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## Opinion — Less Money, More Sustainability? Foreign Aid, Civil Society, and COVID-19

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CHRISTOPHER L. PALLAS, OCT 21 2020

Local civil society organizations (CSOs), which include both formally organized nongovernmental organizations (NGOs) and less formally organized non-state, non-commercial associations, play an important role in providing services to and representing the needs of poor and marginalized populations in many low and middle-income countries. Much of their growth is linked to their roles as partners and subcontractors for foreign governments and international NGOs, disbursing goods and services funded by foreign aid. Previous research suggests that global phenomena like economic downturns can lead many donors to reduce foreign aid simultaneously, and COVID-19 seems likely to trigger a broad contraction in non-health aid. One of the most common donor strategies for preparing local CSOs for foreign aid reduction is to seek to transition local CSOs to national government support. Yet this may not be feasible when local governments are also facing declining tax revenues and increasing expenditures due to COVID-19. Instead, donors need to focus on supporting the low-cost adaptations that CSOs have developed themselves, such as downsizing, increasing volunteer recruitment, and developing local sources of income. Such a strategy will not fully eliminate cuts in services to beneficiary populations, but it will enhance CSO sustainability, protect the civil society sector, and facilitate future regrowth.

While much has been written about how the COVID-19 pandemic is reshaping the global economy, it is also likely to reshape foreign aid. As economic contractions reduce tax revenue and COVID-related expenditures increase state spending, donor governments may be forced to choose between domestic spending and foreign assistance. While there has been some public and political support for increased foreign aid during the pandemic, most new commitments are targeted specifically toward COVID-19 related costs. At the same time, the UK has already reduced its foreign aid budget in response to the economic contraction and Australia is reallocating existing foreign aid funds to the COVID-19 response. Such cuts and reallocations will likely result in the reduction of foreign funding to non-health sectors in low and middle-income countries.

Reductions in foreign aid have the potential to hit local CSOs especially hard because of foreign donors' role in developing and shaping civil society. Foreign funding allows CSOs to provide essential services in many sectors, including supporting populations and activities that are disfavored by the national government. Donors also protect CSOs from government repression and promote legal recognition and rights for CSOs. Donor capacity-building efforts and reporting requirements can prompt CSOs to professionalize and expand. While this risks creating a civil society elite with limited grassroots connections, it can also increase the ability of local CSOs to participate in the political process and creates an aid infrastructure that can be mobilized or expanded during humanitarian crises.

Reductions in foreign aid, especially when made abruptly or with little advance communication, can prompt organizations to shrink or close, particularly professionalized organizations that work closely with donors. Thus, as we face the potential for sharp cuts to non-health foreign aid, it is important to ask how states can reduce foreign aid while maximizing the sustainability of local CSOs.

Unfortunately, one of the most common donor strategies for managing aid reduction may be one of the least viable in the current economic environment. Perhaps because aid reduction is often tied with a country's rise to middle or upper-middle income status, exiting donors typically seek to transfer funding responsibility for civil society activities to

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the national government. The track record of such efforts is decidedly mixed, but success appears to hinge more on the government's value for civil society organizations as partners in achieving development goals than it does on the state's democratic credentials. Two promising strategies to enhance this alignment have been to help CSOs map available government resources, because interest in partnership may vary between government departments and regions, and to develop an accreditation system for CSOs to enhance their credibility with the government.

The COVID pandemic calls into question the likelihood that a transition to government funding can be effective, even if well planned. Domestic governments are facing revenue shortfall due to the economic contraction, while also grappling with pandemic-related expenses. The ongoing need to service foreign debt may further exacerbate the problem for low and middle-income countries. Analysis from the World Bank predicts that the effects of the contraction will be felt more strongly in countries with higher degrees of income inequality, and vastly expand the number of people living in poverty. Thus, the need for social services, especially for vulnerable populations, may increase. At the same time, budget shortfalls across all levels of government will make the state less able to fund the CSOs that often provide these services.

The alternative solution is to support locally-driven adaptations developed by CSOs themselves. Local CSOs facing foreign funding cuts over the years have generated solutions to the challenge, many of which have been documented by scholars. These include strategic downsizing, a return to volunteer-based services, the development of social enterprises to support CSO work, charging nominal fees for CSO services, and developing culturally appropriate strategies for local fundraising.

Supporting such adaptations is difficult for most donors because of a certain path dependency, wherein donors see CSOs primarily as dispensers of free, donor-funded goods and services. Donor support for local adaptations can also be hindered by a lack of local knowledge and donors' tendency to develop single programs applied to dozens of countries at once. To develop a strategy for CSO sustainability that does not depend on external funding, donors must have an intimate knowledge of the civil society culture within a country. Such knowledge can only be gained by having a long presence in a country with deeply culturally embedded staff or having a diverse array of host country staff occupying positions of influence in the organization. Donors without such in-house expertise must engage local CSOs as equal partners in the development of donor exit strategies. This may be a challenge for donors: the lack of good communication with local counterparts about aid reduction is often deliberate, rather than accidental, and can reflect a distrust of local counterparts. Yet where aid reduction strategies are well-aligned with local conditions, provisions to facilitate CSO enterprises and local fundraising can play an important role in CSO sustainability.

One virtue of this approach is that it reverses the normal ecology of CSO survival. Too often, those CSOs that grow the fastest are those best able to engage with donors or the government. Thus, CSOs with urban offices, reliable technology, highly educated staff, and the ability to speak a donor's language (both literally and figuratively) occupy a privileged position, overshadowing more grassroots organizations, including rural organizations and those led by the poor, the less formally educated, and women. Local solutions like these would privilege CSOs with stronger grassroots connections and popular support. The need for volunteers, donations, or clients for fee-based services could make CSOs more accountable to the local population, including the beneficiaries of their work.

Increased local involvement can have other benefits. Volunteer-based organizations generate social capital among their participants, which can produce new economic opportunities, facilitate the sharing of resources, and even create better health outcomes. Local involvement can also improve CSO legitimacy with the local population. If more foreign or government funding becomes available in the future, CSOs that are sustainable using local resources can be selective about which donor or government grants and contracts they take, choosing only those projects that reflect local needs and interests. In short, COVID-driven contractions in foreign and government funding for CSOs need not undermine the health of the civil society sector. To the contrary, it may present an opportunity to disrupt the current, donor-focused patterns of CSO behavior, renew CSO accountability to the local population, and improve CSO sustainability. Donors can facilitate this transition by engaging in better dialogue with local CSOs about donor transition plans and supporting local adaptations that allow CSOs to lower their costs and develop local funding streams.

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