CENTER FOR GLOBAL DEVELOPMENT

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The Future of US Foreign Assistance: How Low Can They Go?

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The dramatic and unexpected cessation of US foreign aid could change the trajectory of development assistance for years to come. The sudden stop in funding is reverberating globally, destabilizing the aid community and cutting off access to hundreds of lifesaving programs affecting millions of people. The question is not whether there will be measurable impacts on poverty, mortality, health, and hunger, but how severe they will be.

Despite jarring evidence of the negative impact of the aid freeze and bipartisan appeals to restore funding, the administration has doubled down, canceling 90 percent of USAID contracts and defying a federal court order to resume funding.

This turn of events is provoking widespread anxiety about whether the Trump administration will honor legacy pledges to multilateral organizations not affected by the spending pause, as well as how it will approach major upcoming replenishments including the Global Fund, Gavi, and the African Development Fund (AfDF).

In this note, we take a closer look at the stakes for multilateral development banks (MDBs) and major vertical funds related to health, food, and climate. We argue that:

- Among the most vulnerable institutions are the International Development Association (IDA), the African Development Fund (AfDf), the Asian Development Fund (AsDf), the World Food Program (WFP), the Global Fund, and Gavi, the Vaccine Alliance.
- The financial capacity of MDB hard loan windows should not suffer if the US reneges on its pledges, which are relatively small, but there is a risk that rating agencies could respond negatively.

- Even without US funding, there should still be ample MDB resources for climate mitigation, especially for middle-income countries. But resources for adaptation—which poor countries especially need—are already woefully inadequate and may be further diminished.

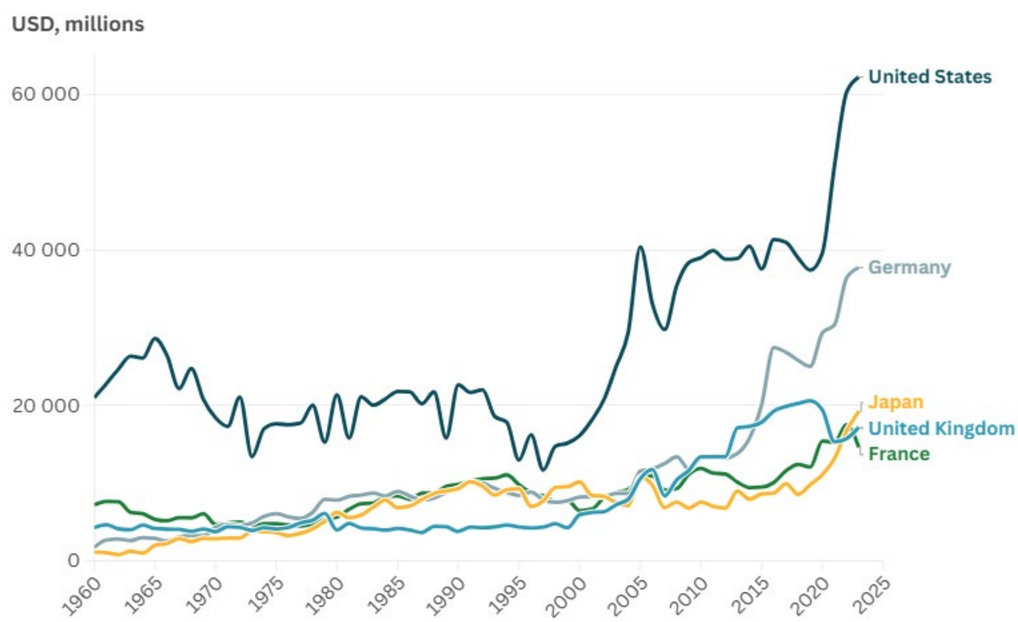
- The US will use its leverage to advance issues within these institutions that are likely to be unpopular with other shareholders, including dismantling diversity, equity, and inclusion (DEI) programs (which have become conflated with gender policies), imposing restrictions on programs related to reproductive health, and reversing climate commitments.

State of play

For decades, the US has been the largest absolute provider of development aid, funding between 25–30 percent of the world's total official development assistance (ODA) since 2003.

Figure 1. ODA from top donors, 1960–2025

Top 5 ODA providers since 1960, constant prices (in USD millions)



In a few short weeks, the Trump administration has upended this legacy, announcing plans to withdraw from the World Health Organization (WHO) and the Paris climate accords, gutting USAID, and suspending virtually all bilateral foreign assistance (ostensibly for 90 days).

During the aid "pause," Secretary of State Marco Rubio made an exception for lifesaving humanitarian assistance, but aid providers on the ground remain unable to access funding. NGOs and others who had contracted with USAID sued and won, but the administration ignored the court order to resume funding, instead making an emergency appeal to the Supreme Court. On March 5, the Supreme Court ruled against the administration who will now need to pay the $2 billion in contracts affected by the suit. Because so much of USAID has been dismantled, it remains unclear how and when this will be implemented.

The pause in assistance did not affect funding for the MDBs and vertical accounts like the Global Fund and Gavi, but it's only a matter of time before these come under the microscope. In early February, President Trump signed an executive order calling for a review of international organizations, heightening anxiety about their funding prospects.

Next steps

The decision to make draconian cuts absent any strategic rationale (other than unsupported assertions of fraud and abuse) makes it hard to predict how the US aid budget will unfold, and it will likely be many months at best before we have any clarity around the future of US assistance.

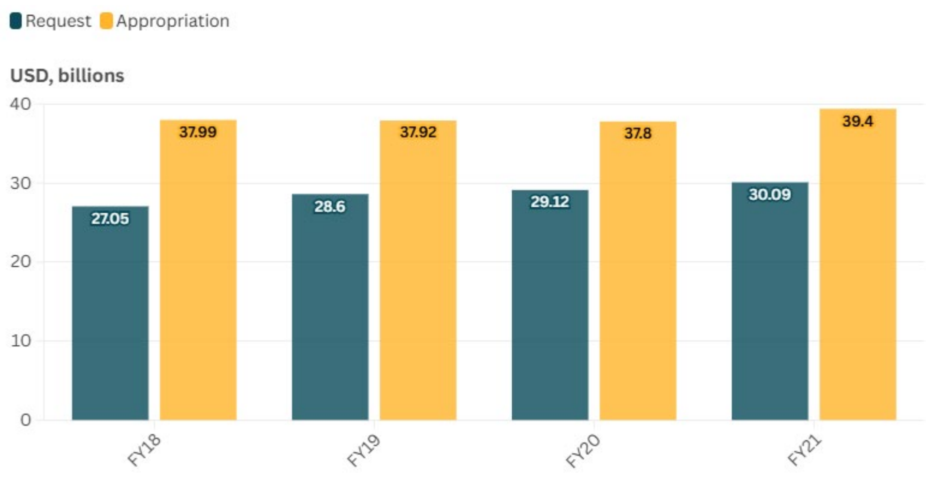
Ideally, the budget process underway in Congress will provide some insights into the administration's foreign aid priorities. Congress still needs to pass a budget for the remainder of FY 2025 (October 1, 2024–September 30, 2025), as the FY 2025 budget is being financed through a continuing resolution that will expire on March 14. In April, the administration is expected to propose its budget for FY 2026.

Although cutting foreign assistance would offer very limited savings (about one percent of the federal budget), it has become a visible and politicized target. The first Trump administration sought significant cuts to foreign aid, but Congress ultimately allocated spending above the administration's budget requests (See Figure 2).

Even if Congress restores funding again, the administration is now challenging its authority to mandate spending; indeed, the current pause is affecting US funding that has been authorized, appropriated, and obligated. Under the Impoundment Control Act of 1974, it is illegal for the President to withhold Congressional appropriations that have been enacted into law. But Russell Vought, the Director of the Office of Management and Budget, has asserted that the Impoundment Act is unconstitutional, setting the stage for a potentially lengthy court battle and further muddying the funding outlook.

Figure 2. Foreign assistance requests vs. congressional appropriations

Foreign assistance funding requests vs. appropriations, FY18–FY21, in USD billions



Source: "Selected Trump Administration Foreign Aid Priorities: A Wrap-Up" https://crsreports.congress.gov/product/pdf/R/R46656

Despite the multiple issues at play, we have identified the MDBs and vertical funds especially at risk based on:

- How much of the account is funded by the US and how much of that funding is waiting for Congressional approval;
- The financial model of the account (e.g., how much it depends on regular donor contributions);
- Where the account is in its replenishment/funding cycle (if relevant); and
- Whether the administration has already set policy relevant to the account (e.g., climate, gender, DEI)

Multilateral development banks

The US has eight outstanding pledges to the MDBs (see Tables 1 and 2). For these organizations, vulnerability to funding cuts depends heavily on whether the borrowers are low- or middle-income countries because they access separate accounts with different financing models.

Most MDBs operate two balance sheets: a hard loan window for credit-worthy middle-income countries to access MDB financing at rates below what they can secure on their own, and a second one for low-income countries, most of which lack market access entirely. The hard loan windows are largely self-sustaining and will be able to continue lending regardless of the US funding picture. The soft loan windows provide funding as grants or highly concessional loans, requiring regular resource infusions (usually every three to four years) and are highly vulnerable to US funding cuts. Here's a closer look at both.

The US has outstanding legacy pledges to MDB hard loan windows from the Biden administration as well as the first Trump administration. Financing for these accounts is usually spread over five to seven years, so the potential impact of cuts depends on how many payments remain.

Table 1. US pledges to MDB hard loan windows

MDB (Hard Loan Window)	Pledge Amount (USD millions)	Date of Pledge	Purpose
World Bank/IBRD	$206.5	April 2018	Sixth and final payment for IBRD capital increase (negotiated under the first Trump Administration)
World Bank/IBRD	$750	April 2024	Pledge made by President Biden to help finance global public goods, including climate
African Development Bank	$218.4 over four years	October 2019	Final four payments for the AfDB capital increase negotiated in 2019 during the first Trump Administration
European Bank for Reconstruction and Development	$439 over five years	December 2023	Five payments for the 2023 EBRD capital increase. In FY25, the Biden administration requested $50 million but Congress has not reached a final FY25 spending deal.
IDB Invest (private lending arm of IDB)	$525 million over seven years	March 2024	One payment needed for the 2024 capital increase. Prospects unclear.

US engagement with the MDBs is managed by the Treasury Department, and Treasury Secretary Scott Bessent has not yet made any comment on these accounts. That said, the $750 million pledge for global public goods at the IBRD is certainly doomed, as it was a key climate deliverable for the Biden administration. The other pledges stand a better chance, chiefly because the US would lose voting shares in the respective organizations if it failed to honor them. These shares could be distributed to other shareholders, notably China—something both Republican and Democratic administrations have worked hard to prevent.

Because other countries would likely buy any voting shares lost by the US, failure to honor these payments would not have a significant impact on MDB operations. However, there is a risk that a US retreat from the MDBs could spook ratings agencies, which factor in shareholder support as part of their rating justification. The World Bank, AfDB, and EBRD are all AAA-rated. IDB Invest is AA. One possible scenario is that the administration honors the pledges made during Trump's first term, but reneges on those from the Biden administration, which face an extra congressional hurdle: they both require authorization and appropriations, while the pledges from the first Trump administration need appropriations only. To date, the US has never failed to honor its hard-loan pledges.[1]

The stakes are higher for pledges to the MDB concessional windows, especially IDA and the AfDF. IDA is the arm of the World Bank that funds the poorest countries, mostly in Sub-Saharan Africa. Donors pledge new resources to IDA every three years, and for the latest pledging session (IDA 21), which concluded in December 2024, the US committed $4 billion (or 17 percent of total pledges) over 3 years. The US also owes $1.48 billion for the previous IDA replenishment. This means that to meet its obligations for FY 25–26, the US would need to provide $2.8 billion to IDA.

Table 2. US pledges to MDB concessional windows

Fund	Amount owed from US pledges (USD millions)	Date of latest pledge	Replenishment span	US % of total pledges (latest replenishment)
International Development Association (IDA)	$1,480 (IDA 20) $4,000 (IDA 21)	November 2024	2025-2027 (IDA 21)	16.9%
African Development Fund (AfDF)	$394 (AfDF 16)	December 2022	2023-2025 (AfDF 16)	10.6%
Asian Development Fund (AsDF)	$43.6 (AsDF 13) $174.4 (AsDF 14)	May 2024	2025-2028 (AsDF 14)	7.0%

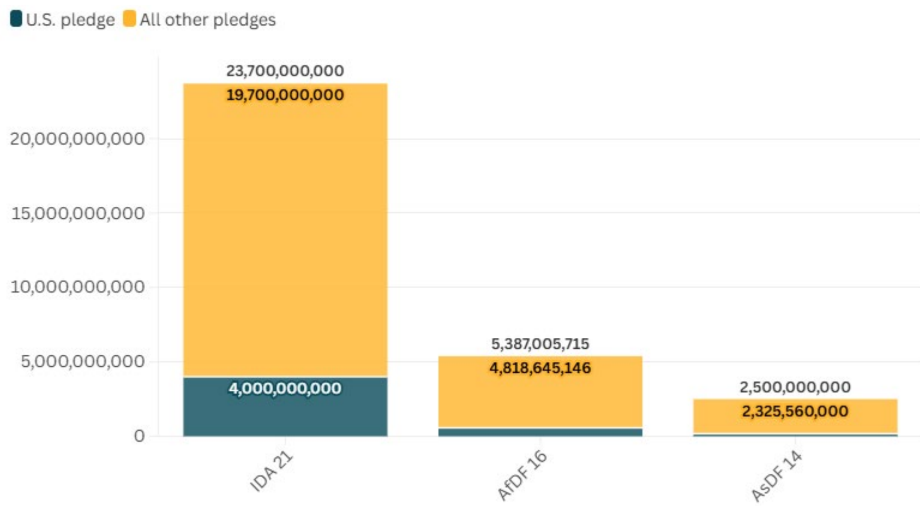
This funding matters more than ever because many IDA countries are already being affected by the US bilateral cuts. (For an analysis of especially vulnerable bilateral recipients, read this blog by my CGD colleagues.) But there's more: thanks to the leverage that IDA achieves by issuing debt backed by donor funding, each $1 of US assistance generates ~$3 in additional lending.

The US also contributes to the concessional windows of the African and Asian Development Banks, but these are much smaller, and the US is less generous. The US has two remaining payments of $197 million for the African Development Fund (AfDF), which is launching a new replenishment this year. Although the US only constituted 10.6 percent of the last replenishment, other top donors include the UK, which has already announced plans to cut development spending, and Germany, which may do the same to make fiscal space for a larger defense budget. The US also pledged $174 million to the AsDF, a small facility where the US is a relatively small donor.

1. This note does not consider the possibility of the US actually withdrawing from the MDBs.

Figure 3. US portion of latest concessional fund replenishments

US vs. other pledges to IDA, AfDF, and AsDF, in their most recent replenishment, in USD



The US has supported these funds since their inception, but they are easy targets in the current political context. The multilateral structures can make US funding go further, but it also makes it hard to quantify concrete returns to the US taxpayer. Some programming also conflicts directly with administration policy (e.g., climate and adaptation, gender, maternal and child health—including reproductive services—and DEI policies).

Vertical funds

Also in the mix for potential cuts are vertical funds, which focus on specific sectors or issues like health, food security, and climate.

Health

The health sector is already feeling the brunt of the new administration: one of President Trump's earliest executive orders was to withdraw from the WHO. The US is the largest donor to the WHO, providing 14 percent of its total budget in 2023.

Experts fear that these cuts, along with the absence of a robust US role, could have dire consequences for global health issues, especially in the event of another global pandemic. This analysis by my CGD colleagues find that 26 low- and middle-income countries, with a combined total population of 1.38 billion, are highly exposed to US global health aid cuts and lack the fiscal space to fill the gap.

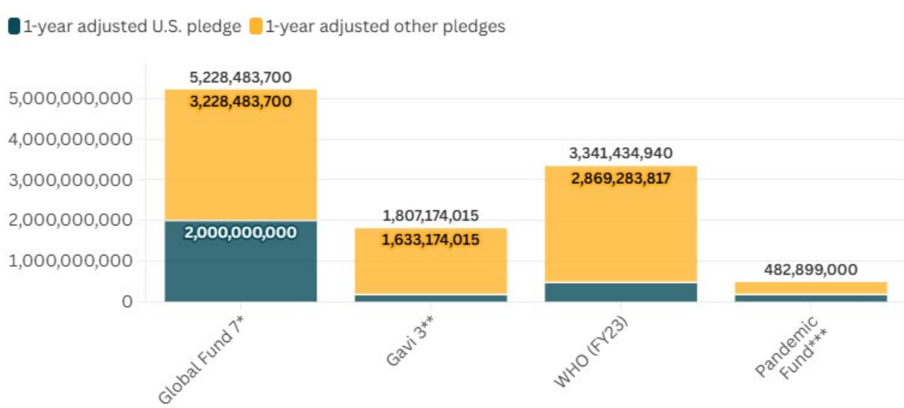
What we don't yet know is how the administration and Congress will treat the Global Fund and Gavi. The US is the largest donor to the Global Fund, which combats HIV, tuberculosis, and malaria and has traditionally enjoyed strong bipartisan support. The US originally pledged more than 38 percent to the last Global Fund replenishment, but funding was cut by more than $800 million in FY 2024, after Congress capped US contributions to no more than one-third of total pledges. The Global Fund has a replenishment in 2025, targeting $18 billion (up from $15.7 in 2022). A significant drop in US support would have a major impact on operations, especially if the UK (the third largest donor) cuts funding as well.

The US is the third largest contributor to Gavi, the Vaccine Alliance, after the UK and the Gates Foundation. The US pledged $1.58 billion (out of $9 billion) to Gavi for the last five-year replenishment period, which was fully met. Like the Global Fund, Gavi is launching a replenishment this year, again aiming for $9 billion. With the UK and US both potentially pulling back, this may be a reach.

Another potential casualty is the Pandemic Fund, hosted at the World Bank, which the Biden administration helped spearhead. Since concluding negotiations in 2022, the Fund has raised nearly $2 billion, including $700 million from the United States. The full amount has been appropriated so it should be secure until the next pledging session (not yet set).

Figure 4. US pledges to Gavi, the Global Fund, the Pandemic Fund and WHO, 1-year adjusted

1-year adjusted pledges to select global health funds, in USD



Source: Global Fund 7, Gavi 3, WHO • ***Global Fund, Gavi, and Pandemic Fund figures have been adjusted to reflect one year of contributions in their 7th (2023-2025) and 3rd (2021-2025) replenishments, respectively.**
In FY24, Congress reduced the US contribution to the Global Fund due to a statutory cap limiting the US share of contributions to not exceed 33% of the total. **Gavi figures do not include COVAX. ***Pandemic Fund figures adjusted from pledges funding 2023-2026

Food and agriculture

Food security has long been a priority sector for the US and featured heavily in Biden's aid budgets due to the rise of food and fertilizer prices in Africa stemming from Russia's invasion of Ukraine (see Figure 5). The biggest multilateral funding threat is to the WFP, which plays a key role in combating hunger and famine.

By tradition, the WFP is run by an American, currently Cindy McCain. The US is by far the largest donor to the WFP, most of it in the form of in-kind donations (e.g., food grown by US farmers). (See Figure 5.) The recent pause in assistance included WFP, leading to a backlog in food in storage and shipping containers. Due to the outcry that followed, the State Department agreed to let the shipments proceed. Lasting cuts to WFP would be devastating. There has already been a major reduction in food aid to Sudan where two million people are at risk of famine.

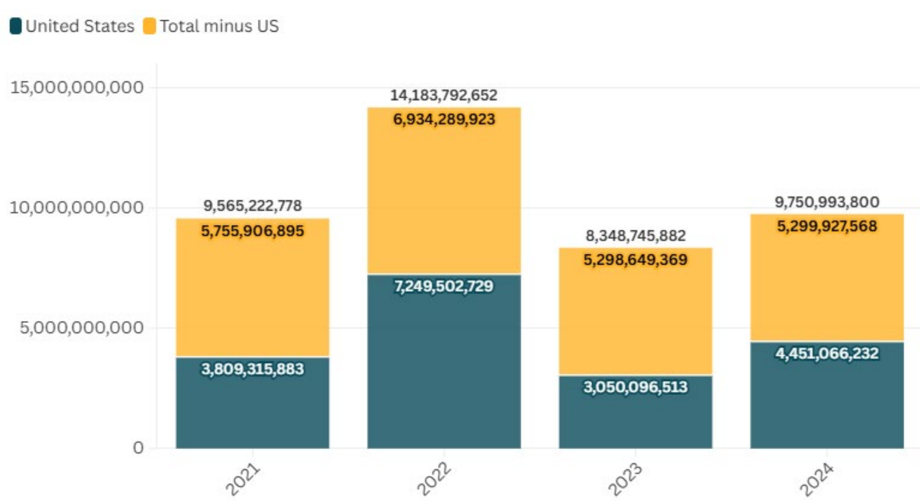
We can glean some insight into the US posture towards WFP from the statement issued at the Executive Board session on February 18, which included the assertion that:

> *"there are items in WFP's work that we will need to see adjusted to align U.S. funding with this policy. First, on gender ideology and extremism—U.S. funds will not be used to promote gender ideology, and all references to and work to that end should cease immediately. Second, just as the United States has ended radical and wasteful diversity, equity, and inclusion (DEI) programs, so should WFP and all other UN agencies end any programs, initiatives, or funding that promote these harmful ideologies; instead, they should focus on merit."*

WFP has a gender policy designed to address inequities in food security and nutrition, which will likely become a US target.

Figure 5. US funding for the World Food Program, 2021–2024

US vs. other funding for WFP, 2021–2024, in USD



Source: WFP contributions by year

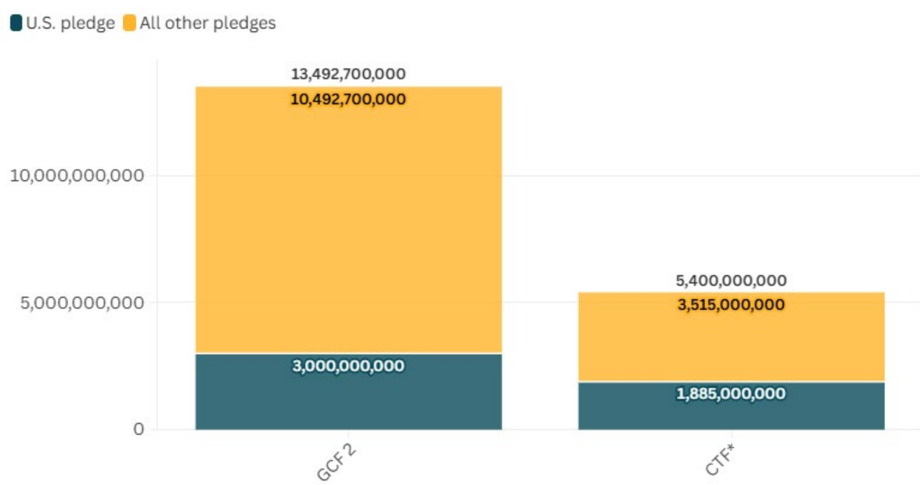
The one potential bright spot is that unlike most other foreign aid programs, the WFP has a strong domestic constituency: US farmers. Under the 60-year-old Food for Peace program, the US government purchases billions in agricultural products for the WFP. Food for Peace is administered by USAID; since its shutdown, several lawmakers have introduced legislation to move it to the Department of Agriculture.

Climate

No form of development finance is more in jeopardy than climate-related programs. President Biden committed $11.3 billion annually for the climate change agenda, a number that has fallen to zero under Trump. This included $3 billion to the Green Climate Fund (GCF) in December 2023 on top of $1 billion still owed from an earlier pledging session. The Trump administration has already announced that it will rescind the full amount. Also likely on the chopping block is $150 million for the Clean Technology Fund.

Figure 6. US pledges to multilateral climate funds

US vs. other pledges to the Green Climate Fund and Clean Technology Fund, in USD



***CTF does not operate on a replenishment cycle; data represents contributions to the organization since its founding (since 2008)**

The impact of the Trump administration's climate funding cuts will depend on who the borrowers are. Ten major MDBs are aiming to provide $120 billion a year to low- and middle-income countries by 2030, but It's not clear how this amount will be divided between hard and soft loans. Cuts to concessional windows could significantly dampen funding, especially for climate adaptation and resilience in the most vulnerable countries. IDA is a critical source of adaptation finance for those countries, which are mostly in Africa.

The picture is different for middle-income countries which have ample access to MDB funding from hard loan windows, but do not necessarily prioritize borrowing for mitigation or adaptation. World Bank shareholders have agreed that it should offer more attractive finance products for global public goods (e.g., climate projects) but have not identified resources that would enable the Bank to provide loans at below market rates. The Biden administration had hoped to provide resources for this purpose but failed to get Congress to approve the request.

The US may try to undo climate action at the MDBs but will likely be stymied by other large shareholders who are deeply committed to the agenda. One scenario is that climate rhetoric from top MDB management may be toned down, but climate financing will continue to grow, consistent with the $120 billion joint MDB commitment. Indeed, World Bank President Ajay Banga, who championed the recent pivot towards climate and other global public goods, had this to say in a recent New York Times article "I'm not a climate evangelist. I'm just the guy getting the stuff done."

Biggest risks ahead

The disorderly and arbitrary nature of the USAID funding cuts makes it hard to predict how the US aid budget negotiations will unfold, but in all likelihood, cuts to multilateral funds are imminent. Our analysis suggests that MDB concessional windows, the Global Fund, and the WFP are especially vulnerable to potential US cuts, as is climate funding for low-income countries, although the impact of cuts would vary. In several cases, these risks are compounded by the reduced UK budget envelope. Unfortunately, ther European donors may also tradeoff aid funding for defense budgets as they mount a joint response to defend Ukraine from Russia.

Treasury's posture at the Spring meeting should provide some additional clarity around the MDBs. Governors are expected to endorse the IDA 21 package, which is usually a pro-forma exercise, but Treasury has yet to provide any assurances that the US will sign on. One scenario is that the US will condition IDA and other MDB funding around a negative gender and climate agenda, forcing senior leadership and other shareholders to consider a tradeoff between new resources and a reversal of evidence-based policies that have strong buy-in. Given the need for these dynamics to play out, the clash of US authorities (e.g., cabinet secretaries and Elon Musk) and the involvement of Congress and the courts, the decision-making process may be lengthy and erratic. In other words: buckle up; it's going to be a bumpy year.

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