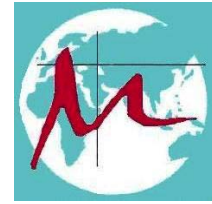




NGO Committee for
Social Development



Sisters of Charity Federation



Marianists International

Impact of the Global Crises on Civil Society Organizations

Summary¹

of a study by Eva-Maria Hanfstaengl

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The food, environmental and economic crises have challenged civil society organizations (CSOs) and the communities they serve. A broad-based survey was undertaken in 2009, financially supported by the United Nations Secretariat, that measured the impact of the crises on the operating capacity of CSOs around the world and their expectations as they look ahead. This study examines the current situation of CSOs as indicated by responses from 640 civil society organizations worldwide. It also asks what strategies they are undertaking to cope with a drop in revenue and how they plan to strengthen social-service delivery capacities of CSOs during crisis periods.

¹ The full study is available at <http://ngosocdev.wordpress.com/2010/01/28/174/>

A number of civil society organizations (CSOs) have reported substantial reductions in their funding in the wake of the global financial and economic crisis, and they are concerned that this threatens their ability to deliver the services and activities that are required. Seeking to understand better the global scope of this problem, the United Nations Secretariat initiated a study that was guided by a CSO Steering Committee, which included two members of the NGO Committee for Social Development (Marianists International and the Sisters of Charity Federation), as well as the Friedrich Ebert Stiftung (FES) and the UN Non-Governmental Liaison Service. Thus, a global survey was undertaken in the fall 2009 on the impact of the inter-related environmental, financial and economic crises on CSOs and the constituencies they serve. This briefing paper extracts from that study (available at <http://ngosocdev.wordpress.com/2010/01/28/174/>) to highlight limitations facing non-governmental organizations as providers of social services for development and the essential role of state institutions.

Background: The global environmental, food and economic crises

According to the World Bank, 1.1 billion people were living on less than \$1 a day even before the food, fuel and financial crises.² Today, climate change, volatile food and energy prices and the global financial and economic crisis pose a serious threat to whatever hard-earned progress has been made in social development in recent years. Civil society organizations around the world that participated in this study complained that most governments' proposals to deal with the global crisis did not sufficiently address the social consequences, such as rising inequalities, increased food insecurity and volatile energy and commodity prices. This section of the paper briefly reviews these situations as background to the survey.

The environmental crisis

Climate change poses serious risks and challenges to all countries. However, there is also little doubt that the burden of projected damages will fall disproportionately on developing countries. It has been estimated that the welfare loss for developing regions is more than double that for the member countries of the Organization for Economic Cooperation and Development (OECD), excluding the United States.³ Recent estimates suggest that 300,000 people are dying each year as a result of global warming and the lives of 300 million more are being seriously threatened.⁴ Climate change is an already-existing crisis in the developing world.

The climate challenge arises from the worsening of the natural warming caused by an increase in the flow of greenhouse gases in the atmosphere. The impact of rising emission levels is now becoming clear. Global average surface temperature increased by almost 1° C between 1850 and 2000, with a noticeable acceleration in recent decades. The global average sea level has increased, as well as the area affected by drought is increasing. Extreme weather events have increased in number, scope and intensity. There is a significant risk that many of the trends will accelerate, leading to a risk of abrupt or irreversible climatic shifts. The climate and development challenges are inextricably linked. Prospects for a more sustainable development are likely to be undermined by impacts of climate change on the economy.

In order to reduce emissions by enough to hold temperature increases below 2°C from pre-industrial levels, sustainable global targets and mitigation actions by developed countries need to be initiated urgently and in earnest, and developing countries will also need to contribute to mitigation.⁵ It means that assistance for development and climate action must go hand in hand.⁶

² www.worldbank.org/foodcrisis, 2009

³ UN DESA: Policybrief 22, August 2009

⁴ UN DESA: World Economic Situation and Outlook 2009 Chapter 1

⁵ UN DESA: Policybrief 22, August 2009

⁶ UN DESA: Policybrief 19, June 2009

The global food security crisis

Budgets of many people in developing countries were hit hard by the rise in food and oil prices. In 2007, before the rapid rise in food prices, some 854 million people worldwide were estimated to be undernourished.⁷ The extraordinary rise of global food prices in early 2008 posed a major threat to global food and nutrition security and had humanitarian and socio-economic consequences. In particular, it presented challenges for low income countries. Major food grain prices are still above average and local food prices in many countries haven't come down.

Climate-related events like droughts, floods and environmental degradation often have negative effects on food supplies. According to WFP and the World Bank, the food crisis is not only an environmental, but also a "man-made problem."⁸ High fuel costs and enhanced trading in commodities have resulted in higher agriculture costs and falling food stocks. In addition, land shifted out of food production to produce biofuels and other commodities have increased the role of land as an 'asset class' traded in and out of investor portfolios, making land prices potentially more volatile. There has also been a decline in agricultural investment⁹ vis-à-vis a growing world population,¹⁰ even though, 75 per cent of the world's poorest people live in rural areas and depend on agriculture and related activities for their livelihoods.

In 2009, world leaders at the *World Summit on Food Security* agreed to work to reverse the decline in domestic and international funding for food production and to promote new investment in the agricultural sector. It has become clear that agriculture and food security need to be put back on to the development agenda. Therefore, governments promised to improve governance of global food issues in partnership with relevant stakeholders from the public and private sector, and to proactively face the challenges of climate change to food security.¹¹

Meanwhile, CSOs continue to play their role both in food emergency and in supporting agricultural development in low-income communities. Agriculture needs to be a central part of the development agenda if we are to keep on track for the Millennium Development Goals.

The global financial and economic crisis

Since late 2008, the financial and economic crisis has reversed recent positive economic trends in both advanced and developing countries. The crisis emerged in major developed economies in 2008 and spilled over into the developing countries and economies in transition through international financial and trade channels. This deteriorating international economic environment persisted during the first half of 2009, posing tremendous challenges to developing countries in financing development. A majority of developing countries has experienced a reversal in the robust growth since 2002. There are indications that a significant setback in the progress made in poverty reduction for many developing countries will continue over the next few years.

Developed countries and some emerging economy countries have responded with large-scale stimulus plans, which helped stabilize the situation, preventing a catastrophic global depression. In fact, an increasing number of economies saw a return to positive output growth during 2009, particularly in China and India. However, this growth will not translate into broad-based poverty reduction unless it spreads to more countries. Indeed,

⁷ The majority of undernourished people live in developing countries, with about 65 per cent living in India, China, Democratic Republic of Congo, Bangladesh, Indonesia, Pakistan, and Ethiopia, according to the FAO www.fao.org.

⁸ www.worldbank.org/foodcrisis

⁹ One factor is that, according to the OECD Development Assistance Committee (DAC), aid for agriculture fell from 13 percent of total aid in early 1980's to 2.9 percent in 2005-2006.

¹⁰ www.worldbank.org/foodcrisis

¹¹ FAO 2009: www.fao.org/wsfs/world-summit/en/

the recovery in 2010 globally is expected to be slow and job losers will thus not quickly be drawn back into employment.

Several developing countries are now struggling to find the financial resources to cover pressing budgetary demands and are facing the challenge of expanding spending and investment into social safety nets, human development and essential infrastructure, and restoring sustainable growth.

The International Labour Organization (ILO) points out that the ongoing global economic slowdown is affecting low-income groups disproportionately. Of the 20 million jobs lost through the crisis, almost 11 million are in medium and low-income countries.¹² To the formally unemployed, must be added those taking deep income cuts from working part time and those who have given up looking for work in the formal sector. In emerging and developing countries, high-quality jobs have been lost and affected workers are likely to move into the informal economy. And while unemployment insurance provides a measure of income support for the unemployed in higher income countries, unemployed workers are left to their own devices in most of the developing world.¹³ People with no safety nets suffer the most.

CSOs try to step into this difficult situation and extend their services to meet the greater needs, despite their funding constraints, as will be discussed below.

Analysis of the Survey: Impact of the Crises on CSOs

Efforts to disseminate the survey around the world resulted in a wide *regional coverage* of CSO experiences and views: Of the 640 CSOs that responded to the survey, most of them from Africa, from Asia and Western Europe as well as from the US and Canada and Latin America. They provide a wide range of services. Most of the responding CSOs work primarily in the areas of education, gender, poverty eradication, human rights and health care. Other areas of work are environment, assisting persons with disabilities and agriculture.

The *size* of the organizations that took part in this survey differs widely. Some are small, unincorporated, voluntary organizations with very small budgets. At the other extreme, a few CSOs had substantial budgets. The majority of responding organizations, however, were medium sized organization.

Decline of resources of civil society organizations during the crises

Although some CSOs have seen increased funding, overall the survey finds a worsening financial situation for CSOs in the period 2008-2009: 153 CSOs reported budget decreases in 2008, 214 in 2009 and 160 CSOs expect reductions in 2010. As main reasons, CSOs explained that owing to the world economic crisis grants from existing sources decreased. Most of the reductions have occurred in Sub-Saharan Africa. CSOs have seen reductions by individual contributors, private foundations, international institutions and governments, although not necessarily by all categories at once: Whereas 378 responding CSOs still indicated an increase from 2008 onwards, a bigger number of 582 responses saw a decrease in the different categories of funding: 147 responses saw a decline in direct personal contributions, 104 CSOs experienced reductions by private foundations, 95 by international institutions, 87 by governments and 71 by corporations.

¹² ILO, *World of Work Report, 2009*, figure 1.1.

¹³ ILO estimates that while 49% of unemployed workers in advanced economies do not receive unemployment benefits, more than three quarters of workers in the rest of the world receive no benefits (ibid., figure 1.1.1).

Revenue decline confronts an increased demand for services

The data confirm that 2008 and 2009 marked a special challenge for CSOs worldwide. Most of the responding CSOs reported budget decreases in those years that were threatening to compromise their ability to deliver services and activities. Civil society organizations around the world that participated in this study reported that most government proposals to deal with the global crises did not sufficiently address their social consequences. The CSOs themselves are faced with the challenge of stepping into this gap, as demand for services is increasing. CSOs report that the amount and scope of requests for support by the constituencies and partners of civil society organizations is growing. More than half of the responding CSOs reported that demand for services has already risen substantially. One major purpose of this survey was to find out if the scope of requests by the constituencies and partners of civil society organizations changed due to the global crises. This hypothesis is largely confirmed by the results of the survey: CSOs project for the next two years further increases in requests for emergency relief, as well as for support to provide basic social services.

Several CSOs from the rural area in Africa explained: “climate change has become a pivotal issue, contributing to low rainfall, which has had a negative impact on food production, creating food insecurity”... “Climate change has affected the plantings to such an extent that [we] don’t know how the government is going to respond in the face of this new challenge, which brings an additional challenge [for] the government’s problems that arises due to the financial crisis.” Other CSOs reported that “food prices have skyrocketed” and “the cost of travel and food budgets increased significantly.” Several CSOs further explained that the rising requests were “more strongly focusing on food, payment of basic services (light, water, and electricity); and sanitation services.” “More and more of our constituencies are requesting for capacity building, financial support, adaptation resources”.

Other CSOs reported that there was a large increase of requests due to the increasing amount of job loss and unemployment: “Unemployment has grown and thus it becomes harder to increase access to food”; “In articulating a cooperative that shares job offers, we are the testimony of the desperation of unemployment that exists inside our country.”

CSO strategies to cope with the drop of revenues

In sum, most humanitarian and development CSOs have had to cope with a financial strain and reacted with a series of strategies. To stretch resources, CSOs have developed better collaborative networks with other CSOs, especially those locally based. They started additional fundraising campaigns, exploring the remaining or new opportunities in their countries or within their constituencies. As a result, competition between NGOs for funding is rising. CSOs extended their use of Internet tools. Some CSOs report cutbacks in their administration cost, staff and aid programmes. Most of them however intensified their advocacy work to “reform the system of sporadic aid.”

This situation is worse in *African countries*. Most of the responding CSOs do not expect their strategies to cope with the financial shortfall to be sufficient to meet the challenges.

CSOs’ comments reflected serious constraints on any further narrowing down of their work. For example, one respondent said it now employs one coordinator to do the work formerly done by three. Another reported it would “rely on students to replace our teachers.” A third CSO reported: “We still are only 2 full time and 4 part time staff working with 1,655 children on a weekly basis in 70 different villages around our municipal area. The work load has increased but we have not been able to increase staff... the crisis hasn’t made it any easier for us... We could not further adapt because we were running at optimal efficiency prior to the crisis.”

One CSO regretted, “We have closed two educational centres for children in peripheral zones, as well as nutrition centres. We are reducing our aid to children who have left nursery school and entered elementary school, giving priority to early education.” Another one said, “There are fewer students that we are able to support, which means [we pose] more requirements for accepting them in programmes.”

Recommendations

CSOs participating in the survey endorsed a number of proposals for reform at national and international level that would boost development and poverty eradication efforts. A large number of CSOs (397) responded to the multiple choice questions on this topic and many submitted their own proposals. These recommendations summarized below are meant to be a strategy for addressing the failures of societies and governments to adequately protect the vulnerable and promote human development. The proposals also show that CSOs recognize that for all their efforts, they are relatively small actors in social development. The economic crisis is impeding the public provision of social services and is also weakening pension systems in many countries that have such systems.

Improving social safety nets and income support for the poorest

Most respondents, thinks that a high priority should be given to introducing more efficient measures to fight corruption, reduce opportunities for tax evasion and recover illicit financial flows. To mobilize the required financial resources for social safety nets in developing countries, CSOs see the need for more progressive and redistributive national tax systems, utilizing a broad and equitable tax base, and targeting those most able to pay. They think that earnings from capital transactions and resource extraction should be taxed more heavily than earnings from labour.

Direct government income support is needed to help reduce poverty. Again, most of the responding CSOs strongly favoured the introduction of basic income grants for the poorest and most vulnerable at national level that would provide a minimum income for each citizen that allows him or her to participate in society at least at a minimum level. The money of people not in need or not in poverty would be recovered through adjustments in the tax system. Other valuable proposals supported by CSOs are the establishment of a global pension fund and the ILO’s Decent Work Agenda¹⁴ and *Global Jobs Pact*, which is aimed at generating jobs and providing protection to working people and their families.¹⁵

Stepping up development cooperation and innovative resources

The global crises threaten to reverse critical gains made towards reducing poverty and hunger and achieving the Millennium Development Goals (MDGs). Lower income countries need additional financial assistance to protect essential social expenditures and prevent further erosion of progress made in reducing poverty. CSOs thus called on donor governments to increase official development assistance (ODA). Most responses see it as the highest priority that donor governments meet and increase their existing official development aid commitments. Also, almost three quarters of the responses strongly recommend that more development aid be channelled through CSOs on the ground, in particular in countries in which CSOs have faced public corruption and policy indifference.

¹⁴ www.ilo.org/global/About_the_ILO/Mainpillars/WhatisDecentWork/lang--en/index.htm

¹⁵ ILO June 2009: www.ilo.org/global/What_we_do/Officialmeetings/ilc/ILCSessions/98thSession/texts/lang--en/docName--WCMS_115076/index.htm

As the financing gap is large, especially when consideration is given to the additional funding that is urgently required for meeting the adaptation and mitigation challenges of climate change. As a result, the discussion and exploration of new and innovative financing mechanisms is gaining momentum, as was reflected in the answers to the questionnaire and the majority of the responding CSOs think that donor governments should therefore step up their official development assistance and develop additional and innovative sources of financing to finance global public goods.

A “UN Charter for a sustainable and socially oriented market economy”

Leaders at the Group of 20 (G20) Summit in London in 2009 had recommended developing a charter on sustainable economic activity. The elements of such a charter are not clearly defined yet and remain under discussion within the G20. In any case, the crises demonstrate the urgent need for the establishment of such an overall normative framework of global governance, which could establish principles for the world economy and for mechanisms of international cooperation in response to shared economic vulnerabilities. It is no surprise therefore, that almost three quarters of the CSOs see an urgent need for the establishment of such an overall normative framework of global governance. They pointed out the need to bring into financial, trade and development discussions the central social commitments and human rights obligations that could otherwise be lost.

Additional suggestions by responding CSOs

Most of the participating CSOs in this survey made very interesting additional proposals:

One CSO outlined a broad approach: “There are three main problems needed to be resolved. The first is how to minimize armed conflicts in less-developed and developed countries. The second is to tackle the problems of insecurity. The third is how to lay down a formidable global framework that can metamorphose to legal ordinance.... The fourth is how to tackle climate change.” Another one stated: “Make sure that all you do is always guided by the comprehensive human rights framework.” A third CSOs underlined “the importance of ‘rule of law’ and ‘crime prevention and criminal justice’ for the promotion of sustainable development.” Most CSOs called for “introducing more ethics, morality and transparency in government and international work” and others see the need for their government to “just develop the political will.”

Several CSOs wanted their governments to “establish a social market policy with a regional chapter (and its own laws) for localities that for geographic reasons are disadvantaged compared to the rest of the country.” CSOs proposed to “establish legally binding regional cross country agreements on minimal wage and minimal political rights of employees (right to co-deciding about the use of profit, control over socially responsible corporate behaviour), minimal level of social rights of all workers, regardless if they work in precarious working arrangements.”

A CSO from Africa said: “We intend to encourage rural communities to give priority to agriculture and food production for consumption, sale of surpluses and protection of forests and fauna. For this to happen, the state must facilitate things by creating routes and roadways to serve agricultural zones, allowing farmers to transport products to consumption centers for sale.”

Other CSOs proposed: “Systematically include all stakeholders in the solving of the problems of full employment, food, water, energy, education, health, care and housing supply for all. Start to pay for the non paid care work on the bases of equal share of women and men for this work”, and “donor governments should

create flexible conditions as this will enable civil society organizations in Sub-Saharan Africa to also access the much needed resources to implement various development interventions.”

A number of CSOs asked the “UN [to set up] a special fund for combating the impact of the international crisis mainly in the poorest [countries] and through civil society organizations,” and “We would encourage a world-wide pension system that could be funded through financial transaction taxes for people over a certain age...This would guarantee that older persons would not have to live the last of their lives in poverty!”

CSOs also want to see special attention given to vulnerable groups: “Global understanding [is needed] of the difficulties faced by NGOs in developing countries in meeting the needs of the disabled and vulnerable. At international level governments should fund NGOs supporting Disability Rights.”

Finally a CSO proposed: “We should have a network of NGOs and their meetings should be well informed in advance, where the poorer and upcoming NGOs would have voice to share.”

Conclusion

The current situation demonstrates that the ability of CSOs to mobilize private resources weakens during a crisis just when the need for their services rises. Individual donors around the world have been less able than before to step up their assistance. Similarly, private foundations faced reduced capacity to deliver funds as their own assets declined substantially in value. The food and environmental crises as well as the 2008-2009 financial crisis have shown clearly that in this increasingly interdependent and globalizing world, difficult situations can happen in the different regions of the world at more or less the same time. In order to avoid unbearable social cost and increasing poverty, there is a need for “counter-cyclical” action. The central conclusion of the study summarized here has been that civil society organizations cannot do it by themselves with their usual sources of private and personal funding. Therefore, governments and international institutions need to step in with additional financial support for the social activities of CSOs during global crises. The question arises whether there is a way to institutionalize automatic or semi-automatic financial support to fund necessary social programmes of CSOs during global crises.

The Chief Executives Board of the UN System proposed the establishment of a “*Social Protection Floor*”. It would assure physical and financial access to essential public services, such as water, sanitation, health and education. It would also provide a set of essential social transfers to the poor and vulnerable to provide a minimum income and secure access to essential social services. In a system-wide approach, such a protection floor - complementing the ILO’s proposal for a “Global Jobs Pact” - could protect affected people during crises and thereafter.

Given the high degree of global economic and financial integration, global crises may occur with increasing frequency. It must therefore be a high priority on the political agenda to take all necessary steps to slow and adapt to climate change, avoid another food crisis and prevent new financial crises. Should those crises happen again or the current ones continue, the world community should be better prepared, and – as an immediate short-term measure – at least provide the financial means, including supporting CSOs that can help address the harm that threatens society’s poorest and most vulnerable members.