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The financial well is empty — who pours next

With USAID gone, can local initiatives in Georgia, Ukraine, and Moldova stay afloat?

Much of what many recipients of international aid were afraid to say out loud has happened: The US Agency for International Development (USAID) has all but cut off funding for all programmes. 'The United States is officially closing 83 per cent of USAID programmes,' US Secretary of State Marco Rubio announced this week. The decision has cut off further funding opportunities from the US government for beneficiaries around the world.

A previous State Department directive to audit all international aid over 90 days still allowed hope for a partial resumption of funding after all overseas programmes had been audited for compliance with US national interests. But starting 27 February, USAID contractors and beneficiaries began receiving written notices of a complete suspension of financial assistance. About 5 800 grants worth $57 billion were cancelled.

The decision of the new US administration was a serious blow to the implementation of both government programmes and non-governmental sector initiatives in countries such as Armenia, Georgia, Moldova and Ukraine. USAID has traditionally been one of the leading donors of financial assistance here. In 2024 alone, the US government allocated about $6.7 billion to the four countries, which are also participants in the EU's Eastern Partnership programme. Ukraine received the bulk of this amount - $6.3 billion, followed by Moldova with $151 million, Georgia with $114.1 million and Armenia with $64.8 million. Most of the assistance was allocated to strengthening civil society and governance, as well as emergency aid, economic development and energy infrastructure.

When a door closes, a window opens

At present, the new reality is forcing the closure of many key initiatives, where American aid accounts for 40 to 80 per cent of the total funding. This primarily concerns civil society organisations and independent

media. In particular, in Ukraine, USAID funded projects intended to strengthen the co-operation between authorities and the non-governmental sector in areas such as the reconstruction of territories affected by Russia's full-scale aggression. In 2024 alone, the agency allocated $522 million for a programme to rebuild infrastructure destroyed by shelling.

Most Ukrainian media also depends on donor support. According to research by Reporters Without Borders (RSF), only 14 per cent of editorial offices can manage without external support, and Ukrainian media will need $96 million to cover operating costs over the next three years.

In Armenia, a similar challenge has already been faced by independent media, in which USAID funded a five-year, $15 million initiative to support the information field. At that, an exception was made for Yerevan in the form of funding for humanitarian aid for refugees from Nagorno-Karabakh.

In Georgia's non-governmental sector, serious problems arose in organisations assisting victims of violence and people with disabilities. Such programmes have traditionally been funded through USAID.

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In Moldova, the termination of USAID will hit local projects in agriculture, transport, and tourism. Since 2018, USAID support has provided more than 30 000 people in 13 communities with access to drinking water. US funding has also opened access to modern agricultural technology, allowing Moldova to increase agricultural exports by 80 per cent for a total of $7.4 million.

Politicians and experts warn that Russia and China will rush to fill the resulting vacuum in the region. Russia will devote resources to increasing its influence in media spaces to promote narratives aimed at undermining confidence in the European integration process. There is no doubt that Moscow will use grey schemes or third parties to destabilise the situation inside Ukraine, as well as to spread disinformation against the backdrop of the upcoming parliamentary elections in Moldova and Armenia.

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Dreamy alternatives

While in Armenia, Moldova and Ukraine the termination of USAID activities was bad news, for Georgian authorities the news was received with undisguised enthusiasm. As is well known, in recent years the ruling Georgian Dream party has adopted a policy of strengthening authoritarianism and persecutin foreign-funded non-governmental organisations. In May 2024, the parliament passed the law 'On Transparency of Foreign Influence' (the law on 'foreign agents'), limiting the activities of such organisations. Even then, recipients of USAID and European Union aid were already under attack. Separately, amendments were initiated that would imply a complete ban on foreign funding for the media.

Georgia's ruling party has repeatedly accused USAID of 'planning revolutionary processes' in the country. Therefore, the new US administration's decision to cut off funding was a bonus for the Georgian Dream in further restricting the activities of the non-governmental sector, which, according to the authorities, are not in the state's interests.

Tbilisi decided not to stop there, and the government now wishes to act as the main donor for civil society organisations. In particular, on 20 February, the parliament, where there is no opposition, unanimously adopted the draft law 'On Amendments to the Law of Georgia on Grants'. Now legal entities of public law, which will be determined by the Government of Georgia, will be able to provide grants and engage in support of civil society organisations. After the amendments come into force, a 'State Grants Management Agency' will be established in the country, with a budget of $7.1 million for 2025. Government grants will be given to any NGO, regardless of the sphere of its activities, upon justification of work for the benefit of society and the state.

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Representatives of the ruling Georgian Dream believe that this programme will become an alternative to the funding that the civil sector receives from US and EU funds. Even before the adoption of the draft law, the authorities had already announced the possibility of state funding for projects aimed at strengthening democratic institutions, fighting corruption, caring for people with disabilities, protecting the environment, and the interests of ethnic and religious minorities. At the same time, the ruling party keeps referring to similar experiences in EU countries such as Poland,

Croatia and Estonia.

However, against the background of deteriorating civil liberties and increased control over the activities of NGOs, it is difficult to imagine impartiality in awarding grants at the expense of the state budget. Given the suspension of the European integration process, which the Georgian authorities unilaterally initiated last year, only loyal organisations pursuing a conservative agenda that suits the authorities will be able to access funding.

The withdrawal of aid through USAID demonstrates the vulnerability of countries in the former Soviet Union, where the economy, health care, education, social protection and other critical areas have been dependent on US funding for the past 30 years. Recipient countries are faced with the need to develop more sustainable and independent aid models.

Nevertheless, the rapidly changing geopolitical context is also forcing European partners to adjust existing aid and allocate new funding more efficiently.

Many are now looking to the European Union to potentially fill the vacuum. As candidate countries, Ukraine and Moldova will continue to receive more funds from Brussels to achieve integration in line with European standards, increase energy independence or build resilience to external threats. And engaging the non-governmental sector to provide public services may be a condition for funding social programmes or, in the case of Ukraine, infrastructure rehabilitation.

Nevertheless, the rapidly changing geopolitical context is also forcing European partners to adjust existing aid and allocate new funding more efficiently. Against the backdrop of the ongoing Russian aggression in Ukraine and the unwillingness of the US to actively support partners in countering challenges from Russia, a process of shifting priorities towards defence and security has already begun in European capitals. It is clear that countries such as France, the UK, Norway, Sweden and Germany will continue to be the leading donors in our region. But they will have to be more flexible and mobilise resources quickly in order to respond effectively to the changing situation. The most important challenge will be to maintain a balance between transparency and efficiency in the allocation of funds for aid programmes, which will require the collective efforts of all actors.



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