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REPORT

Navigating the Development and Humanitarian Funding Crisis

Ethical Implications and Strategic Responses

5 March 2025



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and Humanitarian Funding Crisis**
Ethical Implications and Strategic Responses

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NAVIGATING THE DEVELOPMENT AND HUMANITARIAN FUNDING CRISIS

ETHICAL IMPLICATIONS AND STRATEGIC RESPONSES

Abstract

This report presents outcomes from a high-level off-record multistakeholder policy discussion convened by Arigatou International and Globethics in Geneva on 5 March 2025. Representatives from civil society organisations (CSOs), UN agencies, diplomats, and humanitarian experts addressed the ethical challenges posed by shrinking budgets and shifting donor priorities. Discussions focused on rethinking funding models, strengthening collaboration, and upholding ethical principles to ensure that humanitarian and development aid remains effective, responsible, and impact-driven in the face of growing financial constraints.

Key ethical dilemmas identified included:

1. Accepting funding from non-traditional or ethically questionable donors.
2. Donor-driven agendas vs. actual humanitarian needs.
3. Prioritising whom to serve with limited resources.
4. Balancing short-term relief and long-term development.
5. Competition between UN agencies and CSOs for limited funding.

Recurrent themes included the need for decolonised, locally-led funding models, ethical governance, and sustainable development strategies that reduce reliance on aid. Crucially, the discourse emphasised

transforming the development and humanitarian field by placing justice, solidarity, empathy, and compassion at its core – calling for a fundamental shift in power dynamics and value systems that shape global cooperation.

Introduction

The global humanitarian and development sectors are facing an unprecedented funding crisis, driven by shifting geopolitical priorities and changing donor policies. Major donors, including Germany, Switzerland, the UK, and multiple EU member states, have significantly reduced their contributions to aid, human rights, and development programmes. The situation has been further exacerbated by the elimination of 83 per cent of all U.S. foreign assistance, including USAID¹, and its withdrawal from multilateral organisations in early 2025. These financial constraints have had devastating consequences, disrupting essential education, health, refugee aid, and child protection initiatives worldwide.

As budget priorities increasingly shift toward national security, migration control, and domestic economic stability, organisations in the humanitarian and development sectors are navigating complex ethical dilemmas and profound moral responsibilities. They are often compelled to align with donor-driven agendas or seek alternative funding sources that may compromise their independence, transparency, and commitment to protecting the most vulnerable. This includes the difficult choices of accepting funding from non-traditional or ethically questionable donors, reshaping narratives to meet funding requirements, abandoning life-saving programs, and making painful decisions about whom to prioritise when resources are scarce.

The competition for limited funds between UN agencies and civil society organisations further complicates the landscape, as does the ongoing

¹ <https://genevasolutions.news/global-news/international-geneva-in-crisis-the-fallout-from-us-aid-cuts-in-numbers>

tension between addressing immediate humanitarian needs and investing in long-term development. In the face of these challenges, there is a moral duty to uphold human rights and ethical integrity, even under pressure. Solidarity must be treated as a moral imperative, driving the sector to advocate for just, localised, and inclusive aid systems. Ultimately, the call is not merely to adapt, but to transform the aid paradigm – placing justice, ethical governance, and compassion at its core.

The crisis comes at a time when global needs are at an all-time high: more than 400 million people, and one in eleven children, depend on humanitarian assistance for survival, yet major humanitarian responses were already underfunded, meeting only 47% of required resources before the USAID shutdown.² The increasing strain on the system threatens not only immediate relief efforts but also long-term progress toward the Sustainable Development Goals (SDGs), global peace, and security.

Against this backdrop, this report presents multistakeholder perspectives on the impact of and solutions for the crisis.

Context-Sensitive Approaches to Aid Transformation

Representatives from recipient countries shared diverse perspectives on how to respond to the current funding crisis, shaped by their unique national contexts and priorities. Some emphasised the urgency of moving beyond traditional aid models, advocating for an approach centred on investment, social innovation, self-reliance, and sustainable development. This vision called for a fundamental shift away from dependency towards more resilient and locally owned development pathways.

Others took a more pragmatic view, recognising the importance of long-term development while stressing the immediate impact of funding shortfalls and the practical challenges of transitioning to new models.

² <https://www.oxfam.ca/story/the-usaid-collapse-what-it-means-for-global-humanitarian-aid-and-how-canada-must-respond/>

They highlighted that while reform is necessary, it must be grounded in realistic timelines and tailored to existing capacities.

Still others highlighted the severity of the current crisis, calling for greater international collaboration and solidarity to meet urgent needs. These differing perspectives underscore the importance of avoiding generalisations and instead embracing a context-sensitive approach to reimagining development and humanitarian financing.

Key recommendations emerging from the discussions included enhancing public spending efficiency, diversifying funding sources, and focusing on results-driven spending. Participants also highlighted the importance of fostering innovation in local solutions, with digital transformation being identified as particularly crucial for risk-prone areas. Ethical governance reforms to build public trust were seen as essential. Alongside these recommendations, there was a strong emphasis on the ethical imperatives of equity and inclusion, with warnings against discrimination in aid distribution and access to services.

The roundtable also noted that financial constraints are disproportionately affecting vulnerable populations, especially children. Cuts in funding have disrupted healthcare, education, and infrastructure projects, reversing decades of progress in human rights and development. In regions where lifesaving work has been prioritised, planned aid and resettlement programmes for refugees have been cancelled, with significant cuts felt in countries like South Sudan, Uganda and Ethiopia. Furthermore, many displaced individuals are now being forced to return to countries where they face the threat of imprisonment or even death.

A rights-based, conflict-sensitive, and localised approach was widely regarded as critical for fostering long-term resilience and self-reliance. Rising debt levels in the Global South have increased dependence on foreign aid, underscoring the need to strengthen domestic revenue generation and align international aid with national development frameworks.

One particularly concerning trend is the redirection of aid and development funds toward national security and defense budgets, a shift widely criticised for creating greater insecurity. The loss of funding for critical human rights and humanitarian programmes, especially in conflict zones like Afghanistan, has had severe consequences with long-term consequences for future generations, including the rollback of education rights for girls and restricted healthcare access, and the increase in the enrolment of young people in extremist movements. Participants called for a renewed commitment to ethical, transparent, and human rights-based funding strategies.

The Nexus of Peace, Human Rights and Sustainable Development

Donor country representatives acknowledged the growing dilemma of funding prioritisation amid increasing global humanitarian crises. National security concerns, geopolitical shifts, and donor fatigue were cited as major challenges in sustaining international aid commitments. While regions such as the Middle East and Africa continue to receive significant attention, other crisis zones, especially in Asia, such as Myanmar and Bangladesh, remain underfunded despite growing need.

To create more sustainable solutions, the critical nexus between peace, human rights, and sustainable development was emphasised, with participants stressing the need to go beyond immediate relief and focus on addressing the underlying drivers of crises.

Without peace, participants argued, humanitarian and development efforts cannot succeed. They questioned whether peace-building initiatives, like mediation, which have been deprioritised in recent years, should be reintegrated into donor strategies to address and prevent the root causes of instability.

Ethical Responsibility and Innovative Solutions

Humanitarian and development experts approached the ethical and moral dimension of the crisis, emphasising the responsibility to act despite financial constraints. They highlighted successful development models, such as Singapore's rapid transformation, as evidence that ending hunger and poverty is achievable with the right investments. The discussion also focused on the ethical principles underpinning aid, including human rights, social entrepreneurship, and security, with trust as a core pillar.

The need to rethink and rebuild the humanitarian and development system was a recurring theme. Experts called for more transparent and effective storytelling to convey the real impact of funding cuts and to counter narratives that undermine the necessity of aid. Aligning efforts with human rights, the Sustainable Development Goals (SDGs), ethical frameworks, and multifaith initiatives were seen as an opportunity to mobilise broader support for action.

Erosion of Humanitarian Values, Shrinking Civic Space and the Need for Solidarity

CSO representatives expressed concerns over the erosion of humanitarian values due to economic pressures and political polarisation. Financial instability has raised ethical dilemmas about which marginalised groups to prioritise, while funding cuts have eroded trust in aid organisations, compromising the quality and accountability of their work.

Shifting donor priorities – such as the current US administration's retreat from diversity, equity, and inclusion (DEI) initiatives – have led to the removal of important funding conditionalities, including those related to gender justice. Additionally, competition between CSOs and UN agencies for limited resources, for example, the UN's growing reliance on public donations, a space traditionally occupied by NGOs, is creating

unhealthy dynamics. Participants advocated for more collaboration, including pooled resources and localised strategies that strengthen grass-roots capacities.

Another major concern raised was the shrinking of civic space. Political and financial pressures have silenced many CSOs, particularly around human rights and social justice advocacy, undermining their role in holding power accountable and defending shared values. This silence risks compromising the integrity of the sector and progress on issues like democracy and inclusive development.

In this context, faith-based and faith-inspired organisations, along with religious leaders, were recognised for their vital role in providing a moral voice within the sector. Their frameworks – often rooted in principles of justice, compassion, and equality – can help reshape the sector and foster solidarity across communities.

Participants ultimately stressed the importance of maintaining ethical frameworks that transcend religious and ideological boundaries. Advocacy efforts must remain vocal and principled, ensuring that core humanitarian and development values are upheld despite funding challenges.

Operational and Ethical Challenges in Donor Engagement

UN representatives shared that while some agencies have been able to leverage private sector partnerships to offset losses, others face severe operational disruptions, with key programmes, such as refugee resettlement and humanitarian food assistance, being suspended or significantly reduced.

The increasing influence of donors that seek to relax human rights and transparency standards in exchange for financial contributions poses a serious ethical challenge. While some organisations have maintained

rigorous due diligence processes, others face difficult decisions as they seek to maintain operations without compromising their values.

Private sector funding, while essential, must be approached with caution to avoid reputational or ethical compromise. As pressure mounts to accept private-sector contributions, organisations must balance financial necessity with integrity, ensuring that funds do not merely avoid harm but actively contribute to the public good, especially where emerging donors may be implicated in the very crises that humanitarian and development aid seeks to address.

While cost-saving measures such as freezing non-essential expenditures, delaying procurement, and cutting staff positions have provided short-term relief, long-term solutions require ethical engagement with emerging donors and multilateral cooperation grounded in shared values.

Funding Prioritisation in Overlapping Crises

A key theme throughout the discussion was the prioritisation of funding in an era of multiple, overlapping crises. The debate over whether to focus solely on life-saving assistance versus long-term development was a recurring concern. While emergency responses are crucial, neglecting education, governance, and economic development risks perpetuating cycles of vulnerability and dependency. A balanced approach that integrates immediate relief with sustainable, locally-led development was widely supported.

Participants also raised the ethical dilemma of choosing whom to serve first when resources are limited – a challenge that speaks directly to concerns about equity and inclusion, particularly when widening gaps leave certain vulnerable groups consistently underserved. Decisions made under pressure risk reinforcing existing inequalities unless guided by transparent, principled frameworks.

Discussions further highlighted the importance of decolonisation and localisation in funding strategies. Rather than reinforcing dependence on foreign assistance, participants advocated for empowering grassroots movements, strengthening domestic governance, and leveraging local resources to build long-term resilience. This shift away from donor-driven models requires equipping recipient countries with the tools and autonomy to cultivate self-sustaining economies and foster homegrown innovation. Rethinking the architecture of aid in this way means prioritising ethical governance, inclusive development, and capacity-strengthening as cornerstones of future humanitarian and development practice.

Conclusion

The roundtable examined the far-reaching implications of aid cuts, which have already disrupted essential services, particularly for children and displaced communities, and risk reversing decades of development progress, exacerbating inequalities, and deepening dependency cycles. Discussions emphasised inter-generational justice, recognising that today's funding decisions shape the future of humanitarian and development efforts. This was particularly evident in the exploration of alternative funding models that shift away from traditional donor-recipient relationships toward investment-driven, locally led development strategies aimed at building resilience rather than reliance.

The ethical dilemmas faced by CSOs and UN agencies were extensively debated, particularly regarding transparency, accountability, and independence in navigating shifting funding priorities. Participants warned against compromising values under financial pressure and stressed the importance of maintaining mission integrity. The erosion of civil society ecosystems was highlighted as a critical concern – particularly as shrinking civic space and fear of retaliation discourage organisations from speaking out or upholding their values. The role of faith-based

and faith-inspired organisations was recognised as vital in this context, offering a strong moral voice and ethical frameworks grounded in justice, compassion, and inclusion.

While the financial outlook remains difficult, participants stressed that this crisis presents an opportunity to reimagine the global aid architecture. There was a collective call to advocate for more transparent, inclusive, and rights-based funding systems that reinforce both moral and legal responsibilities to protect the world's most vulnerable populations.

The roundtable closed with a call for solidarity and diplomacy, urging all actors to collaborate on innovative and impactful funding solutions while maintaining a steadfast commitment to justice, equity, and peace.

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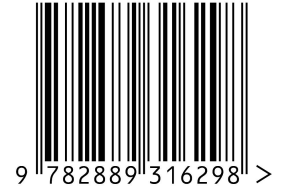
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Crucially, the discourse emphasised transforming the development and humanitarian field by placing justice, solidarity, empathy, and compassion at its core – calling for a fundamental shift in power dynamics and value systems that shape global cooperation.