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Who will fill the gap?

The planned withdrawal of US development aid is causing irritation and uncertainty. We report from South Africa, Nepal and Georgia

South Africa

The serene composure with which South Africa looked forward to the second Trump presidency last year came to an abrupt halt at the end of January. Until then, the primary concern in the country was not to lose its privileged access to the US market under the African Growth and Opportunity Act (AGOA) trade programme. But then the sudden cancellation of payments from the American development aid agency United States Agency for International Development (USAID) was announced, potentially affecting 17 per cent of funding for HIV/AIDS treatment and prevention programmes in South Africa.

The humanitarian impact of the freeze in South Africa is likely to be less severe than in other countries, simply because the health system is less dependent on aid. It is also not yet clear whether the funding received by South Africa from the United States President's Emergency Plan for AIDS Relief (PEPFAR) is actually covered by the aid freeze or will continue for the time being. According to Foreign Minister Ronald Lamola, the South African government has not yet received any official notification from the US in this regard.

But while the South African government was struggling to clarify the USAID issue, Washington followed up with targeted attacks on the country. The US would stop all payments to South Africa due to alleged 'massive human rights violations', Donald Trump wrote on the Truth Social platform. He claimed that South Africa was confiscating land and 'treating certain groups of people very badly'. Elon Musk, whose family became rich in apartheid South Africa, promptly followed up and accused the country of having 'openly racist property laws'.

The comments were aimed at the Expropriation Act, which was passed

by parliament in March 2024 after years of deliberation and came into force on 23 January this year. The Act regulates how and under what conditions the state can expropriate land for public benefit. It is based on the constitution and updates a legal regulation from the 1970s. However, it only applies if acquisition negotiations have previously been unsuccessful and generally provides for compensation payments.

These absurd attacks from the US sparked outrage across party lines in South Africa. Even the Democratic Alliance, which previously almost risked a coalition crisis with its criticism of the Expropriation Act, felt compelled to defend the law against these false statements. President Cyril Ramaphosa, who had already provided a welcome counterpoint to Trump's bluster at the World Economic Forum in Davos with his prudent speech on the value of solidarity and cooperation, reacted in a statesmanlike manner. He would not approach the US with a begging bowl, because whether a country provided financial aid or not was ultimately its decision. But he would address the 'misunderstanding' about the Expropriation Act and clear up the misinformation about the situation in South Africa.

It's not just bilateral relations between South Africa and the US that are at stake. US Secretary of State Marco Rubio also referred to the Expropriation Act and announced on X that he would stay away from this year's G20 meeting on the grounds that South Africa was allegedly pursuing an 'anti-American' agenda. As proof, he cited the official motto of the South African G20 presidency: 'Solidarity, Equality, Sustainability'.

Building on the priorities of the Brazilian presidency, South Africa wants to promote multilateral solutions in global trade, the international financial system and the fight against climate change in the G20. Obviously, no one can count on the support of the US, to whom South Africa will ultimately hand over the G20 presidency. This is why Germany and the EU should deepen their partnership with South Africa right now. After all, they share an interest in defending and reshaping a multilateral order based on values and rules.

Uta Dirksen, FES Johannesburg (written on 06.02.25)

Nepal

For decades, USAID has played a central role in development aid to Nepal. Since 1951, the US agency has invested more than a billion dollars

in the country, making Nepal one of the largest recipients of US aid. These funds have mainly gone towards health, education, agriculture and good governance, as well as disaster prevention and climate change, with around 90 per cent being distributed through non-governmental organisations and only 10 per cent directly through the government. This has made USAID one of Nepal's largest bilateral donors to date — development aid payments have accounted for up to 25 per cent of Nepal's national budget in recent years.

The suspension of USAID funding has consequently caused great concern in Nepal. In addition to the direct impact on around 30 international and almost 300 Nepalese NGOs and their employees who rely on these funds, there is a risk that the state will not be able to close the resulting gaps in vital areas such as health and education quickly. Nepal, which is already struggling with high youth unemployment and weak economic growth, is at risk of another economic shock in the short term, which will particularly affect the weakest members of society. The consequences in terms of climate adaptation and disaster prevention in the country, which is repeatedly affected by severe earthquakes and flooding, are hard to predict.

While the majority of Nepalese are critical of the withdrawal, there are also voices that are rather hostile in their attitude towards the development cooperation with the US. Some see political and economic reforms as interference in Nepal's internal affairs, ignoring local needs. From this perspective, the withdrawal means a liberation from Western influence and a strengthening of the country's own sovereignty in its development.

The future of the Millennium Challenge Corporation (MCC) compact between the US and Nepal, which provides urgently needed investments in the energy and transport infrastructure of the difficult-to-access Himalayan republic totalling $500 million, is still in question. Although the implementation has been slow since the agreements were signed in 2017, Nepal's partnership with the US is an important addition to its two powerful neighbours China and India, irrespective of domestic political criticism.

This is why the USAID withdrawal, which could be followed by further US development cooperation programmes, would have far-reaching geopolitical consequences. China, which is already investing heavily in Nepal, could fill the gap and further expand its presence. Around 30 to 40 Chinese organisations in the field of poverty reduction and humanitarian aid are already active in the country. China's Belt and Road Initiative is expected to become increasingly more significant in the

future. Nepal could thus gain in importance as a strategic partner for China's ambitions in South Asia. At the same time, India is expected to try to strengthen its influence, as Nepal has traditionally maintained close relations with its southern neighbour.

For Europe, and Germany in particular, the withdrawal of USAID opens up the opportunity to become more involved in development cooperation and to act as a stabilising partner in the region. Nepal needs strong partners alongside India and China in order to maintain its status as a geopolitically neutral nation.

Natalia Figge, FES Nepal

Georgia

After more than two months of protests following the announcement by the ruling Georgian Dream party to suspend accession talks with the EU and the parliamentary elections, which were accompanied by accusations of massive electoral fraud, the news of the freezing of USAID funds came as a bombshell in the already heated atmosphere in the South Caucasus. For the Georgian Dream, it meant unexpected support from Washington: Prime Minister Irakli Kobakhidze declared that USAID funds were being used 'to instigate revolutions' and not for 'charitable purposes'. And Parliament Speaker Shalva Papuashvili recalled the accusations against USAID and the National Endowment for Democracy (NED) of having exerted influence on previous elections in Georgia -— in response to a tweet by Musk, who described the NED's takeover of salary payments from journalists at a Georgian television station as fraud.

Georgia's government sees the freezing of US funds as a confirmation of its restrictive approach to civil society and the media. The controversial Law on Transparency of Foreign Influence, which accelerated the rift between Tbilisi and its Western partners last year, requires NGOs and other civil society organisations that receive more than 20 per cent of their funding from international sources to register in a publicly accessible register — violators face considerable fines.

The actions of the Trump administration may have encouraged the hardliners in the Georgian leadership that they are on the right track and to immediately introduce new restrictions: On Wednesday, a media regulation law was announced that would ban foreign funding of media, as well as a tightened version of the so-called Agents Law.

Many civil society organisations are panicking — even those that are not politically active and are involved in social and health care, environmental protection or culture, among other things. The immediate freezing of funds has not only thrown all project planning into disarray, but has often plunged organisations and their employees into an existential crisis. The fact that many tasks in Georgia that should actually be carried out by the state have been 'outsourced' to civil society organisations in recent decades, which cannot survive without foreign support, such as AIDS aid, support for internally displaced persons from South Ossetia and Abkhazia or work with people with disabilities, is taking its toll.

The hope remains that this is just a short-term act of domestic political theatre in Washington with a significant foreign policy impact — and that with a realignment of USAID's work, the projects will continue in the vast majority of cases after all. However, concerns remain, especially in policy areas that do not fit in with Trump's and Musk's world view: free media, the fight against man-made climate change, LGBT+, gender and diversity. Georgian organisations fear not only for their future in an increasingly authoritarian environment, but also for the vital international support that has backed them up to now.

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