FUTURE AFRICA
Consulting

Navigating New Frontiers

Addressing the Impact of Reduced Donor Funding on Youth Entrepreneurship and Employment Opportunities in Africa

Objective

This paper outlines actions youth-supporting actors can take to mitigate the impact of shifts in donor funding and priorities on youth employment and entrepreneurship initiatives in Africa. It assesses the extent of ecosystem exposure to Official Development Assistance funding decisions and the implications of recent aid cuts on economic opportunities for young people. The paper also offers actionable recommendations for ecosystem players to increase resilience and coordination of interventions, diversify their funding sources and mechanisms, and develop new models to ensure that young people in Africa remain supported and equipped for sustained economic participation.

Key Take-aways

Bilateral aid to Africa has been declining since 2018 as donor countries adjust their priorities in response to domestic and geopolitical pressures. Major contributors like Germany, France, Norway, and the UK have scaled back their commitments, with the UK planning to cut Official Development Assistance (ODA) to 0.3% of Gross National Income (GNI) by 2027, and France reducing its 2025 ODA budget by €1.3 billion. Germany's 2024 budget also slashed development spending by nearly €2 billion. The most significant recent shift comes from the U.S., where the Trump Administration placed a 90-day freeze on foreign aid and cancelled more than 80% of USAID programs. While China and Gulf Cooperation Council (GCC) states are expanding their financial influence in Africa, plugging the ODA funding gap will take time.

- **Donor-funding has historically been instrumental in empowering youth across Africa by providing job training, creating employment within donor-funded initiatives, and expanding access to capital and economic opportunities for entrepreneurs.** The reduction in funding has already forced cuts in critical development programs, directly affecting young people who rely on these initiatives to enter and thrive in the workforce. It also weakens the organizations that implement these initiatives by reducing the overall capacity to support economic and social development efforts. Beyond program reductions, funding cuts have also led to direct job losses, particularly among youth employed in and around donor-supported initiatives. Additionally, the funding freeze has caused ripple effects in local economies, as lost wages have reduced consumer spending, impacting businesses, vendors, and service providers. Young entrepreneurs are particularly vulnerable to declining market conditions. While some affected workers may find alternative jobs, economic disruptions can persist beyond the freeze. The severity varies by country, with highly aid-dependent nations facing high potential GDP contractions, while more diversified economies may experience moderate impacts.

To mitigate these challenges and ensure continued progress towards youth development in Africa:

- **African governments can strengthen local ownership of youth-focused development priorities**, adjusting budgeting and planning to compensate for funding cuts. While 42 countries have signed the African Youth Charter establishing key shared priorities, many lack operational frameworks, highlighting a critical implementation gap. To address this, governments can increase budget allocations for youth initiatives, reform procurement systems to create opportunities (like Kenya's AGPO program reserving 30% of contracts for youth, women, and persons with disabilities), and ease regulations that create barriers to job entry. Policy measures like tax incentives, fast-tracked business registration, and reduced financial barriers can boost youth entrepreneurship. Pooled regional funding can address issues of shared concern such as trade facilitation, labor mobility, and digital infrastructure - acting as catalysts that drive employment and entrepreneurship more effectively than isolated national programs. Innovative financing mechanisms such as diaspora bonds and blended finance models for long-term youth support can reduce reliance on external donors.

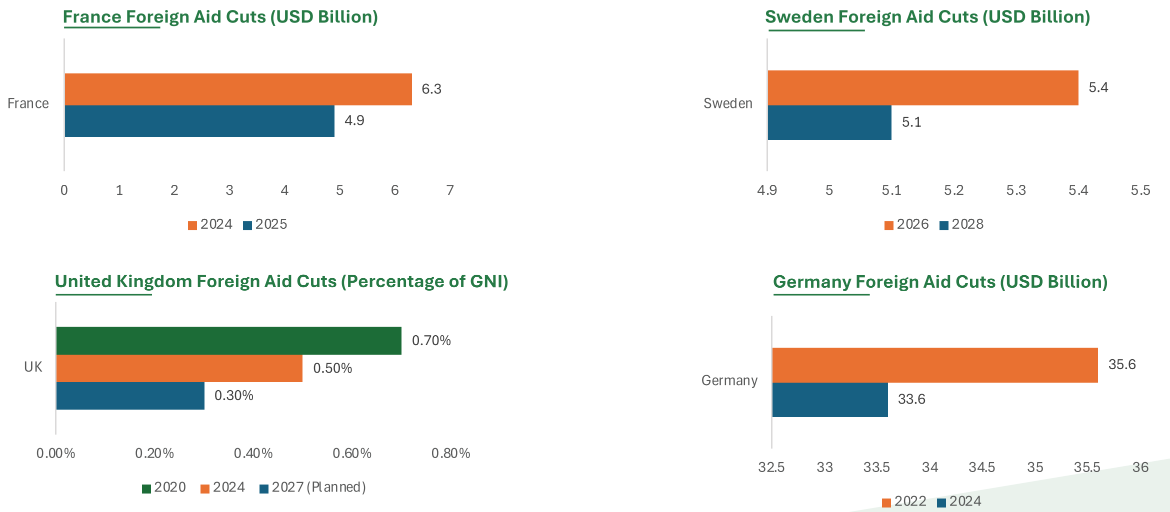
- **African philanthropists can enhance their support to youth opportunities by designing, funding, and implementing contextually relevant initiatives, and aligning efforts toward a unified, high-impact agenda.** Models such as those of the Tony Elumelu Foundation and Equity Group Foundation show the power of holistic approaches combining funding, mentorship, and education. To maximize impact, African philanthropy could form strategic consortiums, focus on high-growth sectors, invest in education and skills development, establish innovation hubs, and support research.
- **International philanthropists can strategically realign their funding approaches and program designs to emphasize local implementer resilience and sustainability, and scale locally led initiatives.** Key strategies include unrestricted grants for organizational flexibility and technical assistance to build resilience. Outcome-based funding can improve efficiency, while transition endowments provide long-term financial security. Funders should align efforts to reduce duplication, invest in local intermediary organizations for effective regranting, and implement phased funding transitions over longer time frames to ensure sustainability.
- **Private sector engagement is critical as donor-funded employment opportunities decline. Companies can drive youth employment by embedding them into value chains, expanding structured employment pathways, and investing in digital market access platforms.** Additionally, skills development programs that align training with market needs strengthen business resilience while creating employment. Moving forward, businesses could conduct value chain analyses to identify youth integration opportunities, develop financing mechanisms that support youth participation, and establish clear evaluation metrics that measure both business impact and employment outcomes. By shifting from a beneficiary mindset to a strategic approach, companies can build stronger enterprises while ensuring sustainable livelihoods for Africa’s youth.
- **Youth-led organizations can build sustainable impact** by forging strategic partnerships, diversifying funding sources through revenue-generating activities, advocating for youth-focused policies, and strengthening organizational resilience through lean operational models and leveraging digital technologies.

An opportunity exists to **introduce new models** that will ultimately lead to long-term impact and sustainability. With **collective action and strategic investment**, Africa can continue to empower its youth and build a resilient, self-sustaining economic future.

Ecosystem Context

Bilateral aid to Africa has been on a downward trajectory since 2018, as donor countries shift their funding priorities in response to domestic and geopolitical pressures. Major contributors, including Germany, France, Norway, and the UK, have all reduced their aid commitments to the continent over the past five years. The UK, for instance, scaled back its Official Development Assistance (ODA) from 0.7% to 0.5%[1] of Gross National Income (GNI)[2] in 2020 and recently announced further cuts to 0.3% by 2027 to fund increased defense spending.[3] Similarly, France's 2025 draft budget includes a €1.3 billion (USD 1.5 billion) reduction in ODA, marking a 23% decrease compared to 2024.[4] Sweden has also announced a gradual cut in its ODA allocation, reducing its annual commitment by SEK3 billion (USD 291 million) between 2026 and 2028.[5] Meanwhile, Germany's 2024 budget slashes international development spending by nearly €2 billion, with significant reductions across key programs, including the World Food Programme and peace and stability initiatives.[6]

Foreign Aid funding cuts



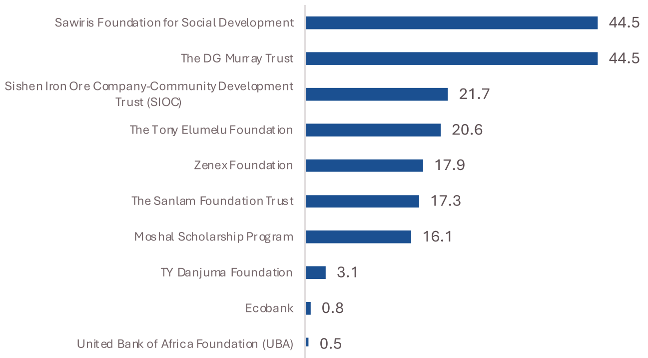
Please Note: This visualization is indicative and based on publicly available data. The trends and figures shown represent our best understanding of aid commitment reductions based on official announcements, budget documents, and public reporting as of March 2025. Actual implementation and precise figures may vary, and some countries may adjust their future commitments.

The most recent and significant blow comes from the United States. **On January 20, 2025, President Donald Trump issued an executive order freezing foreign aid for 90 days, citing the need to curb wasteful spending and limit U.S. financial commitments abroad.** In 2023, the total official development assistance (ODA) to African countries was approximately USD 59.7 billion.[7] The United States contributed around USD 16.2 billion to Africa in 2023 with USD 11.8 billion channeled through USAID.[8] This means U.S. funding comprised approximately 27% of the total funding in Africa. It is important to note that Official Development Assistance (ODA) does not include private and domestic philanthropy, which also play important roles in funding social and economic initiatives. In 2020, private philanthropy for development reached USD 9.6 billion in grants to Africa.[9] Additionally, as of 2019, the African Philanthropy Network estimated that wealthy individuals in Africa had the potential to contribute up to USD 7 billion annually to philanthropic efforts.[10]

1 Globalbar Magazine, Africa: How can foreign aid dependency be reduced?, 2025
2 Official Development Assistance (ODA) is measured against Gross National Income (GNI) because it provides a standardized way to compare the amount of aid a country gives relative to its overall wealth, allowing for a more meaningful assessment of a country›s commitment to development assistance, regardless of its absolute size or economic structure
3 Chatham House, First USAID closes, then UK cuts aid: what a Western retreat from foreign aid could mean, 2025
4 Donor Tracker, French 2025 budget draft includes US$1.5 billion ODA cut, 2024
5 Donor Tracker, Sweden slashes ODA budget amid domestic priorities, 2024
6 Reliefweb, Stumbling giant: Germany cuts aid, 2024
7 ONE Data, Official Development Assistance (ODA), Accessed 2025
8 ForeignAssistance.gov, Accessed 2025
9 OECD, Private Philanthropy for Sustainable Development, 2018-20, 2023
10 World Economic Forum, Why philanthropy for – and by – Africans is the future, 2019

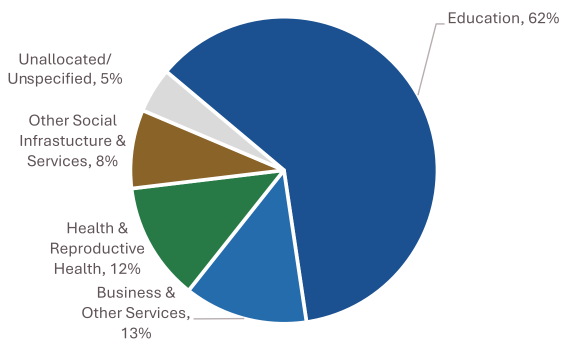
African Philanthropy Data

Top Providers of Domestic Philanthropy in Africa, 2016-2019 (Total-to-date, USD Millions)



Source: OECD, OECD netFWD Africa Philanthropy Day, 2024

Top Sectors Targeted by Domestic Philanthropy in Africa, 2016-2019



Source: OECD, OECD netFWD Africa Philanthropy Day, 2024

Please Note: This visualization presents indicative funding amounts based on publicly available data as of our research date. The figures represent total contributions to date. Several notable foundations may not appear in this analysis due to limitations in public disclosure of their funding activities. This visualization should be viewed as a partial representation of the African philanthropy landscape rather than an exhaustive ranking.

On the other hand, as bilateral donors from the West scale back their aid, China and the Gulf Cooperation Council states are increasing their funding in Africa. China has been intensifying its engagement in Africa, focusing on infrastructure projects and healthcare support. For instance, in Rwanda, Chinese assistance is contributing to the expansion of medical facilities, exemplified by the development at Masaka District Hospital in Kigali. This hospital is set to expand from 330 to at least 830 beds, becoming the country's top teaching hospital.[11] Similarly, GCC states have also increased their financial commitments to Africa. For example, Saudi Arabia and the United Arab Emirates have been investing in various sectors, including agriculture, renewable energy, and healthcare. Between 2019 and 2023, the UAE emerged as Africa's largest investor, committing USD 110 billion to new initiatives, with USD 72 billion dedicated to renewable energy projects.[12]

Impacts of reduced donor funding on youth employment and entrepreneurship

Bilateral Aid has been instrumental in empowering youth across Africa by supporting job training programs, expanding access to capital, and facilitating partnerships between private sector actors and development organizations. While much of ODA funding is not directly allocated to education and employment (E&E) programs, its broader sectoral investments — spanning health, agriculture, and infrastructure — play a crucial role in sustaining local employment and youth economic participation as evidenced by USAID's **Feed the Future Tanzania**. Despite being an agricultural program, USAID's **Feed the Future Tanzania through its Advancing Youth program** had significant impact on youth development. Over a period of 3.75 years, the program: [13]

11 Health Policy Watch, China Has Invested Heavily in Rwanda's Healthcare and USAID's Closure Opens More Doors for Chinese Influence, 2025
12 Eandel, UAE emerges as Africa's largest investor, committing $110 billion to new initiatives, 2024
13 Feed the Future, Impact Stories, 2021

USAID Feed the Future Tanzania

25,000 **Youth Trained** Including 2,500 in leadership and healthy life skills	**3,500** **Youth Led Micro Entreprises** Generating USD 416,000 in sales	**16,600** **Youth Access Health Services** Enabled access to essential health services
2,255 **Youth Employment Created** Formal and informal employment opportunities	**55%** **Income Growth** Average income increase for program participants	**149** **Savings and Lending Groups Created** 2,843 members generating over USD 446,100 in value

Beyond program reductions, funding cuts have also led to **direct job losses, particularly among youth employed in donor-supported initiatives.** Many young professionals working within USAID funded programs, for instance, as well as health workers and other service providers, have faced layoffs or contract terminations, exacerbating already high unemployment rates. In Kenya, around 54,000 healthcare workers face layoffs as USAID-funded health programs shut down, with some hospitals at risk of closure.[14] The reduction in donor-funded employment opportunities not only affects individuals but also weakens organizations that depend on these funds to deliver essential services, ultimately reducing the overall capacity to support economic and social development efforts.

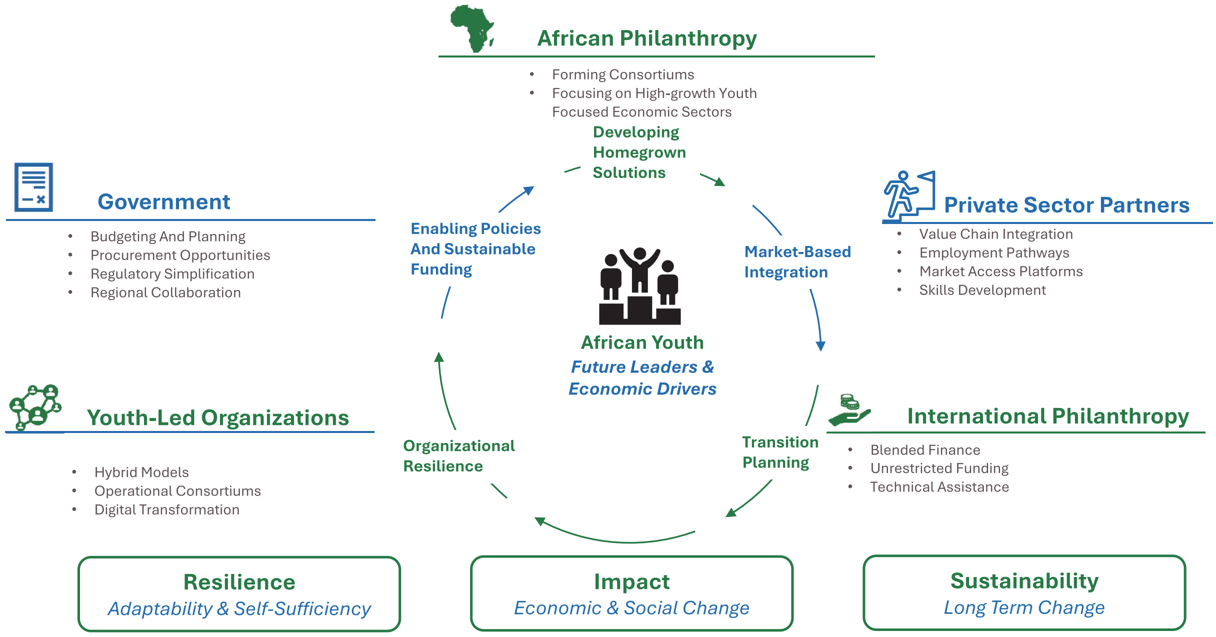
Additionally, the donor funding reductions could trigger significant economic ripple effects in communities where donor programs have been active. Young entrepreneurs in these communities face vulnerability as market conditions shift and consumer spending decreases. While affected workers may eventually secure alternative employment, the interim period creates economic disruption that can persist beyond the funding freeze itself. The severity of this multiplier effect varies by country's aid dependency - Center for Global Development analysis shows potential annual economic contractions resulting from U.S. funding cuts reaching alarming levels in highly aid-dependent nations: South Sudan and Somalia (9%), Afghanistan (7%), Syria (5%), Liberia and Central African Republic (4%), Yemen (4%), and Micronesia (3%).[15] While diversified economies may weather moderate impacts, aid-dependent countries face severe economic contractions that destabilize regional trade networks and investment climates, amplifying the temporary job losses into broader economic challenges.

Ecosystem Responses

Given the potential effects of the shifts in the funding landscape, young people will require increased support from other ecosystem players to sustain progress toward key economic outcomes. We outline below how various stakeholders can respond effectively to maintain this momentum despite funding changes.

14 Devex, Thousands of African health workers lose jobs due to US aid funding freeze, 2025
15 Center for Global Development, Which Countries Are Most Exposed to US Aid Cuts; And What Other Providers Can Do, 2025

Ecosystem Responses



Government Leadership: Creating Enabling Policies and Sustainable Funding for Youth

While African governments have already established youth-focused development priorities, the decline in donor funding presents a timely opportunity for Africa governments to strengthen local ownership of these development priorities. As illustrated by the potential job losses in healthcare and agricultural programs mentioned earlier, governments can act to protect gains and prevent economic ripple effects in communities where donor programs have been active.

42 African nations have signed the African Youth Charter, which establishes five key priorities for youth development across the continent: Education and Skills Development; Youth Employment and Entrepreneurship; Governance, Peace, and Security; Youth Health and Sexual Reproductive Health Rights; and Agriculture, Climate Change, and the Environment. Of these signatories, 37 have ratified the Charter, while 3 Member States have yet to sign and ratify it.[16] However, despite this widespread formal commitment, implementation remains a significant challenge. . Moving forward, more robust frameworks are needed to translate these policy commitments into tangible outcomes that genuinely benefit youth, drive sustainable progress, and create accountability mechanisms. Governments could strengthen implementation through:

- **Budgeting and planning:** Dedicated funding for youth initiatives remains low in many countries. Rwanda's Ministry of Youth and Information Communication and the National Youth Council is a positive outlier, receiving approximately 5% of the national budget, a model other countries could emulate.[17] Given the difficulty of increasing funding envelopes, public sector agencies can better target, streamline and coordinate existing efforts to direct available funding toward high-impact interventions and investments in enabling environments for youth entrepreneurship, employment and education.

16 African Union, Youth Division, Accessed 2025
17 UN Habitat, Giving Youth Their Space, 2021

- **Procurement opportunities:** Kenya's Access to Government Procurement Opportunities (AGPO) program is an example of using public sector buying to support young entrepreneurs: It has reserved 30% of government contracts for youth, women, and persons with disabilities, creating significant business opportunities.[18] Such approaches can help offset the projected job losses in donor-funded sectors, where around 54,000 healthcare workers in Kenya alone face layoffs.[19]
- **Regulatory simplification:** Streamlining business registration processes is an urgent youth support measure: African governments can remove restrictive requirements that exclude young people from economic participation, such as excessive experience requirements and high capital thresholds for tenders.[20]
- **Regional collaboration:** African governments can establish joint funding mechanisms for shared development initiatives such as facilitating cross-border, trade digital commerce and labor mobility, helping young people to take advantage of larger regional markets.

Homegrown Solutions: Mobilizing African Philanthropy for Youth Development

African philanthropists can take the lead in creating truly African solutions, particularly as bilateral aid to Africa has been on a downward trajectory since 2018. By ensuring programs are designed, funded, and led with local priorities in mind, these efforts can achieve greater relevance and sustainability.

The Tony Elumelu Foundation has trained over 1.5 million young Africans and funded more than 18,000 entrepreneurs across Africa through its entrepreneurship program.[21] Equity Group Foundation, in collaboration with Mastercard Foundation, has provided over USD 220 million in financing to micro and small enterprises.[22] As donor funding decreases, expanding these indigenous philanthropic efforts becomes vital. African philanthropy can strengthen its impact by:

- **Forming consortiums:** Coordinating efforts among multiple foundations to achieve greater scale and systemic impact. With wealthy individuals in Africa having the potential to contribute up to USD 7 billion annually to philanthropic efforts, such coordination could significantly offset the funding gaps created by Western donor reductions. [23]
- **Focusing on high-growth sectors:** The Mastercard Foundation's Young Africa Works initiative aims to create 30 million dignified jobs for youth by targeting specific high-potential sectors.[24] This sector-specific approach can help mitigate the economic multiplier effects of reduced donor funding.
- **Supporting education:** Higherlife Foundation, as of 2025, has provided over 250,000 scholarships and leadership training to students. [25] These educational investments return long term dividends in the form of well-equipped workforces and contributions to local innovation.

18 The National Treasury, Access to Government Procurement Opportunities (AGPO)
19 Devex, Thousands of African health workers lose jobs due to US aid funding freeze, 2025
20 AfDB, African Economic Outlook 2024, 2024
21 The Tony Elumelu Foundation, Accessed 2025
22 Equity Group Foundation, Accessed 2025
23 World Economic Forum, Why philanthropy for – and by – Africans is the future, 2019
24 Mastercard Foundation, Accessed 2025
25 Higherlife Foundation, Accessed 2025

Transition Planning: Repositioning International Philanthropy for Long-Term Impact

With major contributors including Germany, France, Norway, and the UK all reducing their aid commitments to the continent over the past five years, interim funding and strategic approaches to transitioning implementing organizations to self-sustaining models are essential. International philanthropic actors can prioritize sustainability through:

- **Blended finance:** According to Convergence (2023), blended finance has mobilized approximately USD 160 billion globally since 2015, with around 45% of transactions targeting Sub-Saharan Africa.[26] This approach becomes particularly important as communities face the economic multiplier effects of lost wages from donor-funded programs, which can trigger severe economic contractions in aid-dependent nations.
- **Unrestricted funding:** The Ford Foundation's BUILD Initiative provides unrestricted, long-term funding to strengthen organizational capacity and financial resilience (Ford Foundation, 2023). Such flexibility allows organizations to adapt to the changing funding landscape and maintain programs that have demonstrated impact on youth economic participation.
- **Technical assistance:** Technical assistance for organizational capacity is recognized as a key element in sustainable development. According to the OECD Development Co-operation Report (2023), capacity development programs that focus on financial management, strategic planning, and monitoring and evaluation are associated with improved organizational sustainability.[27] This approach becomes crucial as organizations face the challenge of sustaining youth-focused initiatives amid funding uncertainty.

Market-Based Integration: Leveraging Private Sector Value Chains for Youth Opportunity

The private sector can shift from viewing youth as beneficiaries to recognizing them as essential participants in robust value chains and as the future consumer base driving African markets. As donor-funded employment opportunities decrease, leading to direct job losses among youth employed in initiatives like those in Kenya's healthcare sector, private sector engagement becomes increasingly important.

Research by the International Finance Corporation highlights that incorporating youth into business operations provides multiple benefits for companies, including access to a dynamic workforce, innovative thinking, and connections to youth markets.[28] These business advantages can help create sustainable employment opportunities that offset the economic disruption caused by funding freezes in donor-dependent communities. Successful market-based approaches include:

- **Value chain integration:** Companies like Coca-Cola have developed "micro-distribution centers" in Africa, with over 3,200 of these centers creating more than 19,000 jobs, predominantly for youth.[29] Similarly, Safaricom's M-PESA agent network has created over 167,000 jobs across Kenya, with youth accounting for approximately 70% of agents (Safaricom, 2023).[30] These private sector initiatives are particularly vital as donor-funded employment programs face uncertainty.

26 Convergence, State of Blended Finance, 2023
27 OECD, Development Cooperation Report 2023: Debating the Aid System, 2023
28 IFC, Annual Report, 2022
29 World Bank Group, Reaching the Last Mile, 2019
30 Safaricom, Sustainable Business Report, 2023

- **Direct employment pathways:** Standard Bank's graduate training program operates across 20 African countries, providing structured entry points for university graduates, with clear advancement opportunities.[31] These programs address the experience gap that often prevents youth employment and become increasingly important as funding cuts threaten to lead to an underqualified workforce.
- **Market access platforms:** Companies like Apollo Agriculture in Kenya have connected thousands of smallholder farmers directly to vendors through digital platforms, increasing farmer incomes while reducing consumer prices. Digital market platforms like these are particularly accessible to tech-savvy youth who can leverage mobile technology, helping mitigate the economic ripple effects in communities where donor programs have been active.
- **Skills development aligned to market needs:** The African Management Institute has supported over 37,000 businesses that have created 97,000+ jobs and achieved 18% average annual revenue growth since the COVID crisis. Their programs generated USD 48 in SME revenue for every USD 1 invested, with women-led businesses exceeding the average in revenue growth and job creation. [32] These partnerships ensure skills development directly meets market demands, addressing gaps left by reduced funding for training programs.
- **Youth-led distribution networks:** Unilever's Shakti model, adapted for Africa, has created entrepreneurship opportunities for young women who serve as last-mile distributors in rural areas, reaching markets previously considered unviable.[33] These distribution networks offer alternatives for young entrepreneurs affected by the economic disruption in communities dependent on donor funding.

The International Labour Organization recognizes that investments in youth employment programs deliver benefits to businesses through improved productivity, employee tenure, and expanded market reach.[34] This demonstrates that youth integration is not charitable giving but strategic business development, creating sustainable opportunities as traditional donor support diminishes.

Moving forward, businesses should conduct value chain analyses to identify specific opportunities for youth integration, design financing mechanisms that support youth participants, and develop clear evaluation metrics that measure both business returns and youth outcomes. By building youth engagement into their core business strategies, companies can develop stronger enterprises while contributing to Africa's youth.

31 Standard Bank Group, Accessed 2025
32 African Management Institute, AMI 2023 Impact Report, 2023
33 Impact Reports Africa, Unilever Nigeria: A Century Of Building A Brighter Future Together, 2024
34 ILO, Is the Future Ready for Youth?, 2021

Organizational Resilience: Building Self-Sustaining Youth-Led Institutions

Youth-led organizations can forge strategic partnerships while building resilient operational models, particularly as funding cuts threaten youth-focused programs across the continent. The vulnerability of these initiatives underscores the need for self-sustaining approaches.

Organizations with multiple funding streams demonstrate greater resilience during funding shifts than those reliant on single sources.[35] This diversification becomes critical as bilateral aid to Africa continues its downward trajectory.

To achieve sustainability, youth organizations should:

- **Develop hybrid models:** Combining grant funding with earned income through fee-for-service programs or social enterprises. [36] These models can help maintain services even as donor-funded employment opportunities decrease.
- **Form operational consortiums:** Sharing back-office functions such as finance, HR, and procurement to reduce administrative costs while maintaining programmatic independence. This collaborative approach allows youth organizations to maximize the resources directed to actual program delivery rather than overhead expenses.
- **Strengthen governance:** Implementing robust financial management systems and diverse, active boards. Strong governance becomes increasingly important as organizations navigate the uncertainty created by major funding reductions from traditional bilateral donors.
- **Embrace digital transformation:** Utilizing technology to improve efficiency and reach, particularly in program delivery. Digital approaches can help youth organizations maintain impact even with reduced resources, ensuring continued access to services for young people who have benefited from development programs.

Youth leaders can also leverage their position to influence policy and demonstrate their value as implementation partners, securing more stable, long-term support. This advocacy becomes particularly important as funding cuts could trigger significant economic ripple effects in communities where donor programs have been active.

These evidence-based approaches can help ensure young people in Africa remain resilient and self-reliant, equipped for sustained economic participation despite shifts in the global funding landscape, from bilateral aid reductions. By fostering locally driven solutions, strengthening policy frameworks, and enhancing domestic resource mobilization, African nations can reduce dependency on external funding and build more sustainable, youth-centered economic ecosystems.

About Future Africa Consulting

Future Africa Consulting advises organizations and leaders who are building a better Africa by providing local, expert, and grounded knowledge that can be translated into practical application. We adopt and tailor our approach to specific client needs and provide hands-on, medium-to-long-term support for the execution of plans, policies, and strategies related to economic and social development across Africa. This involves partnering with policymakers, business leaders, development and philanthropic organizations to translate strategies, insights and policies into concrete outcomes. For organizations interested in exploring and discussing innovative models to address these challenges, we invite you to connect with us at: info@futureafrica.com

35 Civicus, Resilient Roots: How Constituent Accountability Helps Organisations To Counter Closing Civic Spaces, 2022
36 Civicus, Resilient Roots: How Constituent Accountability Helps Organisations To Counter Closing Civic Spaces, 2022

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