

The Impact of USAID Budget Cuts on Global Development Initiatives: A Review of Challenges, Responses, and Implications

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ABSTRACT

Statistics from 2023 highlight the U.S. as the world's biggest foreign aid donor, allocating approximately \$72 billion in foreign aid, with 61% of this coming from the U.S. Agency for International Development (USAID). Congressional Research Service statistics reveal that in FY 2024, USAID was responsible for over \$35 billion (42% of all humanitarian aid, according to the UN) and provided support to 130 countries. By sector, in the FY 2024, USAID spent about \$9.9 billion on humanitarian, \$9.5 billion on health, \$6.9 billion on governance, \$3.7 billion on administration, \$1.1 billion on agriculture, education, and infrastructure respectively, \$0.9 billion on economic growth and \$1.2 billion on other aid programs. On January 20th, 2025, a significant vacuum was created by the Trump Administration, unexpectedly imposing USAID cuts via an Executive Order (E.O. 14169). Hence, the focus of this article is to review the impact of USAID budget cuts on global development initiatives and the responses to the cuts. These unexpected cuts have disrupted significant global development initiatives in diverse sectors such as healthcare, education, economic development, democracy and governance, and humanitarian. In response, many recipient countries, NGOs, and development agencies are strategizing for alternative funding. Using the dependency theory as the theoretical framework, the study explores the implications of these cuts. Supporters of this theory argue that because the social construct creates cycles of reliance that impede development, developing nations should instead implement 'self-reliance.' Various recipient countries are shifting toward self-reliance as

governments seek ways to cope with the void left by USAID cuts. Some experts from recipient countries believe this is a wake-up call for recipient nations to take over their responsibility. Other experts worry that this U.S. policy shift could create a power vacuum, potentially exploited by countries like China, thereby straining U.S. diplomatic ties with recipient nations.

Keywords: USAID Budget Cuts, Dependency Theory, Foreign Aid Reduction, Humanitarian Aid, Aid Dependency, U.S. Foreign Assistance, Development Aid, Self Reliance.

INTRODUCTION

Historical Context

For over 64 years, since its creation on November 3rd, 1961, following an Executive Order (E.O. 10973), the U.S. Agency for International Development (USAID) has been the primary agency of the U.S. government in charge of international humanitarian and development initiatives (Congressional Research Service (CRS), 2025). This Executive Order, issued by President John F. Kennedy at the height of the Cold War, aimed to implement the provisions of the 1961 Foreign Assistance Act (Roy, 2025). Post World War II, President John F. Kennedy wanted to refine the country's efforts in foreign assistance with a program that would be able to meet the needs of developing countries, thus signing the Foreign Assistance Act in September of 1961 (Public Law 87-195) (U.S. Department of State, n.d.). In a 2020 comment, Andrew Natsios, a former administrator of USAID, recognized that the agency played a significant role in the U.S.'s success during the Cold War with the Soviet Union (Al Jazeera, 2025). President John F. Kennedy and his administration defended the idea that U.S. foreign aid programs were a form of diplomacy, and equally upheld the idea that the security of America related to the economic development and stability of other countries (U.S. Department of State, n.d.).

In the opinion of President Kennedy, the U.S., positioned as the world's richest nation, had the moral and financial responsibility to assist poorer nations; a move he saw as equally politically advantageous to the U.S. Hence, he created USAID to distinguish between military and civilian (non-military) aid and overhaul foreign aid allocation by the U.S (Hernandez, 2025). USAID's role is to buttress economic aid, fight the spread of disease, foster democratic reforms, provide disaster recovery assistance, relieve poverty, and ensure food security (USAID, n.d.). USAID has about 10,000 employees, two-thirds of whom work overseas with bases in over 60 nations. However, most of its groundwork is carried out by partner organizations contracted by the agency (Seddon, 2025). The agency's mission statement, which was revised in January 2024, is *"We partner to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity"* (Tarnoff, 2015).

Overview of USAID Funding

USAID is the biggest benefactor of American development assistance and the key bilateral donor, employing thousands of development experts who work on broad and diverse humanitarian and development issues (Tarnoff, 2015). Although the agency's yearly budget is pulled from several funding accounts, most of its programs and operational spending are approved through the standing legislative power of the 1961 Foreign Assistance Act. In the 2022 fiscal year, USAID is reported to have spent about \$74 billion (excluding several arms sales or foreign transfer of military equipment), a dramatic increase from about \$24.6 billion in

2001. Nevertheless, according to federal budgeting standards, the yearly funding has slightly changed in current years, with annual spending ranging between \$52.9 billion to \$77.3 billion over fifteen years (2008-2023) (DeSilver, 2025). Statistics from the 2023 fiscal year show that the U.S. is the world's biggest foreign aid donor, allocating about \$72 billion, with 61% of this coming from USAID. Nevertheless, foreign aid constitutes less than one percent of the U.S. gross domestic product (Roy, 2025) or the total federal budget (Hernandez, 2025). The foreign aid portion of the U.S. federal budget since 2001 has ranged between 0.7% and 1.4% compared to 4.7% in FY 1963 (DeSilver, 2025). In the fiscal year 2024, USAID was responsible for over \$35 billion and provided aid to about 130 countries with the top ten countries being Ukraine, the Democratic Republic of Congo, Jordan, Ethiopia, West Bank and Gaza, Sudan, Nigeria, Yemen, Afghanistan, and South Sudan (CRS, 2025; Hernandez, 2025). According to Grants.gov (n.d.), "USAID's Feed the Future, Global Health, Global Climate Change, and Power Africa initiatives target symptoms of and pathways out of poverty." By sector, in the fiscal year 2024, USAID spent about \$9.9 billion on humanitarian, \$9.5 billion on health, \$6.9 billion on governance, \$3.7 billion on administration, \$1.1 billion each on agriculture, education, and infrastructure, \$0.9 billion on economic growth and \$1.2 billion on other aid programs (CRS, 2025).

In the health sector, USAID has played an instrumental role in the global fight against widespread diseases like smallpox in the late 1960s and polio decades later. Moreover, the agency has played a significant role in the fight against HIV/AIDS under the umbrella of the President's Emergency Plan for AIDS Relief (PEPFAR), established in 2003 by U.S. President George W Bush (Roy, 2025). At the start of the 1990s, USAID spent most of its funding on health, but during fiscal year 2022, the agency's largest recipient was the humanitarian sector. In fiscal year 2023, governance took the lead due to U.S. financial support to Ukraine, but in 2024, humanitarianism returned to the top of the list of the agency's sector funding (CRS, 2025). Ukraine was the highest recipient in 2023, receiving about \$14.4 billion (Al Jazeera, 2025). The agency intervenes in approximately 75 humanitarian crises yearly (Hernandez, 2025). United Nations (UN) statistics indicate that USAID supplied 42% of all humanitarian aid in 2024 (Al Jazeera, 2025).

As soon as President Trump was sworn into office, he passed an Executive Order (E.O. 14169) on January 20th, 2025, titled "Reevaluating and Realigning United States Foreign Aid," intending to put a 90-day hold on every U.S. foreign aid pending a review (CRS, 2025). On February 3rd, 2025, in an effort to limit USAID's role as the largest international aid provider, the Trump Administration appointed Secretary Rubio as USAID's Acting Administrator. In his role, Secretary Rubio informed Congress of a potential reorganization of the agency following a scheduled review of the agency's aid programs (CRS, 2025). Following the court's dissolution of a restraining order on February 21st, 2025, that sought to block the Administration's plan to place almost all the agency's employees on administrative leave, initiate 1,600 layoffs, and an expatriate "voluntary Agency-funded return travel program" (CRS, 2025), went into effect on Sunday, February 23, 2025, at 11:59 p.m. EST (USAID, 2025). About 5,800 USAID foreign aid grants were revoked on February 26th, 2025 (CRS, 2025).

The impact of the recent action by the Trump administration is being felt globally. Bateman (2025) highlights the following words from a veteran foreign aid employee in an interview with BBC: "It felt like an earthquake across the aid sector, with life-saving programs in ruins." However, those supporting the freeze contend that a yearly foreign aid of about \$70 billion is

“vastly bloated, with Washington carrying too much of the weight compared to other Western nations” (Bateman, 2025). A report from the Boston University School of Public Health suggests that the USAID budget cuts have “severely disrupted the lives of populations abroad who rely on this funding for disease detection and treatment, nutrition assistance, and other vital public health services” (McKoy, 2025). Thus, this review aims to synthesize existing literature and provide a comprehensive review of the impact of the USAID budget reductions on global development and global responses to the cuts. This review uses the dependency theory as the theoretical basis for comprehending the consequences of dependence on international aid.

THEORETICAL FRAMEWORK: DEPENDENCY THEORY

Dependency theory was developed as a critique of modernization theory, which was proposed by sociologists and economists from the ‘center’ (Kay, 1989, p. 3). Modernization and dependency are two distinctive theories that originated from different fields with diverse judgments, methodologies, explanations, and assumptions to explain the same reality - underdevelopment (Valenzuela, J., & Valenzuela, A., 1978). Modernization emerged after WWII when interest arose among American scholars in the challenge of underdevelopment, political instability, and socio-cultural transformation in Asia, Africa, and Latin America (Tipps, 1973). Modernization is a product of sociology that explains the stages of the evolution of societies from traditional to modern form. Proponents of this school of thought blame traditional norms (values, institutions) as the cause of underdevelopment and the obstruction to modernization. In other words, to gain political, economic, and social change, underdeveloped nations must overcome traditional norms that impede the path to modernization by embracing innovation (Valenzuela, J. & Valenzuela, A., 1978).

Dependency theorists reject modernization's assumption that traditional norms are the root cause of underdevelopment in Latin America but blame underdevelopment on the global political-economic system that arose from European colonization (Valenzuela, J., & Valenzuela, A., 1978). Dependency theory was established in the 1960s by scholars interested in comprehending the impediments to development in Latin America (Ahiakpor, 1985; Valenzuela, J., & Valenzuela, A., 1978). Often called the “Latin American” dependency theory, it is a political-economic school of thought that emerged from the UN Economic Commission for Latin America (ECLA) immediately after WWII. ECLA economists were on a quest to explain the underdevelopment of Latin America through the lens of inequality in trade terms among exporters of raw natural resources and those of manufactured products (Valenzuela, J., & Valenzuela, A., 1978). Key contributors to this school of thought include Fernando Cardoso and Andre Gunder Frank, who suggest that the rise of capitalism on the world stage has resulted in underdevelopment in Latin America (Dietz, 1980). The rise of this school of thought was to close the gap that existed in the study of development and underdevelopment that ignored the economic and other associations between the metropolis nations and their economic colonies during the era of global expansion and the growth of mercantilism and capitalism (Frank, 1970, p. 3).

Frank (1970, p. 6) argues that the relationship between the metropolis nations and the satellite nations extends beyond the international level but infiltrates and constructs the economic, social, and political landscape of Latin American colonies. He also postulates that this is an exploitative relationship that benefits the metropolis nations who use it as an instrument to “suck capital or economic surplus” from the satellites. This unequal relationship goes back to

the 16th century with the advent of capitalism, in which the center benefited from industrial production with the help of raw materials from the peripheral colonies. Thus, the economic theory of international division of labor via comparative advantage did not ensure equal development but accumulated wealth for the center nations at the cost of the periphery (Valenzuela, J., & Valenzuela, A., 1978).

Ghosh (2019) notes that dependency is an unbalanced alliance between two nations. One of the parties is a developed nation called the “center”, or “metropolitan center,” and the other is a less developed nation known as the “periphery” or “satellite.” The metropolitan nations are the economically powerful nations (capitalists), whereas the periphery represents the economically weaker nations (less developed countries). He asserts that dependency is a theory that exposes the root cause of economic development and underdevelopment: the “relations of dominance” over the satellite nations. So (1990, p. 105) also reveals that dependency is an external influence (economic condition) from ‘the outside’ that obstructs the national development of less-developed nations. In other words, the growth of capitalism has contributed to development and underdevelopment, with underdevelopment being the result of the supremacy of one country’s economy (satellite or periphery) by another’s (center) (Friedmann & Wayne, 1977).

The dependence of the periphery on the center manifests itself in diverse areas like academics, cultural life, finance, market, human resources, consumerism, militarism, environmentalism, policy, and bio-dependency. Such dependency is never free, and often, the cost is tremendously high (Ghosh, 2019). In other words, this structure creates a cycle of reliance, impeding the development of the periphery. Hence, proponents of the theory of dependence postulate that rather than depending on the “core” or “center” nations for aid, technology, and other forms of assistance, the peripheral nations would have to implement a “self-reliance” methodology (So, 1990, p. 105). In line with this school of thought, the subsequent sections explore the devastating consequences of significant dependence on foreign aid by developing countries.

IMPACT OF USAID CUTS ON GLOBAL DEVELOPMENT INITIATIVES

The American foreign aid budget is approximately \$15.6 billion, constituting roughly 0.25% of the American budget, but makes up nearly 43% of total worldwide humanitarian funding (Datz, 2025). Criticized as an inefficient use of government funding and promoting a liberal agenda, the Trump administration recently cancelled \$60 billion in USAID contracts, roughly 90% of their holdings. These monetary cutbacks come at a time of dramatic government spending reductions, carried out by Elon Musk’s Department of Government Efficiency (DOGE), a department dedicated to reducing government waste (Hayes & Cerullo, 2025). Considering USAID’s leading role in the United States’ foreign aid to developing and middle-income countries, the 63-year-old government agency’s cuts will be felt on a global scale, irrespective of social and economic sectors (Ruth, 2025). The reduction in USAID’s budget is hurting U.S. global development initiatives, most notably, the health sector, education and capacity building, economic development and poverty alleviation, democracy and governance, and humanitarian aid and crisis response.

Impact on Health Sector

USAID’s relief budget represents 43% of worldwide humanitarian financing (Datz, 2025). Its unexpected reduction represents serious implications for the global health sector, threatening

the lives of millions, like those in Tanzania, Eswatini, and Lesotho, where the USAID provided HIV treatment and support to more than 350,000 people (Global Health Council, 2025). Without USAID assistance, these people are defenseless against HIV. According to Beatriz Grinsztejn, President of the International AIDS Society, "The U.S. funding cuts are dismantling the system. HIV treatment is crumbling. TB services are collapsing" (Rigby et al., 2025). McKoy (2025) reports that if international aid is not restored before the end of 2025, over 176,000 people worldwide might die from HIV, according to projections by a global health associate professor, Brooke Nichols. This projection also suggests that about 62,000 people could die from tuberculosis if aid is not restored (McKoy, 2025).

Moreover, in Africa, malaria aid contracts provided people with life-saving treatments and goods, including diagnostics, treatment, and seasonal malaria chemoprevention. These measures successfully protected 53 million people from malaria (Global Health Council, 2025). The USAID has historically provided nutrition programs and food delivery (Datz, 2025). Nigerian kids and women who suffer from malnutrition will continue to suffer without the assistance of USAID. Likewise, individuals in Nepal will not have access to lifesaving nutrition and food services, further perpetuating national famine (Global Health Council, 2025). The impacts of USAID's absence have been anything but delayed. Thousands dependent on nutritional support have already been afflicted due to understaffed food distribution warehouses, a direct result of USAID's withdrawal (Datz, 2025).

In addition, this cut will jeopardize the well-being of infants and mothers who have depended on USAID funding for lifesaving medical services. In the past decades, USAID funding has saved about three million infants and one million mothers (Lewis, 2025). Millions will continue to be affected, as the absence of health aid from the USAID will be felt globally, especially in developing countries. The Global Health Council described the reduction to the USAID's budget as "a tragedy of historical proportions" and "a reckless (and unilateral) move (that) will cost millions of lives around the world" (Global Health Council, 2025). Atul Gawande, a former administrator of global health at USAID, voiced, "This is like trying to pause an airplane in midflight and then subsequently firing the crew" (Lewis, 2025). These quotes illustrate the disastrous implications on the health sector given USAID budget reductions, including massive loss of life and global destabilization.

Impact on Education and Capacity Building

USAID has historically played a central role in education and capacity building in developing countries. The agency's role in sub-Saharan Africa has been vital in ameliorating elementary and secondary education in the region to empower youth towards a career path, with Ethiopia and Somalia being the top beneficiaries, each receiving \$17 million and \$14 million, respectively (Rahim et al., 2025). In Ghana, teacher training, curriculum development, and other educational programs were supported by USAID (Rahman, 2025). With U.S. backing, Ghana launched Strengthening Accountability in Ghana's Education System (SAGES), a program dedicated to strengthening Ghana's educational system and internal accountability (Farmonaut, 2025). USAID's departure threatens to unravel Ghana's educational initiatives, leading to decreased educational quality, lack of human capital development, and long-term destabilization (Rahman, 2025). Likewise, USAID targeted Latin America and the Caribbean with educational programs. Specifically, USAID improved educational opportunities for marginalized groups, such as women and indigenous peoples, by bettering their access to a

quality education (fundsforNGOs, n.d.). Cuts to USAID threaten to undermine education and capacity-building efforts not only in Latin America and the Caribbean but across the globe.

Impact on Economic Development and Poverty Alleviation

In fiscal year 2024, USAID spent \$8.57 billion on economic development efforts, representing roughly 24% of its annual spending. The most targeted beneficiaries included war-torn Eastern Europe and Eurasia, and poverty-stricken East Africa and Sub-Saharan Africa (ForeignAssistance.gov, 2025). USAID provided much-needed economic assistance to countries struggling to escape the grasp of poverty. This global assistance includes initiatives in Ethiopia, where poverty is on the rise, with 72% of the population in multidimensional poverty (Haregu, 2025). Without the millions of dollars pledged by USAID to Ethiopian economic development efforts, millions of Ethiopians are vulnerable to the perpetual cycle of poverty and financial hardship. USAID's absence will be felt ubiquitously in global economic development and poverty alleviation, especially in heavily assisted countries like Ukraine, Jordan, Colombia, and Uganda (ForeignAssistance.gov, 2025). USAID has been instrumental in the development pursuit of Africa mainly, following the African Growth and Opportunity Act (2000) through which the agency created many investment opportunities, like the East African Trade and Investment Hub that resulted in about 600 million exports, creating over 40,000 local jobs from 2014 to 2019 (Rahim et al., 2025). Underdeveloped countries, like these, will no longer have sufficient resources to build economic infrastructure and support an impoverished populace. Furthermore, economic destabilization could lead to future geopolitical instability and volatility, a potentially destructive force in the global economy (Price, 2024).

Impact on Democracy and Governance

The U.S. has long supported democracy on a global scale, especially in countries with weak democratic institutions. USAID's withdrawal might encourage the rise of authoritarian governments, slowing down pro-democracy movements (Fraser, 2025).

After WWII, the U.S. was imperative in establishing successful democracies in Germany and Japan. Similarly, the U.S. laid the foundation for a democratic government in South Korea after the Korean War. In 2024, USAID pledged \$1.816 billion toward democracy, human rights, and governance initiatives, which helped more than 112 countries fight against political instability and governance issues through democratic implementation (ForeignAssistance.gov, 2025). USAID's cuts instantly slowed down efforts to oppose corruption, reinforce judicial systems, and foster free media in underdeveloped nations, especially with the shutdown of Voice of America, Radio Free Asia, and Radio Free Europe by the Trump Administration in March 2025 (Fraser, 2025). Given their paramount influence, USAID's secession threatens global democratic efforts as it creates a power vacuum that can be exploited by countries, such as China and Russia, to establish their governance regimes (Koranyi, 2025). An already powerful China could strengthen its regional and global political ties through the Belt and Road Initiative (BRI), a financial infrastructure project to restore old Silk Road trade routes. China could potentially use BRI to establish geopolitical leverage over other countries through debt traps with strict restructuring rules (McBride, Berman, & Chatzky, 2023). Alternatively, internal political instability and volatility could lead to the rise of militaristic or terrorist regimes in especially vulnerable countries (Price, 2024). Consequently, USAID's cuts could undermine global democratic efforts that the U.S. has long sought to uphold.

Impact on Humanitarian Aid and Crisis Response

As a result of the USAID budget cut and the stop-work orders, NGOs and humanitarian agencies have experienced financial issues, staff cuts, loss of assets, and disrupted supply chains. Therapeutic feed centers have ceased operations, life-saving medical treatments have been disrupted, refugee communities have lost access to social protection, gender-based violence and child protection have been suspended, and anticipatory action and Livelihood programs have been impeded (The International Council of Voluntary Agencies (ICVA), 2025). Fraser (2025) stresses that a crucial effect of USAID's cut is the interruption of life-saving humanitarian aid, given the agency's central role in swift response to humanitarian crises. The massive reliance of key humanitarian agencies like the World Food Program (WFP) and the United Nations Children's Fund (UNICEF) on USAID for funding to sustain life-saving operations in areas like the Middle East, South Asia, and sub-Saharan Africa will have a negative impact due to the cut (Fraser, 2025). USAID spent \$9.832 billion on humanitarian aid in fiscal year 2024; their largest global development initiative, comprising nearly 28% of their annual obligations (ForeignAssistance.gov, 2025). Notwithstanding the agency's global reach, it mainly concentrated on sub-Saharan and East Africa, the Middle East, and Ukraine (ForeignAssistance.gov, 2025). Despite USAID's contributions, 53% of the global major humanitarian responses remained unfunded, and 120 million people were displaced (Leal, 2025). The halt in humanitarian aid in Syria's Al-Hawl refugee site has led to an interruption in security, sanitation services, and water, putting more than 40,000 inhabitants at risk. This cut has also negatively impacted nine refugee camps in northern Thailand as well as disaster relief efforts in Haiti (Fraser, 2025). Global humanitarian aid is a colossal problem, expected to be compounded by USAID cuts. The absence will not only exacerbate the humanitarian crises in Sudan, Gaza, the Democratic Republic of Congo, Yemen, and Guatemala, but will also have long-term, disastrous effects on global stability and peace (Leal, 2025). Leal (2025) also argues that USAID contraction will exacerbate an established global humanitarian aid and crisis response issue, sequentially causing migration, economic strain, and political tensions within and beyond the afflicted regions.

RESPONSE TO USAID CUTS

On January 20th, 2025, the U.S. government's announcement of a 90-day suspension of foreign aid (CRS, 2025) caused a global disruption in several humanitarian programs carried out by USAID as reviewed in the previous sections, sparking coping mechanisms among these recipient nations, NGOs, Development agencies, and Private Sector and Multilateral Institutions.

Adaptation by Recipient Countries

Many recipient countries relied on USAID for essential services: healthcare, food, and clean water. The loss of aid and orders for workers to stop has resulted in increased vulnerabilities for these countries, most notably in high-risk areas and low-income countries. The loss of workers has led to a lack of manpower and expertise, the suspension of research studies and healthcare services, and the weakening of global health infrastructure (Chiang, 2025). Consequently, recipient countries are looking for alternative funding to diversify their support, strengthen their self-reliance, and prioritize essential services. Dr. Jean Kaseya, leader of the Africa Centers for Disease Control and Prevention, has met with leaders of the African Union as well as several health ministers to discuss alternative funding to the current aid crisis (Cullinan, 2025). A statement from Dr. Jean Kaseya suggests that the Africa CDC is working hard to

provide access to the sum of \$95 billion contributed by the diaspora to the health sector (Cullinan, 2025). African leaders have created a 'green-light 3-part plan' as a response to the USAID cuts. This includes "enhanced domestic financing, innovative financing plans, and addressing financing gaps with other measures such as raising private-sector capital and local manufacturing of health-related products" (Schnirring, 2025).

As an adaptation mechanism, Africa CDC launched 'The African Epidemic Fund', intending to provide Africa with fast and flexible finances to help the continent respond swiftly to disease outbreaks and ensure healthcare security (Guyson, 2025). Since the cut, Africa CDC has met with public and private sector groups in the U.S. and Denmark and has signed agreements with health delegates from Norway, Sweden, and the European Centre for Disease Prevention and Control (ECDC) (Schnirring, 2025). Some countries have already taken action; the Nigerian legislature approved an additional \$200 million on February 14th to help offset the discontinuation of aid, while the ministries of health of Botswana, Cameroon, and Kenya have pledged to use national funds and resources to finance HIV care for their citizens (Tsanni, 2025). In Uganda, Prime Minister Robinah Nabbanja revealed that the government is exploring alternative funding to make up for the \$128 million gap created by the USAID cut to HIV/AIDS. More so, as a response to the USAID cut, Nigeria has secured a \$500 million loan from the World Bank, while South Africa has launched the "Close the Gap" campaign to ensure continuous access to HIV/AIDS treatment (Guyson, 2025). The Nigerian government has also proclaimed its plan to retain about 28,000 healthcare employees who were laid off by the USAID cuts (Ileyemi, 2025).

Innovative Strategies by NGOs and Development Agencies

The International Council of Voluntary Agencies (ICVA) (2025), a global network of more than 170 nonprofit organizations, ran a global survey for NGOs between January 27th and February 7th, 2025, to understand the impact of the US Foreign Aid Suspension. The survey revealed that 67% of NGOs received stop-work orders during the survey period. Some organizations receive direct US funding (41%), while others benefit from indirect funding (81%). However, many are facing large-scale and devastating effects, as 55% of NGOs have reported negative results on their workforce with limited mitigation strategy, and 67% reported negative impacts on their services, with some agencies having halted their services 100% (ICVA, 2025). During this time, nongovernmental agencies are taking steps to mitigate the impact of the stop-work orders. Actions include staff cuts, reallocating costs, applying lobbying waivers, using up reserves, working voluntarily, and paying costs from personal savings. Other measures encompass communicating with stakeholders, strategizing on joint advocacy, seeking other funding, asking other donors to amend contracts, and exploring income-generating activities (ICVA, 2025).

Appe (2025) puts forward four strategies that NGOs can apply as adaptation strategies to the current sudden cut of funding from USAID, based on previous findings from hundreds of interviews conducted in Latin America, Africa, and Asia. NGOs can switch from national to local government funding, as proven in the case of a nonprofit in Ecuador (Desarrollo y Autogestión) that depended on foreign aid for its education program but later moved on to become fully funded by the country's government. Susan Appe also encourages NGOs to earn their income from services or goods, like in the case of SEND Ghana, a development institution that seeks to enhance good governance and equity in Ghana. This NGO established a for-profit microfinance organization (SENDFINGO) that helps fund the NGO's activities. The author also urges tapping

into local philanthropy, like Worldwide Initiatives for Grantmaker Support, or crowd diaspora support, like the case of Fundación Carla Cristina in Colombia (Appe, 2025).

In the short term, GiveWell (a nonprofit dedicated to finding giving opportunities and publishing their analysis to help donors decide where to give) has concentrated its efforts on emergency programs affected by USAID cuts, like malaria prevention and malnutrition eradication. However, the NDGO has expanded its impact to include data collection as it explores about \$100 million in emergency funding needs. The NGO has provided the sum of \$15 million since the 2025 USAID cut. In the long term, although the agency provides annual grants ranging between \$300 and \$400 million, the agency says it will not be able to alleviate the hurt of a prolonged decrease in foreign healthcare costs; hence, the call for more donations (GiveWell, 2025).

IMPLICATIONS AND CONCLUSION

The impact of the USAID cut, especially on developing nations, as shown by the review above, portrays the consequences of dependency (Dependency Theory). Current reactions from these foreign aid-dependent nations align with previous propositions from proponents of the theory of dependence. They allege that rather than relying on the “core” nations for aid, the peripheral nations would have to implement a “self-reliance” approach (So, 1990, p. 105). In line with this, many Africans look at this situation as an opportunity to become self-reliant. As the U.S. withdrawal sinks in, discussions are re-arising about Africa’s dependence on foreign aid for its people’s health. Salim Abdool Karim, who runs the Centre for the AIDS Program of Research in South Africa, says the removal of U.S. aid is a “wake-up call that we cannot rely on other countries to fund the things that we need to do” (Tsanni, 2025). Investment from the private sector as a means of “blended finance” will be beneficial at this time to cover the gap created by the USAID cut, as voiced by Dr. Jean Kaseya (Cullinan, 2025).

Pressure has been mounting on African nations to comply with the Abuja Declaration of 2001 (allocation of 15% of the national budget to the health sector) from regional groups in Africa, a policy that has been put in place by only two nations (Rwanda and Botswana) (Schnirring, 2025). While some African nations are opting for alternative means of funding to close the gap caused by USAID cuts, President Paul Kagame of Rwanda has questioned the sustainability of foreign aid, given that “Foreign aid often acts as a tool of control, hindering sustainable growth in developing nations” (Guyson, 2025). Olusoji Adeyi, a former World Bank official and consultant at Resilient Health Systems, argues that foreign healthcare aid should have a “sunset” date, allowing recipient governments to take over the responsibility. Along these lines, Christian Happi, head of the Institute of Genomics and Global Health at Redeemer’s University in Ede, Nigeria, views USAID cuts as a positive lesson to African leaders, pushing them to take responsibility for the affairs of their nations (Tsanni, 2025).

More so, a significant implication of the 90% cut in USAID funding activities is that other donor nations (Denmark - DANIDA, Sweden - SIDA, Ireland - Irish Aid), multilateral agencies (EU and UN), emerging donors (China and Gulf States), and private entities would have to shoulder the burden of foreign development aid (Fraser, 2025). Apart from being a tool to extend aid to vulnerable nations, USAID was an extension of US foreign policy that ensured strategic alliances and spread American values worldwide. The sudden cut of USAID could threaten the relationship between affected nations and the U.S., as well as allowing other nations that can

exercise “soft power” to “challenge US hegemony,” like China, which has begun taking over some projects formerly funded by USAID (Matthews, 2025). In other words, the USAID cut could potentially create a power vacuum that can be exploited by other countries such as China (Fraser, 2025).

In conclusion, the enacted USAID budget cuts have widespread impacts that stretch beyond the unexpected financial limitations. USAID cuts threaten to weaken global development initiatives and destabilize critical sectors such as healthcare, education, economic development, and humanitarian aid (Bateman, 2025; McKoy, 2025; Ruth, 2025; Fraser, 2025; ForeignAssistance.gov, 2025; Leal, 2025). Additionally, these cuts limit the U.S.'s ability to advance strategic interests through diplomacy, enhance democratic values, and promote good governance (Fraser, 2025; ForeignAssistance.gov, 2025). The result of this is the creation of a potential power vacuum, which other nations like China could exploit (Koranyi, 2025). While effective budget discipline is vital, foreign aid is necessary not only for the development of vulnerable nations overseas but also for fostering U.S. long-term national interest, as emphasized by President John F. Kennedy (Matthews, 2025; U.S. Department of State, n.d.). Hence, reassessing U.S. funding priorities is necessary to ensure the country's position in the international landscape as a leader in global development and diplomacy. Given the limitation of this article to a sector-wise analysis of the impact of USAID cuts, further research could focus on regional impact, geopolitical consequences, alternative funding sources, as well as long-term consequences of aid reductions.

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