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A silver lining? The US aid freeze should spur Nigeria to greater self-reliance

By Dr Julia Bello-Schünemann

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Executive summary

Foreign aid has never been the solution to Nigeria's multiple development challenges. However, the halt to US development assistance¹ and the de facto shutdown of the United States Agency for International Development (USAID) will cause additional hardship for Nigeria's most vulnerable. Modelling based on the International Futures model (IFs)², a forecasting platform housed at the University of Denver, suggests that the decision could push approximately 700 000 additional Nigerians into extreme poverty by 2030. The health sector is disproportionately affected by the freeze as it depends excessively on US aid, primarily for the fight against HIV/AIDS and other infectious diseases. Nigeria is one of 10 countries globally that are most reliant on US funding³ for HIV medicines. The US policy shift is a wake-up call for the Tinubu administration to rise to the task of mobilising domestic funds to provide essential services to the population.

Hurting the most vulnerable

In 2023, Nigeria was among the top 10 recipients of US development assistance. In Africa, only Ethiopia and the Democratic Republic of Congo received more aid than Nigeria in that year. This meant inflows of more than US\$900 million. In total, Nigeria received approximately US\$3.4 billion in foreign aid (OCED data, 2017 dollars), representing about 11 percent of government revenue. However, given Nigeria's large economy, aid accounts for less than 1 percent of GDP.

According to OECD data⁴, more than 64 percent of aid received by Nigeria in 2023 from bilateral donors, more specifically members of the Development Assistance Committee (DAC), came from the US, followed by the UK, Germany and France that each contributed around 7 percent. When including multilateral donors, such as the International Development Association (World Bank), EU institutions, UN Agencies, the Global Fund etc., the US share is above 26 percent. For many of those the US is by far the largest funder.

Before President Trump's executive order to freeze aid, IFs forecast foreign aid to Nigeria to increase to US\$5.1 billion by 2030 and to US\$6.4 billion by 2040. As a share of revenue, however, it was expected to decrease to 10 and roughly 7 percent over the same time horizon.

If US aid dries up, this scenario no longer holds. Assuming a sudden reduction of foreign aid inflows from 2025 by about 25 percent seems realistic. Based on this assumption, modelling using IFs finds that 253 000 more Nigerians would fall below the US\$3.65 extreme poverty income level by next year compared to the country's trajectory before the US policy shift. By 2030, an accumulated number of about 700,000 additional people could be pushed into

COVER PHOTO: A USAID logo is visible on a box amid the scattered remains of boxes and materials left behind by looters after widespread vandalism and looting following clashes at the World Food Programme (WFP) warehouse in Bukavu on February 21, 2025.

Cover photo: Luis Tato / AFP

1 <https://www.whitehouse.gov/presidential-actions/2025/01/reevaluating-and-realigning-united-states-foreign-aid/>

2 <https://korbel.du.edu/pardee/international-futures-platform>

3 <https://www.unaids.org/sites/default/files/2025-02/20250226-USfundingfreeze-sitrep-en.pdf>

4 https://data-explorer.oecd.org/?fs%5b0%5d=Topic%2C1%7CDevelopment%23DEV%23%7COfficial%20Development%20Assistance%20%28ODA%29%23DEV_ODA%23&pg=0&fc=Topic&bp=true&snb=26



Photo: Issouf Sanogo / AFP

ABOVE: Displaced people fleeing from Boko Haram incursions into Niger attend a World Food Programme (WFP) and USAID food distribution at the Asanga refugee camp near Diffa on June 16, 2016 following attacks by Nigeria-based Boko Haram fighters in the region.

extreme poverty. Nigeria’s economy in 2030 would also be US\$237 million smaller than projected on the current trajectory. Progress in the fight against the country’s persistently high infectious disease burden could slow down significantly with far-reaching consequences for socio-economic development, let alone the people in need of treatment and care.

Nigeria has the third highest number of people living with HIV globally, currently estimated at two million with women being disproportionately more affected than men. In 2022, malaria killed more than 188,000 Nigerians, equivalent of 31 percent of the global mortality burden from the disease. Further, the drastic reductions in humanitarian assistance, especially food aid, could dramatically increase mortality among vulnerable populations. According to the World Food Programme⁵, 4.4 million people are food insecure in northeast Nigeria, and 2.2 million people are internally displaced in Borno, Yobe and Adamawa states.

New geopolitics and its vicissitude

Aside from the US aid freeze, this scenario factors in the current geopolitical situation and the pressure for European governments to increase defence spending, often at the expense of development budgets. In other words, it is unlikely that other donors will plug the US foreign aid gap to developing countries, and even less likely for lower middle-income countries like Nigeria that should in principle be able to at least start footing their own bill. In fact, the UK recently announced a drastic 40 percent cut⁶ to its aid budget to spend more money on defence, and France, Germany and The Netherlands⁷ already reduced theirs. Moreover, multilateral aid that is heavily reliant on US funding, such as from UNAIDS or The Global Fund to fight HIV, tuberculosis (TB) and malaria will likely be affected by the drastic shift in US policy. As for the Global Fund, Nigeria is its largest investment portfolio⁸, with over US\$4.8 billion invested in the country since 2002 and 1.74 million people on antiretroviral therapy for HIV in 2023.

5 <https://www.wfp.org/countries/nigeria>

6 <https://www.bbc.co.uk/news/articles/clyrkkv4gd7o.amp>

7 <https://www.forbes.com/sites/globalcitizen/2025/02/25/foreign-aid-is-shrinking-what-happens-next/>

8 <https://www.theglobalfund.org/en/updates/2024/2024-02-05-nigeria-global-fund-launch-new-grants-reinforce-progress-against-hiv-tb-malaria/#:~:text=Nigeria%20is%20the%20Global%20Fund%27s,the%20new%20grants%20signed%20today.>

Overall, according to OECD data⁹, the greatest share of aid to Nigeria is directed to the category health and population, including HIV/AIDS treatment and prevention. Another significant share of foreign assistance goes to humanitarian aid, followed by energy; transport and communications; industry, mining and construction, as well as education. This mirrors the US foreign assistance profile in Nigeria¹⁰ with the health sector taking the top spot, in particular HIV/AIDS response, basic and general health, maternal and child health and family planning. Nigeria is the third-largest US President's Emergency Plan for AIDS Relief (PEPFAR) program, the primary source of funding for antiretroviral therapy, testing, and HIV prevention services.

Following the executive order on putting aid on hold, the US government approved a series of waivers¹¹ for life-saving humanitarian assistance which supposedly included HIV care and treatment services, prevention of mother-to-child transmission services, and associated administrative costs. However, the exemption of US\$500 million in funding for PEPFAR represents a fraction of the program's US\$6.5 billion budget in 2024. In Nigeria alone, PEPFAR has invested close to US\$8 billion since its inception in 2003. By the time of issuing the waivers, many in-country services had already been seriously disrupted or suspended across national, state, and local levels. In addition, critical aspects of national AIDS responses, such as HIV prevention and community-led services for key populations and adolescent girls and young women are ineligible¹² for waivers. According to Reuters¹³, most exemptions have been granted to programmes directly connected to US national security, the anti-narcotics or the anti-immigration agenda.

Look inward to shield the destitute

In reaction to the US aid freeze, Nigerian lawmakers approved¹⁴ an additional US\$200 million for the health sector to offset the funding shortfall. Much of the money is intended to supply vaccines and treatment for infectious diseases. This is a good initiative, even if a drop in the ocean given the needs.

With public health being chronically underfunded, foreign assistance does matter. Over the past decades, it has played a key role in improving the health of Nigerians leading to gains in life expectancy which are mostly attributable to lower infant and child mortality. Still, Nigeria performs worse than many of its African lower middle-income peers. Partly, this is due to poorer health system coverage, lower rates of infant immunisation and inadequate water and sanitation infrastructure. The country's health sector is ill-prepared to face the country's double burden of disease¹⁵. This is its persistently high infectious disease and its growing chronic disease burdens.

Cutting US aid off brutally is wrong, primarily because it leaves the most vulnerable even more exposed. Phasing out most US development assistance over the coming five years would have cushioned the impact and given policymakers more time to adjust and gradually plug the funding gaps. President Trump's shock therapy means that Nigeria has no time to waste but to look inward to solve its problems.

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9 https://data-explorer.oecd.org/?fs%5b0%5d=Topic%2C1%7CDevelopment%23DEV%23%7COfficial%20Development%20Assistance%20%28ODA%29%23DEV_ODA%23&pg=0&fc=Topic&bp=true&snb=26

10 <https://www.foreignassistance.gov/cd/nigeria/>

11 <https://www.hrw.org/news/2025/02/10/us-lifesaving-programs-remain-suspended-despite-waivers>

12 <https://www.unaids.org/sites/default/files/2025-02/20250226-USfundingfreeze-sitrep-en.pdf>

13 <https://www.reuters.com/world/us/us-exempts-security-funds-aid-freeze-little-humanitarian-programs-2025-02-21/>

14 <https://www.premiumtimesng.com/news/headlines/774198-nigerian-senate-increases-countrys-health-budget-to-address-us-aid-freeze.html>

15 <https://businessday.ng/opinion/article/defusing-nigerias-double-burden-of-disease-is-a-development-imperative/>



ABOVE: Lekki-Ikoyi link bridge in Lagos, Nigeria.

Photo: Olympia De Malsmont / AFP

For more information on this policy briefing, contact our Good Governance Africa advisory services team.

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