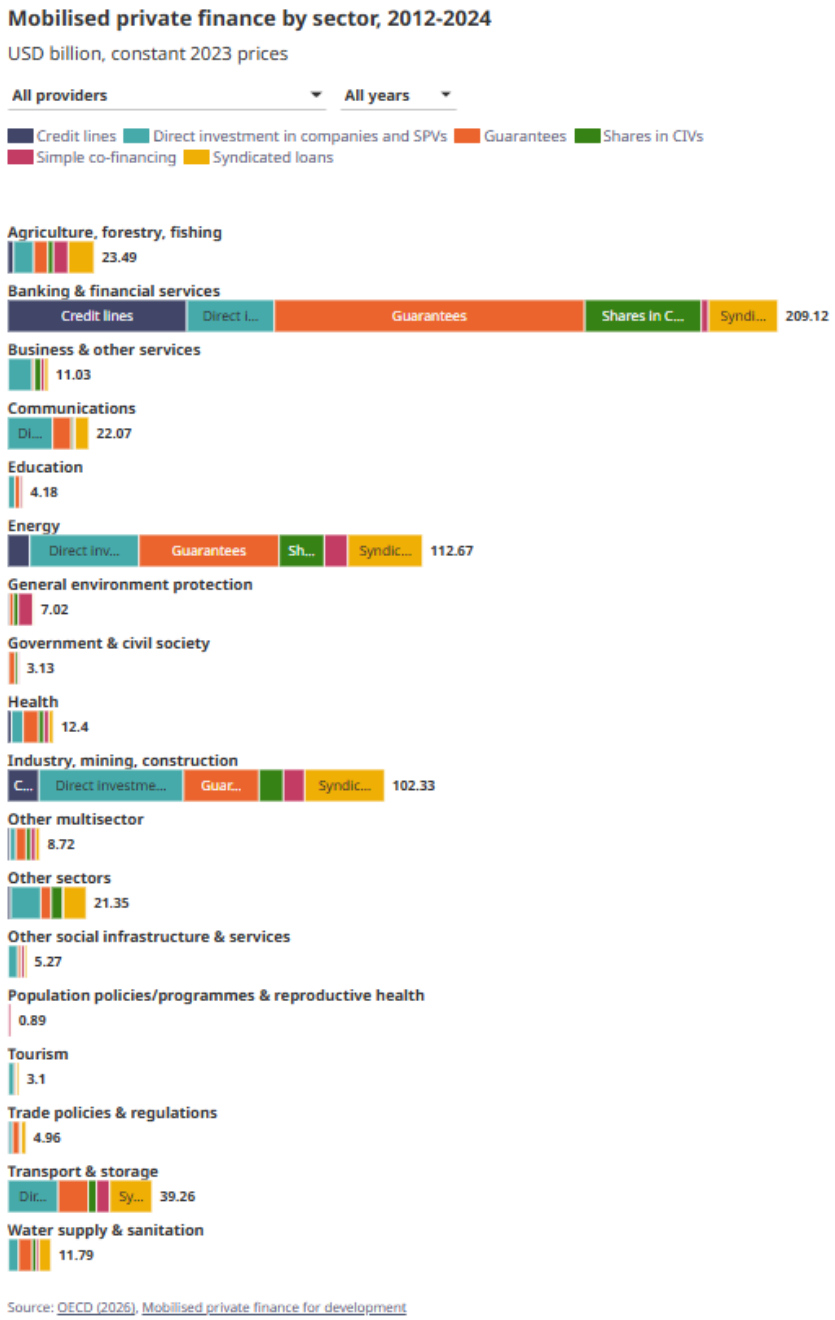


Figure 30: Mobilised private finance by sector, 2012-2024 (OECD, 2026)

Figure 30 demonstrates the sectoral concentration of mobilized private finance between 2012 and 2024. The largest volumes are concentrated in banking and financial services (USD 209.1 billion), energy (USD 112.7 billion), and industry, mining, and construction (USD 102.3 billion), while social sectors receive comparatively little. Over the same period, health attracted only USD 12.4 billion, education USD 4.2 billion, government and civil society USD

3.1 billion, and water supply and sanitation USD 11.8 billion (OECD, 2026). The figure, therefore, gives strong visual support to the argument that mobilized private finance follows a fundamentally commercial incentive. It is directed primarily toward sectors where returns can be structured, risks can be mitigated, and investment instruments such as guarantees, syndicated loans, and direct investment are viable. This makes it a limited substitute for concessional aid. While it can complement ODA in commercially attractive sectors, it cannot replace grant-based public financing in the very sectors where current aid cuts are likely to have the most severe developmental consequences, particularly health, education, governance, and basic services.

The IC Forum 2026 discussions add important practitioner perspectives on the private engagement narrative. Pietro Lazzeri, Ambassador and Head of the Economic Cooperation and Development Division at SECO, argued that the private sector is no longer just a donor, but also a logistics partner, technology provider, and locally embedded economic actor (IC Forum, 2026). Laurent Matile, Expert for Business and Development at Alliance Sud, however, warned that private-sector engagement can contribute to humanitarian and development action but cannot replace the role of governments, and that some innovative finance mechanisms fail to generate additional funding and may be too complex or slow for acute crisis response (IC Forum, 2026). Josie Lianna Kaye, Chief Executive Officer and Founder of TrustWorks, added that private business activity in fragile and conflict-affected settings is never neutral, even well-intentioned operations can worsen conflict or perpetuate inequality if conflict dynamics are not carefully navigated (IC Forum, 2026). The analytical conclusion from the forum is therefore not that private sector engagement should be rejected, but rather that it is a conditional and context-sensitive coping mechanism.

5.1.3 Blended Finance: Mechanisms and Limitations

An interviewee explained that in a blended finance structure, public funds occupy the bottom of what is called the “capital stack”, the risk-bearing layer that absorbs losses first, thereby protecting private investors who occupy higher, safer positions in the stack (Interviewee 6, 2026). The question is, they explained, how much risk the public sector should take. Private investors want maximum protection, but public actors must ensure they are not oversubsidizing.

The principle of minimum concessionality, the provision of only the level of subsidy necessary to attract the investment, is central to avoiding the oversubsidization of private investors at public expense. "If more than necessary is being provided, it is simply subsidising private investors unnecessarily," they noted. "Therefore, countries and civil societies should find the level of subsidy that is just enough to attract the private investor but not more" (Interviewee 6, 2026).

The same interviewee acknowledged that the pattern for blended finance is clear. Private investments go to financial services, energy, and infrastructure, not to social sectors, fragile contexts, or low-income countries. They further argued that blended finance limitations should be acknowledged openly, ODA should be used where it is most needed, and private finance should be focused where it works.

5.1.4 Philanthropic Finance and Emerging Donors

From 2017 to 2024, philanthropic providers contributed an average of USD 10.5 billion per year in concessional development finance, with the Gates Foundation alone accounting for 48.5% of the total. In 2024, the philanthropic total fell by 7%, a reversal at the time of greatest financing stress (OECD, 2025b).

An interviewee shared a clear assessment of this financing stream (Interviewee 3, 2026). In their view, private philanthropy is guided by donor preferences rather than by beneficiary need. It may also lack the principled foundations such as neutrality, impartiality, and compliance with international humanitarian law, which public ODA frameworks are intended to uphold. Philanthropy can help sustain public attention and support advocacy, but it cannot reproduce the scale, structure, or time horizon of public development assistance. A senior policy analyst in public finance confirmed this by stating that as of now it is not observed that a wave of philanthropists stepping in to compensate for current donor retrenchment (Interviewee 4, 2026).

On emerging donors, a senior representative in development cooperation policy made the important distinction that South-South cooperation is more complementary than substitutive, meaning if one donor pulls out, that does not mean another will automatically step in (Interviewee 5, 2026). They also noted that China does not report its aid to the OECD, making it impossible to know whether announced commitments represent new resources. Politically, they may seem complementary, and technically, this cannot be verified. One interviewee further emphasized this point by saying “China has been opaque for many years, and the rules-based system itself is weakening” (Interviewee 6, 2026).

The CGD brief provides empirical support for this. The share of total development finance from emerging donors fell to 9.5% in the 2024 assessment, down from 16.2% in 2020 (Hughes et al., 2025). Therefore, donor diversification is not yet compensating for traditional retrenchment.

5.1.5 Alternative Coping Mechanisms

An interviewee identified an emerging trend beyond blended finance. The combination of ODA with climate finance, export credits, and commercial investments is increasingly treated as a combined toolbox by development finance institutions and export credit agencies. As the same interviewee observed in the UK case, the country no longer presents itself as a donor but as an investor with impact, and ODA becomes one instrument within a wider ecosystem of finance rather than a distinct category with its own developmental logic (Interviewee 6, 2026).

The most concrete expression of this shift is the emergence of bilateral transactional agreements in which access to development finance is explicitly conditioned on commercial provisions. Replacing the architecture of USAID and PEPFAR, the United States has pursued country-by-country agreements across approximately thirty countries that tie health assistance to conditions including domestic financing commitments, pathogen sharing, disease surveillance, and preferential treatment for US commercial interests (KFF, 2026a). Several recipient governments have publicly contested these terms, including Ghana, Zimbabwe and Kenya (KFF, 2026a). These cases reflect a pattern in which aid dependency

is being leveraged to secure strategic compromises that would have been outside the scope of development agreements under the previous framework.

The analytical significance extends far beyond individual cases. Health assistance, the most structurally dependent sector on concessional financing, is being reframed as an instrument of geopolitical competition, conducted outside multilateral accountability systems and increasingly separated from the normative framework of the DAC system.

For donors that have not followed this transactional turn, the implication is direct. The credibility costs incurred through contested bilateral negotiations constitute a measurable erosion of relational capital in precisely those parts of the world where development partnerships matter most. Principled, transparent, needs-based engagement is not simply a normative stance in this context, it is an increasingly scarce strategic asset.

5.1.6 Localisation and Aid Effectiveness

Localization, the transfer of funding and decision-making power to local, and regional actors, is now presented as both a coping strategy and a shared aspiration. However, a director of a humanitarian solidarity organization at the IC Forum 2026 stressed that its implementation remains experimental. Direct funding to local organisations in Ukraine and Syria had been piloted with third-party monitoring, but these arrangements were still being evaluated. This matters because localization cannot be used as rhetorical cover for shrinking aid if the institutional conditions for a real transfer, direct funding, equitable partnerships, and fairer risk-sharing are not realized.

On aid effectiveness, an interviewee identified both a warning and a modest positive sign in the UK case (Interviewee 9, 2026). The Foreign, Commonwealth & Development Office (FCDO) allocation model now incorporates UK economic interests and migration objectives alongside traditional development criteria, reflecting a shift away from development optimization toward multi-objective political allocation. At the same time, the UK has established a fixed and predictable aid budget, which allows multi-year planning. In that sense, a lower but reliable budget may be preferable to a larger one that can be withdrawn suddenly.

The Kiel Institute working paper (Heidland et al., 2025) provides the mutual interest framework for prioritization. Aid for trade, global health security, and post-conflict stabilization generates large shared returns for both donors and recipients, making these modalities structurally more politically durable than purely altruistic framing under conditions of domestic fiscal pressure. One additional dollar in trade-related aid generates approximately USD 1.1 in additional exports for Japan and USD 0.6 for France while also improving recipient trade capacity (Heidland et al., 2025). Conflict-prevention aid yields USD 26–75 in long-run returns in still peaceful countries and up to USD 103 in countries with recent violence.

5.1.7 Who are the winners and losers

The evidence reviewed across this section points to a consistent structural pattern in who is set to adapt and who is not. Countries able to attract commercially oriented finance,

infrastructure investment, or geopolitically valuable partnerships, particularly middle-income states with stronger institutions, some access to capital markets, and strategic relevance to major powers, may absorb reductions in ODA with relative effectiveness. Low-income and highly aid-dependent countries, by contrast, face a fundamentally different situation. In grant-dependent sectors such as education, governance, social protection, and humanitarian service delivery, the alternative financing mechanisms discussed above are often structurally inaccessible, concentrated in other sectors, or insufficient in scale. The resulting winner-loser pattern replicates and deepens the distributional logic identified in Section 2. The same concentration of donor power that makes aid cuts' geographic effects regressive also makes adaptive capacity regressive.

5.2 Transformation of the Development Paradigm

How do these transformations impact the development (and sustainability) discourse and patterns of relations between the global – developed – North and the developing – South?

5.2.1 A Structural Fracture, Not a Fiscal Event

Current ODA cuts are both symptoms and accelerants of a deeper structural transformation. They are reshaping the architecture, actors, and North-South dynamics of development cooperation. An interviewee outlined a framework that distinguishes four broad motivations for development cooperation (Interviewee 5, 2026). The first is solidarity and moral responsibility where richer countries believe they can, and should, support poorer ones. The second is historical obligation, in which states feel compelled to support specific partners because of colonial legacies or other historical relationships. The third is common interest through multilateral collaboration, the idea that by working together, countries can achieve outcomes that would be unattainable on their own, particularly in the provision of global public goods. The last is national interest, defined by political, economic, migration-related, or trade-related aims.

This fourth motivation, they observed, has always existed, but it has now become more explicit and more prominent, visible in the growing use of language such as "win-win," "mutual benefit," and "investment and trade." The current transformation in aid systems points increasingly toward transactionalism. It is a mode of engagement in which development finance is extended primarily on the condition of reciprocal benefit to the donor and in which solidarity and historical obligation, while not disappearing entirely, are progressively inferior to monetary return, commercial access, strategic cooperation, migration containment, or data provision. The distributional and institutional consequences of ODA cuts cannot be fully understood without recognizing the balance among these motivations now being shifted. The DAC system, which was originally built around solidarity and common interest norms, was not designed to accommodate the increasingly transactionalist terms that were renegotiated.

Tanzania illustrates the concrete consequences of this shift. President Hassan’s public rejection of traditional Western aid in favor of trade and investment while technical ministries remain deeply concerned about losing donor financing reflects precisely this tension between the new transactionalist discourse and the operational reality of aid dependency on the ground (Interview 17, 2026).

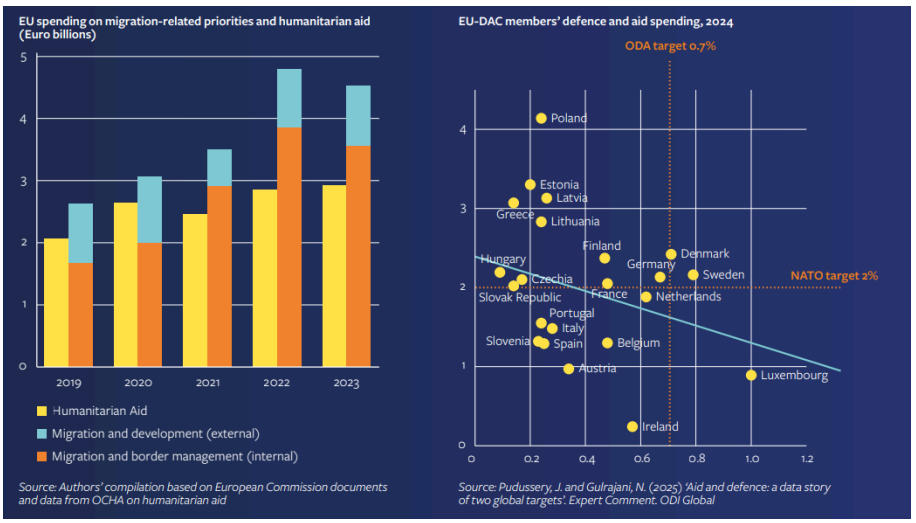


Figure 31: EU spending priorities and the growing tension between migration, defence, and aid (ODI Europe, 2025)

Taken together, these two graphs illustrate the changing political economy of external spending in Europe. The left panel shows that EU spending on migration-related priorities increased rapidly between 2019 and 2023, growing faster than humanitarian aid, suggesting that external financing has increasingly been directed toward migration and border-related objectives. The right panel supports this broader restructuring of priorities by showing that EU-DAC members that meet or approach the NATO 2% defense target do not meet the 0.7% ODA target. Read together, these figures suggest that aid is being strained not only by overall fiscal pressure but also by the rising salience of security, migration, and defense in European spending choices. The current transformation of development cooperation is therefore a shift in political prioritization, not simply a decline in available resources.

Another interviewee said “ODA has never been only about poverty alleviation, even if this has been the dominant public narrative” (Interviewee 13, 2026). It has also long served climate objectives, migration management, and geopolitical priorities. So what has changed now is not that aid has suddenly become political, but that the resource envelope is shrinking even as the number of competing priorities is increasing, creating a sharper trade-off environment.

The notion of a political aid squeeze, introduced in CGD, captures this well. Panelists argued that "we are not just facing a budgetary aid squeeze but also a political aid squeeze," meaning the domestic political constituency for solidarity-based aid is being compressed simultaneously from both ends of the spectrum. On one hand, aid is increasingly conditioned on migration control, geopolitical competition, and private sector returns. On the other hand, it is expected to absorb ever-expanding demands around climate, inequality, and social justice far beyond what the instrument was designed to deliver.

Neither set of pressures fits comfortably within the prior poverty-focused model of development cooperation (CGD Talks, 2026). What emerges in their place is an aid system increasingly driven by the political needs of donor countries rather than the development needs of recipient populations. Funding decisions are shaped by electoral cycles, coalition

pressures, and strategic calculations that have little correspondence to where poverty is deepest or humanitarian need is most acute. The solidarity impulse, the foundational premise that richer countries bear an obligation toward poorer ones regardless of strategic return, is not simply weakening, but it is being actively displaced by a transactional logic in which every aid dollar is expected to deliver a measurable benefit back to the donor. An interviewee noted the consequence of this shift, saying that “ODA is not exclusively a fiscal instrument but a foreign policy instrument, and as the foreign policy calculus of major donors shifts, so too does the willingness to engage with partners for whom no immediate strategic return is visible” (Interviewee 2, 2026). As another interviewee put it, aid-giving has eroded and pulled in many different directions. In such a context, fragmentation becomes the dominant outcome, "not a reformed system with a new coherent logic, but a residual one in which the populations most dependent on external finance are precisely those with the least political leverage to claim it" (Interviewee 13, 2026).

5.2.2 The Quality–Quantity Distinction

The crisis is not only about shrinking finance. It is equally about whether development finance stays targeted, concessional, coordinated, transparent, and recipient-led. This distinction, clearly developed by Hughes et al. (2025), is essential to understanding the paradigm shift in full.

TABLE 1 Development finance performance: How we assess finance quantity and quality

QUANTITY	QUALITY					
	MULTILATERAL SUPPORT	POVERTY AND FRAGILITY FOCUS		EFFECTIVE PRACTICE		
Finance for International Development (FID) The grant-equivalent value of cross-border finance a country provides as a proportion of its GNI.	The proportion of FID provided through multilateral institutions, not including earmarked funding.	**Poverty focus** The weighted average of the inverse of each recipient country's GNI (PPP) per capita.	**Fragility focus** The weighted average of the inverse of each recipient country's fragility score.	**Transparency** Assessment of the timeliness, openness, and comprehensiveness of development finance reporting.	**Tied status** Percentage of development finance without condition of procurement from donor service providers.	**Ownership** Share of donor projects aligning with recipient objectives frameworks

Notes: a full explanation of FID, as well as the method and weights of these indicators, is given here. GNI data for poverty focus is based on purchasing power parity (PPP), which adjusts for price differences between countries.

Figure 32: Multidimensional evaluation framework for development finance quality, CGD (Hughes et al., 2025)

The CGD evaluation framework shows that a provider can deliver a high volume of finance while performing poorly on targeting, multilateralism, transparency, and ownership. The analytical contribution of the figure is to show that the transformation of development cooperation is not only about aid scale but also aid modality. Importantly, Hughes et al. pointed out that recipient ownership appears to have improved on some dimensions, suggesting that the system is becoming less poverty-focused while, at the same time, in certain respects, more aligned with recipient priorities in implementation. This divergence, better implementation quality alongside worsening allocation quality, captures the contested and non-linear nature of the current transformation.

An interviewee identified transparency and predictability as perhaps the most serious long-term institutional risks (Interviewee 5, 2026). If more actors enter who do not follow OECD-DAC norms, transparency declines and predictability weakens, making it harder for developing countries to know what resources they can count on. Another interviewee stated the same point noting that “the rules-based system is already breaking down” (Interviewee 6, 2026).

The UNCTAD report (2025a) situates this issue in broader terms, arguing that aid is at the crossroads. It identifies four outlines for the future: first, the recommitment to long-standing aid and climate finance goals, followed by rethinking aid effectiveness; later, strengthening developing country agency; and lastly, reforming the international financial architecture to scale up affordable, long-term finance.

5.2.3 Changing North–South Relations

An interviewee documented a relational shift at the operational level, noting, "Governments now increasingly insist that humanitarian operations pass through ministries and national systems" (Interviewee 12, 2026). The interviewee stated a period of operational autonomy is over. This assertion of sovereign authority raises questions that the literature has not resolved. Recipient governments have legitimate claims to political oversight of activities conducted on their territory, and channelling aid through national systems can strengthen state capacity and public accountability.

Academic literature on decentralization consistently shows that devolving financial flows to local institutions does not automatically improve governance outcomes and in some contexts has decentralized corruption rather than eliminated it, particularly where oversight mechanisms are weak and civil society space is constrained (Smoke, 2015). Whether the push for national systems reflects genuine sovereign assertiveness, a strategic effort to capture aid flows within public finance frameworks, or a combination of both remains as a question that varies significantly by context.

An interviewee questioned the continuing usefulness of the North–South binary itself (Interviewee 4, 2026). Rather than a coherent Global South, they identified axes of power and regions of interest, implying more differentiated trajectories across Latin America, Asia, and Africa. Another interviewee offered a parallel assessment of Europe's declining role, noting that traditional European donors are becoming less central in Africa as countries forge new partnerships and actors such as China occupy increasingly strategic positions, including in critical minerals (Interviewee 6, 2026).

Tanzania exemplifies this with its two-year attempt to collaborate with China on malaria programming, which collapsed due to differences in working modalities (Interview 17, 2026), illustrating that while emerging donors are diversifying the landscape rhetorically, they are not replacing the social sector functions that traditional ODA primarily served, a finding consistent with the broader pattern identified across the literature.

Perspectives from the Middle East, both as a donor group through Gulf state engagement and as a recipient region, are notably absent from the available literature. This constitutes a literature gap where the North–South relational shift is being documented primarily from a

Northern standpoint, and recipient-country political strategies in the face of aid contraction remain insufficiently theorized.

The Social Science Research Network (SSRN) preprint by Barreix Sibils et al. (2025) connects the aid crisis to the Rio G20 Leaders' Declaration, the Sevilla Commitment, and the OECD/G20 global minimum tax framework. It argues that the future of development cooperation may depend on whether politically ambitious redistribution mechanisms, taxes on ultra-high-net-worth individuals, a global minimum corporate tax, or a financial transactions tax can be pushed ahead in an international environment that is simultaneously pulling back from traditional aid commitments. These proposals face major enforcement and political feasibility constraints, but their significance lies in demonstrating that the absence of financing at this scale is a political choice.

Not only is the development paradigm receding, but it is being reshaped by several simultaneous and partly contradictory processes. Aid is shifting from solidarity toward strategic interest, but when mutual benefits align, strategic interest can still enable development effectiveness. Allocation is becoming less poverty-focused, but some aspects of implementation quality are improving. Localization is advancing rhetorically while structural power remains concentrated. Emerging donors are diversifying the landscape without replacing the social sector functions that traditional ODA primarily served.

What is beyond doubt is the direction of normative change. Development cooperation is becoming more transactional, more geopolitically mediated, more fragmented, and less consistently governed by poverty-focused, solidarity-based principles. The 2025 preliminary data, confirming a 23.1% decline in ODA , the largest fall on record, means that this is not a projected transformation but a documented one. Whether this shift translates into a sustainable new paradigm or sparks renewed multilateral commitment will depend on the political decisions that remain to be made around taxation, multilateral investment, localization, and institutional redesign. As another interviewee concluded, the system is entering a period of major change, and traditional donors will struggle to define their role within the new international order (Interviewee 6, 2026).

6. CONCLUSION

This report set out to answer four interconnected questions at a moment of historic disruption in international development cooperation. The four research questions moved deliberately from the empirical to the structural. The first question asked about distributional effects, assessing who is most affected by ODA cuts across regions, countries, and sectors. The second addresses cumulative impacts on human development. The third highlighted coping strategies and who the winners and losers are. The last question examines how this shift is reshaping the development discourse and the relationship between North and South.

Across all four research questions, the findings converge on a single overarching argument that what is underway is not a fiscal event. It is a structural transformation of the development cooperation system. The 2025 data, confirming a 23.1% decline in ODA, the largest ever recorded, made this not a projected transformation but a documented one (OECD, 2025a).

The distributional effects are regressive and concentrated. The deepest reductions fall on the LDCs and the sectors most dependent on concessional finance, particularly health, education, and governance, while remaining resources are increasingly directed toward geopolitically proximate recipients and delivered through instruments that generate future debt obligations for those least able to carry them. No alternative financing mechanism is operating at the scale or sectoral orientation required to substitute for these losses. Coping strategies are partial, aspirational, and structurally mismatched with the pace of contraction. And at the level of political motivation, solidarity is retreating as the primary driver of donor engagement, replaced by a transactional logic in which development finance is increasingly tied to what the recipient country can offer in return rather than what it needs.

The Tanzanian case illustrates that even when institutions function, governments are engaged, and donor relationships are long-standing and well managed, the withdrawal of targeted development programming leaves structural crises unaddressed and deepening. The interruption of HIV treatment, the termination of teacher training programmes, and the closure of youth vocational programmes are not collateral damage. They are the predictable consequence of withdrawing complementary financing from systems that were never sufficiently self-sustaining to absorb its loss.

The Afghanistan case illustrates the extreme consequences of an abrupt withdrawal of international aid in a context that is already politically and institutionally fragmented. The political upheaval following 2021 not only destroyed key state structures through which development cooperation was organized but also accelerated the shift from long-term development assistance to short-term humanitarian crisis response. As a result, acute needs are less effectively addressed, and long-term institutional capacities are increasingly weakened. This is particularly evident in the education and health sectors, in the loss of qualified professionals, and in the collapse of data systems and preventive structures. The current funding crisis thus not only produces immediate humanitarian consequences but also hinders social and institutional recovery for an entire generation. At the same time, declining humanitarian funding prevents long-term investments in resilience and prevention, thereby contributing to the further intensification of existing crisis dynamics.

The sectoral case study on health shows that what can be observed in Tanzania and Afghanistan are not exceptions but rather specific manifestations of a structural pattern documented across 93 countries in the da Silva et al.'s severe defunding scenario. The sector most dependent on external concessional finance is losing its principal funder, no alternative actor is filling the gap, and the architecture for measuring the consequences is being dismantled alongside the consequences themselves.

While the 2025 figures are striking, they remain preliminary. The full consequences of current aid reductions will only become visible over the medium to long term, as programme closures translate into service gaps and service gaps into deteriorating health and education outcomes. This report therefore captures the beginning of a structural shift in the aid system, rather than its full extent.

The analysis is subject to several limitations. The interview sample is weighted toward Northern institutions and international organizations, leaving the perspectives of practitioners operating directly within affected communities underrepresented. The country cases of

Tanzania and Afghanistan, selected for their contrasting contexts, cannot present development in other regions, including Latin America, the Pacific, or middle-income countries more broadly. Data constraints further limit assessment of emerging donors, particularly China and Gulf states, whose development finance is not reported to the OECD. While the evidence presented strongly indicates significant negative consequences from ODA cuts, it also signals causal patterns. The most consequential gap identified is how countries in the Global South are responding to donor withdrawal, beyond the perspectives conveyed by regional or international institutions. Understanding how Southern governments and societies navigate a context of shrinking and increasingly conditional aid should be a central priority for future research.

In this fast-evolving transformation, as aid becomes a bargaining chip, as solidarity retreats, and as the populations most dependent on external finance are left to navigate a residual system designed neither for their needs nor around their agency, the question this research ultimately leaves open is whether the international community will find the political will to decide, before the losses become irreversible, that some forms of human development cannot be made conditional on what the recipient country is prepared to offer in return.

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2. Senior economist in a multilateral development organisation - Interviewee 2, 2026
3. Director of a humanitarian solidarity organisation - Interviewee 3, 2026
4. Senior policy analyst in public finance at an international organisation - Interviewee 4, 2026
5. Senior representative in development cooperation policy - Interviewee 5, 2026
6. Senior economist specialising in development finance and private sector mobilisation - Interviewee 6, 2026
7. Associate Professor at a Swiss graduate institute - Interviewee 7, 2026
8. Field-based health and education specialist of an international NGO - Interviewee 8, 2026
9. Researcher at a global development policy think tank - Interviewee 9, 2026
10. Global Health Expert at a Research and Implementation Institute - Interviewee 10, 2026
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13. Senior researcher in development finance and public policy - Interviewee 13, 2026
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15. Director of a national NGO network in Kabul - Interviewee 15, 2026
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18. Team Lead for Partnerships and External Relations at an international organization in the health sector - Interviewee 18, 2026
19. Senior representative of a UN humanitarian agency in Afghanistan - Interviewee 19, 2026
20. Public Health Director at a Human Rights NGO - Interviewee 20, 2026