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How health aid benefits donor and recipient countries

This briefing sets out key findings of a new paper, 'Can Development Assistance for Health Mutually Benefit Donor and Recipient Countries?' by researchers Dr Gavin Yamey, Dr Osondu Ogbuoji and Ipchita Bharali from the Center for Policy Impact in Global Health, Duke University. It forms part of a wider research project on mutual interest official development assistance (ODA) led by the Kiel Institute for the World Economy and Global Nation, supported by the Gates Foundation.

Summary

After two decades of expansion, health ODA, often referred to as 'foreign aid' for health, is entering a period of decline. Yet, the evidence tells us that health ODA provides substantial "mutual interest" benefits—returns that extend beyond benefits to recipient countries to also serve donors' own economic, health, and political interests.

Cutting health ODA exposes donors to significant risks. Reduced investment in global health weakens disease surveillance and response systems, increasing the likelihood of cross- border health threats that can directly affect donor populations. Economically, it can impact trade, supply chains, and global market stability, which depend on healthy, resilient partner economies. Donors also risk losing diplomatic influence and soft power as their leadership in global health is eroded.

At a time of fiscal pressure and competing domestic priorities, the temptation to scale back health aid is strong. However, such cuts can compromise donors' own security, prosperity, and geopolitical standing.

The Evidence on the Mutual Benefits of Health ODA

Amidst unprecedented cuts, it has become vitally important for governments to understand the impact of reducing ODA, not only on recipient countries, but on themselves. In respect to health in particular, major OECD Development Assistance Committee donors that account for 80% of bilateral ODA towards the health and population sector, including the US, France, Germany, the UK, and the EU, have announced cuts in 2025-2027. As a result, the WHO is already reducing its budget by 22% over the next two years. So, what might donors stand to lose by cutting health aid, and what might they expect to gain by protecting health ODA?

The researchers identify three main categories for how health ODA benefits donors:

- Health benefits and health-related economic benefits (e.g., disease control, improved life expectancy, addressing antimicrobial resistance (AMR), increased productivity through improved health)
- Economic benefits beyond improved health (e.g., job creation, boosting trade)
- Political benefits (e.g., reputational and diplomatic benefits).

1. Health benefits and health-related economic benefits

Health aid generates mutual health-specific benefits for both recipients and donors. Donors benefit from reduced cross-border threats with a high human and economic cost, including pandemics and AMR. Positive health outcomes in recipient countries also boost soft power and reputational gains for donor countries. In recipient countries, health ODA results in disease reduction, reduction in infant and child mortality, improved life expectancy, strengthened health systems, and spillover positive impacts in other non-health sectors.

Key evidence

- **Disease treatment and vaccines:**
    - Reducing infectious disease in recipient countries reduces health threats across borders, such as countries with Gavi support that have seen significantly faster increases in DTP3 (diphtheria-tetanus-pertussis) vaccine coverage[i] and reductions in highly contagious disease as a result (diphtheria and pertussis can cross borders).
- **Pandemic prevention and preparedness:**
    - Pandemic prevention costs around US $4.5 billion a year versus US $60 billion in annual otherwise expected pandemic losses[ii].
    - Each dollar invested in pandemic preparedness yields returns of roughly US $14 in health and economic benefits[iii].
    - During COVID-19, equitable vaccine access via the *ACT Accelerator* generated economic benefits of US $153 billion for major donor economies — 12 times their investment by accelerating global growth, restoring trade, and preventing further losses[iv].
- **AMR:**
    - A UK-funded analysis found that investing in AMR control could deliver a 28:1 return on investment by 2050, reducing health costs by US$ 97 billion annually[v]. Over 4.7 million deaths were linked to AMR in 2021, projected to exceed 10 million annually by 2050. World Bank estimates for AMR show that global GDP losses in a pessimistic scenario could reach US $6.1 trillion per year by 2050[vi].

- **Economic spillovers from improved health:**
    - Economic cost savings are in the form of averted losses in gross domestic product (GDP), averted disruptions to trade and tourism, and productivity gains resulting from health aid investments. For example, the UK-funded analysis also showed that investing in AMR control would add US$ 960 billion to the world GDP, boost the labour force by 23 million workers, and increase the rates of tourism and hospitality[vii].

2. Economic benefits beyond improved health

Beyond economic benefits that come from improved health and thus greater worker productivity (health-related economic benefits), health aid also generates economic benefits that are unrelated to improved health. These include stimulating job creation and boosting international trade, with mutual benefits to both donors and recipients.

Key evidence

- **Trade and export growth:**
    - Donor countries benefit from the procurement of global health products. For example, since 2010, the Global Fund has procured US $3.5 billion in health products from US firms, while other multilateral programs procured an additional US $12.5 billion from US manufacturers[viii].
    - The UK's Global Better Health Programme, which invested health ODA over three years to tackle non-communicable diseases in eight middle-income countries, showed that for every £1 invested, there was a £1.1 return to the UK through health education, analytics, and service exports.
- **Research and innovation returns:**
    - Investments in neglected disease research and development (R&D) between 1990–2023 saved 8.3 million lives and are projected to save 40 million more by 2040, with an estimated US $405 in benefits for every $1 invested[ix].
    - US public spending of US $46 billion in global health R&D (2007–2022) generated a sixfold return, including 600,000 new jobs and US $255 billion in economic activity[x].
- **Job creation through procurement and implementation:**
    - Health ODA often involves procurement from donor-country suppliers and contractors, creating skilled jobs in pharmaceuticals, logistics, and analytics.
    - Tied-aid practices mean that, in some donor programs, a large share of spending flows back to domestic industries, sustaining employment and innovation capacity.
- **High-value returns from major disease programs:**

- Ending the HIV/AIDS pandemic through intensified interventions could yield US $6.4 in global economic benefits per dollar invested[xi].
- Donors would also gain indirectly from more stable markets, enhanced trade, and reduced global health shocks.

3. Political benefits

Health ODA can improve political stability in recipient countries and can strengthen security and defence ties between donor and recipient countries. Research on ODA has found that it can reduce terrorism, especially if the aid is targeted towards areas such as education, health, civil society, and conflict prevention. Dissatisfaction with public services, including health services, is a stronger predictor of migration than household wealth and ODA targeting improved services, especially health and education, reduces short- to medium-term regular migration flows.

Key evidence

Diplomatic and soft power gains:

- Countries receiving US health aid reported significantly higher approval ratings of the US government after the launch of PEPFAR[1] and the US President's Malaria Initiative[xii].
  - For every additional US $100 million in health aid, there was a roughly 6 percentage point increase in highly favourable opinions of the US[xiii].
- Similar positive perceptions were found in smaller-scale studies in Bangladesh and other low- and middle-income countries.
  - A US National Academies study concluded that continued leadership in global health "sustains US status and influence"[xiv].

Stability, security and illegal migration returns:

- Health ODA is linked to stronger governance and lower risk of political instability.
  - ODA was found to decrease transnational terrorism especially when targeted at health alongside other sectors[xv].
  - PEPFAR countries recorded 40% lower political instability and 2% higher GDP growth than non-recipient countries[xvi].
- Reduced migration pressures:
  - Satisfaction with public services including health services is a stronger predictor of migration than household wealth, playing an important role in people's desire to migrate[xvii].
  - ODA that improves local public services, especially health and education, reduces short- to medium-term migration flows[xviii].

[1] The President's Emergency Plan for AIDS Relief

- Infectious disease outbreaks can cause large scale migration as people attempt to escape the disease risk, more often involving internal displacement than cross-border migration (although both can occur), which in turn can lead to political instability[xix].
- Improved domestic health systems also reduce the emigration of doctors and nurses, benefiting both recipient and donor health sector[xx].

Cutting health aid may harm donors themselves

Cuts in health aid come at a time of cascading global challenges—pandemics, climate shocks, displacement, and geopolitical fragmentation—in which strong global health systems are a crucial protective force.

The evidence is clear that health aid benefits donors as well as recipients. **It safeguards donor populations and economies** by preventing both human suffering and the massive financial losses associated with pandemics and antimicrobial resistance, which can cost trillions in lost output. It strengthens trade and innovation: health ODA fuels domestic job creation, supports R&D, and drives exports in health technologies and services. It also enhances donors' diplomatic influence and global reputation, building the trust and partnerships needed to navigate today's fractured world.

Conversely, **cutting health aid carries real and immediate risks**. These cuts have already increased mortality in low- and middle-income countries but they also threaten donor security and prosperity. Reduced investment in health systems abroad means higher chances of disease outbreaks crossing borders, destabilizing regions, and disrupting global markets. Cuts in health aid weaken donors' soft power, damage alliances, and diminish their leadership credibility. And when it comes to spending health ODA on pandemic prevention, such investment is likely to cost much less than the economic losses from potential future pandemics.

At a time of fiscal pressure and global uncertainty, donor governments should view health aid as a high-return investment in shared security and resilience. Sustaining and strategically targeting health ODA protects donors' economic interests, strengthens their global standing, and keeps their own citizens safer. Health aid is not generosity—it is an essential instrument of mutual interest in today's world.

Contact

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About the research

Global Nation and the Kiel Institute for the World Economy are working in partnership on a project to build the evidence on where the greatest mutual benefits lie for foreign aid. Learn more about the project.

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