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AN ENABLING ENVIRONMENT  
FOR CIVIL SOCIETY

# The Impact of the US Funding Freeze on Civil Society

A Comprehensive Analysis by the  
EU SEE Initiative

17 March 2025

## 1. Executive Summary

The US funding freeze has emerged as a major shock to civil society organisations (CSOs) worldwide. US Government's funding has historically supported humanitarian, developmental and advocacy work on a huge scale. With nearly [\\$60 billion](#) in planned ODA (Official Development Assistance) disbursements halted and USAID's operations effectively reduced to a skeleton staff, the funding freeze is causing catastrophic consequences for CSOs and the communities they serve.

In this report, we:

- **Assess the impacts:** Present a data-driven analysis of how the freeze affects CSOs' finances, operations, and enabling environment.
- **Highlight trends:** Compare the EU SEE survey data with external surveys from ICVA and Accountability Lab/Humentum, and reference the ODA Support Profile (2023 DAC CRS Data) by ActionAid Canada.
- **Recommend actions:** Propose strategic steps for donors, CSOs, policy makers and the EU SEE initiative to mitigate the immediate crisis and safeguard the enabling environment for civil society.

The US funding freeze is profoundly affecting civil society organisations globally. Our integrated analysis—with insights from EU SEE, ICVA, and Accountability Lab/Humentum—reveals widespread financial strain, operational disruptions, and strategic vulnerabilities. The financial strain—with 67% of respondents directly affected and 40% experiencing 25–50% budget cuts—translates into severe operational disruptions and a deteriorating enabling environment. Political backlash, media scrutiny, and new regulatory hurdles further compound these challenges, threatening the sustainability of crucial programmes.

These challenges not only jeopardize immediate service delivery but also threaten the long-term enabling environment that EU SEE strives to create. The funding freeze and the rhetoric around it are being used in many countries to attack civil society and further restrict civic space.

By adopting flexible funding mechanisms, promoting diversified funding, enhancing early warning systems, and strengthening advocacy efforts, both US stakeholders and EU SEE partners can mitigate these impacts and build a more resilient future for civil society worldwide.

## 2. Methodology

### Data sources, respondent profile and survey distribution

- **EU SEE Survey:** A 54-response survey capturing qualitative and quantitative data through a combination of closed- and open-ended questions capturing budget impacts, areas of work affected, enabling environment challenges, and strategic adaptations.
  - These responses primarily represent NGO/CSO representatives rather than individual community members, ensuring that the data reflects institutional perspectives.

- The survey was distributed through EU SEE network channels (email lists, regional partners, etc.), capturing organisations engaged in civil society work.
- **External data:**
  - [ICVA's Global Survey](#) (246 responses as of 18 February 2025), which highlights the effects of Stop Work Orders (SWOs) on humanitarian programmes.
  - [Accountability Lab/Humentum's Rapid Analysis](#) (725 responses as of 20 February 2025), which provides detailed quantitative insights into budget cuts, staffing disruptions, and ripple effects across sectors.
  - **ODA Support Profile** (2023 DAC CRS Data): Provides a detailed breakdown of US ODA to CSOs—including that for gender equality—with data showing that, in 2023, US ODA to CSOs totalled \$10.2 billion.

### 3. Key findings

#### 3.1 Financial impact and operational disruptions

##### EU SEE Survey

- **Organisations directly affected:** 39 out of 54 respondents (72%)
- **Budget cuts:** Among these 39 organisations:
  - 38% (16 respondents) reported 25–50% of their budgets impacted,
  - 26% (11 respondents) indicated 10–25%,
  - 17% (7 respondents) indicated <10%,
  - 19% (8 respondents) reported >50%.
- **Programme adjustments:** Many are “adjusting their programmes” to operate on reduced resources, with 21 respondents indicating they have either reduced staff or scaled down operations.
  - Majority of directly affected CSOs reported budget cuts in the 25–50% range.

##### EU SEE Early Warning Mechanism reports

Five network members have used the Early Warning Mechanism to report on serious funding cuts affecting the operations of CSOs in their contexts:

- Indonesia: “Many of these organisations rely on funding from the U.S. Agency for International Development (USAID) with \$153.5 million allocated to Indonesia in 2024. This funding freeze has halted ongoing projects, leaving CSOs in a precarious position. In response to the funding freeze, some CSOs have had to implement unpaid leave for their staff, while others are managing to pay only half of their employees’ salaries until the review process concludes. The ramifications of this aid freeze extend beyond immediate financial concerns; they also threaten the livelihoods of those working within these organisations and jeopardize critical programmes in health, education, and environmental conservation.”
- Peru: “The suspension of USAID funding has affected more than 60 civil society actors in Peru, [putting at risk](#) projects related to democracy, human rights, governance, the environment, and the fight against drugs.” “The loss of international funding compromises the sustainability of many NGOs, limiting their ability to offer training, empowerment and support to vulnerable communities.”
- El Salvador: “The freezing or suspension of USAID funds has had a negative impact on the work of civil society organisations. This has implied close projects and personnel layoffs.” “Some organisations and independent media sources are

expected to close or reduce their work, since the considerable decrease of their funding.”

- Myanmar: “The grants cut severely impact work covered included programmes on conflict-related sexual violence, Transnational Repression, and ASEAN Advocacy. The funding cuts are causing huge shortages and closure of projects providing medical and subsistence support to the most vulnerable communities inside the country and along the border.”
- Malaysia: “This USAID funding cut has negative impacted local NGOs, INGOs or even government and cancelled all activities which support the people or community such as health, agriculture, education and good governance projects.”

### ICVA Report

- **Stop Work Orders (SWOs):**
  - Stop Work Orders (SWOs) have led to an abrupt halt in life-saving humanitarian services.
  - *Quote:* “The SWOs are impacting humanitarian programmes on every continent.” (ICVA)
- **Organisational disruption:** National and local NGOs face severe operational halts affecting vulnerable populations.
- [Link to full report](#)

### Accountability Lab/Humentum Report

- **Widespread disruptions:** 93.8% of NGOs reported direct operational impacts, with severe cash flow and liquidity issues that have forced many to reallocate funds.
- **Staffing impacts:** Some agencies report layoffs and furloughs affecting up to 90% of staff, with direct consequences for service continuity.
- [Link to full report](#)

**Table 1: Key comparisons: Financial impact and operational disruptions**

Feature	EU SEE Survey	ICVA Survey	Accountability Lab
Respondents Affected	35/52 (67%) directly affected	67% received SWOs	91.7% for-profits; 93.8% non-profits affected
Budget Impact	25–50% most common (40% of “Yes” group)	78% of contracts >\$100,000 impacted	Varies – severe contract cuts, cash flow issues
Thematic Areas	Human Rights & Democracy	Humanitarian services disrupted	Governance, Health, Gender, Economic support
Most Vulnerable Organisations	National NGOs	Local and national NGOs	Both for-profits and non-profits

### 3.2 Thematic areas affected

#### EU SEE Survey

- **Top Area: Human Rights & Democracy** was selected by 36 of the 39 “Yes” respondents (83%).
- **Gender Equality & Women’s Rights:** Mentioned by 14 respondents, indicating a high vulnerability for women’s rights programmes.

- **Media Freedom & Digital Rights:** 12 respondents noted disruptions.
- **Other sectors:** Education & Youth Empowerment (10), Health & Humanitarian Aid (6), Economic Empowerment (6), Climate & Environmental Action (6), plus some references to Anti-Corruption.

### EU SEE Early Warning Mechanism reports

- Indonesia: “USAID has played a critical role in promoting democratic governance and accountability in Indonesia. The loss of U.S. support could hinder efforts to combat corruption, promote human rights, and engage citizens in governance processes, potentially leading to democratic backsliding.”
- Peru: “In Peru, the funding freeze puts at risk fundamental projects in democracy, human rights, governance, the environment, migration and humanitarian assistance. In addition, it compromises freedom of the press, since part of these funds were destined to strengthen independent journalism.”

### ICVA Report

- **Humanitarian focus:** SWOs have halted essential services such as health, shelter, and food support—impacting millions of internally displaced people.

### Accountability Lab/Humentum Report

- **Sectoral breakdown:**
  - **Health and Protection:** Highest impact. Disruptions in HIV, malaria treatments, and protection services.
  - **Governance, HR & Anti-corruption:** major impact highlighted.
  - **Economic & Livelihood Support:** Significant cutbacks affecting vulnerable populations, especially for women and children.

**Table 2: Key comparisons: Thematic Impacts**

Thematic Area	EU SEE	ICVA	Accountability Lab/Humentum
<b>Human Rights &amp; Democracy</b>	83% of “Yes” group indicated major impacts	Disrupts NGO capacity to support vulnerable groups	Reports impact on governance and human rights
<b>Gender Equality &amp; Protection</b>	~14 respondents highlighted vulnerabilities	Increased risk of GBV; disrupted protection services	Major negative impact on services for vulnerable groups
<b>Media Freedom &amp; Digital Rights</b>	~12 respondents reported disruptions	Some references to censorship, harassment, and closures	
<b>Health Services</b>	Noted as secondary, but significant ~7 respondents, secondary to HR & Democracy	Life-saving treatments halted; increased mortality risk	Detailed impacts on HIV, malaria, maternal health
<b>Economic &amp; Livelihoods</b>	~8 respondents referencing reallocation challenges affecting programme sustainability	Food and livelihood programmes disrupted	Extensive cutbacks and loss of partnerships

### 3.3. Impact on the Enabling Environment

Beyond the immediate financial and operational disruptions, the EU SEE survey reveals critical insights into how the US funding freeze is reshaping the broader enabling environment for civil society. Responses to questions 8, 9, and 10 shed light on emerging barriers, political backlash, and strategic uncertainties that further jeopardize the capacity of CSOs to operate effectively. The responses show that the decision by the US to reduce foreign aid funding has become an opportunity to further limit civic space.

#### Emerging barriers

- **Data Point:** 26 respondents (50%) indicated that new barriers have emerged in their operating environment since the funding freeze. An additional 1 respondent expressed uncertainty about the changes, underscoring an overall climate of regulatory and operational unpredictability.
- **Implication:** This uncertainty complicates long-term planning and may lead to more restrictive regulatory measures. It highlights the need for a robust early warning and monitoring system that can track such changes and alert CSOs to emerging risks.

#### Salient insights:

- Calls for investigations against CSOs receiving US funding (9 countries): Brazil, El Salvador, Guatemala, Honduras, Hungary, Nepal, Paraguay, Peru, Sri Lanka
- Increased scrutiny/harassment of CSOs in general (13 countries): Argentina, Brazil, El Salvador, Guatemala, Honduras, Hungary, India, Malta, Mexico, Pakistan, Paraguay, Peru, Russia, Sri Lanka
- Potential restrictions on foreign funding, including foreign agent laws (6 countries): Guatemala, India, Moldova, Paraguay, Peru, Sri Lanka.
- Increased criticism of donors/funding (17 countries): Bangladesh, Brazil, Cambodia, Colombia, El Salvador, Guatemala, Honduras, Hungary, India, Mexico, Moldova, Nepal, Pakistan, Paraguay, Peru, Russia, Sri Lanka, Turkey

#### Political and media backlash

- **Data point:** The most reported impact by far is increased criticism and stigmatisation of international funding. Respondents also reported increased scrutiny from politicians, government officials, and media outlets. Several noted that these actors have called for investigations into CSOs receiving US funding.
  - For example, one respondent from a politically sensitive environment shared a statement by a high-level government official, “All money coming from America must be made public and those who have accepted it must be sanctioned.”
- **Implication:** Such political rhetoric can undermine the legitimacy and operational freedom of CSOs. It creates an environment in which civil society actors are not only battling funding shortages but also facing heightened external pressures that could stifle advocacy and critical engagement.

#### Strategic uncertainty and adaptation

- **Mixed responses** on how CSOs are adapting. Many CSOs reported that they are adapting by adjusting programmes and seeking alternative funding sources. However, a notable number expressed uncertainty about how best to navigate these challenges. This uncertainty reflects the absence of clear policy or regulatory guidance post-freeze, making it difficult for organisations to plan for the medium and long term.



- **Implications:**
  - **Budget cuts & erosion of trust:** When services abruptly stop, communities lose confidence in both donors (e.g., USAID) and the CSOs themselves. This dynamic feeds into a cycle of distrust, intensifying the freeze’s negative impact.
  - **Meaning of waivers:** Waivers are exceptions allowing CSOs to receive partial or emergency funds despite the broader freeze—often used to cover pre-freeze costs or essential services. Their limited availability fosters further uncertainty.
  - **Accountability, coordination & efficiency gains:** Over the past decade, donors and CSOs improved synergy and transparency. The freeze disrupts these “gains,” risking a return to fragmented funding, duplicative efforts, and reduced oversight.
  - The mixed responses signal an urgent need for enhanced data monitoring and policy advocacy. Strengthening early warning systems and establishing coordinated advocacy efforts can help CSOs better anticipate changes and adapt strategically.

**Table 3: Key comparisons: Summary of comparative insights on the Enabling Environment**

Enabling Environment Dimension	EU SEE Survey (Q8-Q10)	Implications
<b>Emergence of New Barriers</b>	25 respondents noted emerging barriers; 18 were uncertain	Regulatory uncertainty may lead to more restrictive policies and planning challenges.
<b>Political &amp; Media Backlash</b>	Increased stigmatisation of international funding and scrutiny of CSOs; calls for investigations noted	Heightened external pressures risk undermining CSO legitimacy and operational freedom.
<b>Adaptation Uncertainty</b>	Mixed responses on programme adjustments and funding diversification; uncertain long-term path	Indicates a need for robust early warning systems and coordinated advocacy to guide strategic adaptations.

## EU SEE EWM reports

### Funding freeze feeding into negative narratives about CSOs

- Nigeria: “Over the years and in a bid to justify the need for enacting these laws that will curtail the activities of the CSOs, narratives such as “NGOs are conduits for money laundering and terrorism financing” have grown but with no evidence. The funding freeze by the US government and ongoing dis/misinformation related to it has increased the pressure on the civil society sector, including renewed attacks. The growing narrative that NGOs in the country support terrorism, spread by government and other actors even before, has now found a home amidst the attacks on USAID and its operations both by US decision-makers, security agencies in the country and a section of the public.”
- El Salvador: “On 8 February 2025, the President of the Republic, Nayib Bukele, [alleged that USAID funds had been misused](#) by journalists, independent media, and other civil society actors as part of a global money laundering operation. This came a

few days after he had also [reportedly claimed](#) that most of the funds were channelled to fund opposition groups, civil society organisations with political agendas, and destabilising movements. These statements are part of a broader pattern of stigmatisation and discrediting of civil society, which has also been echoed by [state media](#).”

### **Negative narratives translating into additional decrease in available funds**

- Peru: “If the government persists in questioning the legitimacy of NGOs, foreign donors and agencies may reconsider their support. This would generate a vicious circle in which the lack of funding would further weaken organisations, reducing their capacity to influence issues of governance, human rights and sustainable development.”
- El Salvador: “Also, the discourse of the Government will hinder the access to resources. In fact, in recent years no state funds have been provided to civil society organisations under unfounded corruption allegations.” “It is important to consider that the stigma and discrediting promoted by the Government of El Salvador also have a negative impact on funding opportunities for these civil society actors.”

### **Negative narratives used to justify further legal restrictions against CSOs**

- Nigeria: “Following the recent statement by a US Senator that USAID funds Boko-Haram in Nigeria, the Nigerian National Assembly has launched investigations into the activities of USAID and nonprofits in the country. An investigative committee set up on February 20, 2025, by the House of Representatives will focus on the activities of CSOs in the Northwestern part of the country. CSOs are concerned about the objectivity of the investigation and its implications for their work.” “If not objectively carried out, the investigation may become part of an ongoing process of attack on civil society and push for stiffer regulations, a common trend which started in 2015 and continues until today.”
- Peru: “If the narrative of “foreign intervention” and the delegitimization of NGOs continue to be promoted by sectors with opposing interests, it could generate a prolonged effect of stigmatization. One of the biggest risks is the possibility of a tightening of the legal and regulatory framework. If the discourse of delegitimization translates into new regulatory restrictions, NGOs will face greater obstacles to operating, obtaining funding, and participating in public policymaking.”

### **Structural impacts**

- Indonesia: “USAID has played a critical role in promoting democratic governance and accountability in Indonesia. The loss of U.S. support could hinder efforts to combat corruption, promote human rights, and engage citizens in governance processes, potentially leading to democratic backsliding.”
- Nigeria: The funding freeze “could lead to both systemic and large-scale changes to the enabling environment for civil society having an impact on the overall regulatory environment. Already the negative narratives have continued to decrease public trust in the work of CSOs.”
- Peru: The hostile environment “can encourage self-censorship among organisations and activists, who, for fear of reprisals, could reduce their ability to report and monitor human rights violations. This weakens the role of civil society as a counterweight in a democracy. In political terms, the official narrative and accusations against NGOs can influence public perception, eroding public trust in the work of these organisations.”



### 3.4 Organisational adaptation and mitigation strategies

#### EU SEE Survey

- **Programme adjustments:** Many respondents are reducing staff, scaling down programmes, or reallocating budgets. *Quote:* “We are adjusting our programmes to continue operations with fewer resources.” (EU SEE Survey)
- **Funding diversification:** 68.5% say they are actively seeking alternative donors or partnerships.

#### ICVA Report

- **Mitigation measures:**
  - 56% of NGOs are actively seeking alternative funding, although many remain pessimistic.
  - Strategies include cost reallocation, applying for waivers, and pursuing joint advocacy.
  - Downscaling of programmes, reduction in staff, and reallocation of funds are common.
  - Some organisations are even using personal savings to bridge funding gaps.

#### Accountability Lab/Humentum Report

- Extensive layoffs/furloughs; cost reallocation
- Huge impact on CS funding
- Coordinated approaches, alliances, pooled resources

**Table 5: Key comparisons: Adaptation strategies**

Strategy	EU SEE	ICVA	Accountability Lab/Humentum
<b>Programme Adjustments</b>	Streamlining operations, cost cutting	Downscaling programmes; immediate service suspension	Extensive layoffs/furloughs; cost reallocation
<b>Funding Diversification</b>	67% seeking new donors, urgent need for flexibility	Reallocation of funds; use of personal reserves 56% exploring alternative funding; joint advocacy efforts	Huge impact on CS funding
<b>Collaboration</b>	Encouraging partnerships among CSOs for resource pooling	Limited collaboration noted	Coordinated approaches, alliances, pooled resources

## 4. Case studies and direct quotes

### Case Study 1: Humanitarian service disruption (ICVA)

- **Context:** An INGO in Asia reported that SWOs led to a sudden halt in lifesaving support for over 3 million internally displaced people.
- **Quote:** “The SWOs are impacting humanitarian programmes on every continent.” (ICVA)

### Case Study 2: Staffing crisis (Accountability Lab/Humentum)

- **Context:** A national NGO in Africa detailed severe staff reductions that have halted essential services.
- **Quote:** “We lost 17 staff out of 35 which has affected them and their families.” (ICVA)

### Case Study 3: Strategic vulnerability (EU SEE)

- **Context:** A CSO expressed concern over the long-term risk posed by over-reliance on US funding.
- **Quote:** “The freeze has shone light on the over-reliance of civil society on US funding. There is definitely a need in the future to diversify...” (EU SEE Survey)

### Case Study 4: Political ramifications (ICVA)

- **Context:** In politically sensitive environments like Hungary, respondents noted deep distrust toward US funding.
- **Quote:** “All money coming from America must be made public and those who have accepted it must be sanctioned.” (EU SEE Survey)

## 5. Recommendations for addressing the impact of the US funding freeze on civil society

Based on insights from our survey and external reports, we propose the following actions to mitigate the impact of the funding freeze and safeguard civil society's enabling environment.

### 1. For Donors: Establish flexible and sustainable funding mechanisms

- **Emergency bridge funding:** Implement rapid-response financial mechanisms to support civil society organisations (CSOs) facing operational disruptions due to the funding freeze.
- **Grant flexibility:** Increase allocations for administrative and operational costs, allowing CSOs to adapt funds based on evolving needs.
- **Engagement with private donors & philanthropic actors:** Encourage private foundations and philanthropic entities to contribute through flexible funding streams that prioritize human rights, fundamental freedoms, and civil society resilience.
- **Consortium-level & pooled funding:** Strengthen collective financing opportunities to ensure long-term sustainability beyond US funding sources.

### 2. For Civil Society: Strengthen financial resilience and solidarity networks

- **Funding diversification & capacity strengthening:** Support initiatives that help CSOs develop alternative revenue streams, reducing dependency on any single donor.

- **Collaboration & solidarity networks:** Foster stronger cooperation between national and international CSOs to amplify advocacy impact and coordinate joint fundraising strategies.
- **Cross-sector partnerships:** Engage with academia, media, and the private sector to broaden funding avenues and influence key decision-makers.

### 3. For Policymakers & Multilateral Institutions: Ensure Systematic Monitoring of Civil Society Impact

- **Early Warning & Monitoring Mechanism:** Leverage EU SEE's existing tools to track financial stress, operational disruptions, and political/regulatory threats affecting civil society.
- **Regular reporting:** Provide periodic reports assessing funding trends, budget reductions, and the broader impact on CSOs' ability to operate effectively.
- **Engagement with national governments:** Facilitate structured dialogue between CSOs and policymakers to anticipate and address regulatory challenges stemming from funding constraints.

### 4. For Media & Public Awareness: Strengthen Advocacy and Counter Misinformation

- **Evidence-based advocacy & government engagement:** Organize high-level discussions between CSOs and decision-makers to address policy restrictions linked to funding shortages.
- **Counter-narrative & awareness campaigns:** Launch global initiatives to combat misinformation and stigmatization of CSOs, including:
  - A coordinated media strategy to clarify the role of foreign funding in civil society operations.
  - Rapid-response mechanisms to address emerging narratives that undermine CSOs.
  - Citizen Mobilization & Public Engagement: Engage local communities to highlight the essential role of CSOs in protecting democracy, human rights, and governance.

### 5. Cross-cutting approach: Multi-level advocacy and legal protections

- **Global & regional coordination:** Strengthen partnerships between CSOs, donors, and advocacy groups to respond collectively to funding-related threats.
- **Policy influence & donor accountability:** Urge multilateral organisations to integrate civil society protection measures into donor policies and funding frameworks.
- **Legal support & risk mitigation:** Establish regional legal assistance networks to support CSOs facing political pressure, legal restrictions, or financial scrutiny.

## 6. About EU SEE

The EU System for an Enabling Environment for Civil Society (EU SEE) is a consortium of international organisations and Network Members. The partnership implements and maintains an Early Warning and Monitoring Mechanism to document changes and shedding light on critical trends in the enabling environment. The international consortium includes [Hivos](#), [CIVICUS](#), [Democracy Reporting International](#), [European Partnership for Democracy](#), [Forus](#), [Transparency International](#).

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