

The Global Recession: Reaching Every Corner

► Community-based organizations in developing nations take the hit, but also show their resilience.

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WHILE GLOBAL BANKS AND multinational businesses watched stocks tumble and homeowners watched mortgages crumble, the non-profit sector waited to see how funding and programs would be affected. Indeed, many non-profit organizations experienced a drop in philanthropic giving that would affect their programs and staffing; and there were widespread reports of increased demand for direct services for the poor. But did the troubles on Wall Street and Main Street reach as far as the community school in Uttar Pradesh, India, or the health promoter program in Kisumu, Kenya? The Global Fund for Children's (GFC) research found that it did—the shocks of the economic downturn reverberated from the global markets to the grassroots.

Dedicated to the vision that all children should have the chance to grow up to be productive, caring citizens of a global society, GFC makes small grants to innovative community-based organizations that serve children and young people who are among the world's poorest. To date, it has supported more than 450 organizations in 75 countries. Its complementary media ventures program harnesses the power of books, films, and photography to promote global understanding.

To better understand the grassroots perspective on the economic crisis, GFC conducted a snapshot survey at the height of the economic crisis, with a follow-up survey six months later, of over 200 active grantee partners within its network of over 450 community-based organizations (CBOs) providing direct services to vulnerable children and youth. These CBOs typically operate on a shoestring budget to provide their programs and services; the median

annual budget of a new GFC grantee partner is \$55,000. The two surveys focused on resource management and financial and programmatic impact in the wake of the economic downturn. Responses to both surveys provide unique insight into the effects of the global recession on grassroots organizations.

The initial survey administered in April 2009 to 234 CBOs achieved a 73 percent completion rate, representing CBOs in six regions (Africa, Central and Eastern Europe and the Commonwealth of Independent States, East and Southeast Asia, Latin America and the Caribbean, South Asia, and the United States). The follow-up survey of 259 organizations in November 2009 achieved a 60 percent completion rate, again in six regions, with 74 percent of these respondents having also completed the original survey. In both surveys, nearly 70 percent of respondents reported that the economic crisis had moderately or severely impacted their organization.

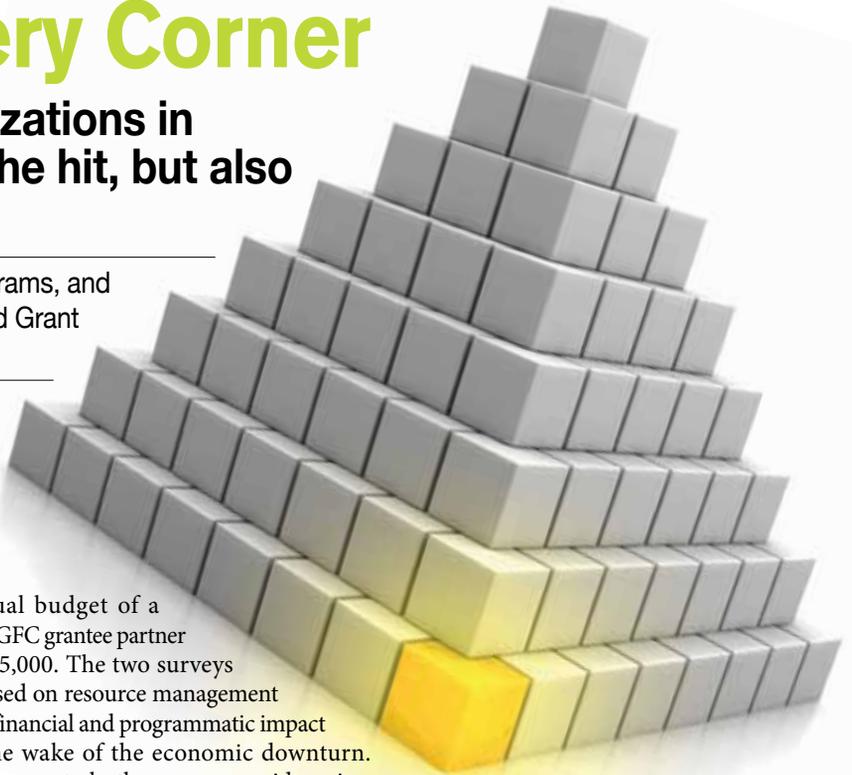
Initial impact

Responses to the survey in early 2009 demonstrated that the global recession had created a downward trend in the amount of funding available to the CBOs surveyed. One in India noted: "We have been informed by two donors that we should expect 20–25 percent reduction in funding unless there is

some change in the business situation in the country."

With a grim forecast for available resources, many CBOs took proactive organizational and programming measures to mitigate the effects of the crisis. Approximately two-thirds (65 percent) made downward budget revisions; half (51 percent) reallocated funding to cover new or increased costs; and others opted to make staff changes by merging roles, reducing salaries, or eliminating positions altogether. Grassroots organizations often do not have a funding cushion for economic downturns. For those few that had more stable organizational structural support, nearly 40 percent reported having to access reserve funding, depleting available resources, to provide continuity in program services. Even after using reserve funding, an organization in Mexico emphasized that their next step was program reduction. "Our reserves have practically emptied themselves. We have already had to confront immediate expenses and now we have had to carry out substantial cutbacks.

Despite these reported revisions and cuts, ►



demand for services remained, and while stretched, these CBOs maintained programming levels. Fewer than one-third (26 percent) of survey respondents reported changes or reductions in the direct service programs provided to vulnerable children and youth. For the short-term, at least, CBOs remained committed to doing more with less.

In addition to describing the impact of the recession on their own organizations, respondents provided information about community impact. The vast majority of respondents (80 percent) observed reduced income levels in their communities; 78 percent witnessed job loss or increased unemployment; and 63 percent noted food insecurity or scarcity. A majority of respondents also listed inflation and increased demand for social services as prominent impacts in their communities.

Furthermore, many CBOs reported that children in their communities were deeply affected by the financial crisis, often needing to assume economic responsibilities to contribute to their family's survival. They observed children dropping out of school to work as beggars or laborers and young people engaging in petty crime or falling prey to human traffickers.

Lingering effects

As global economic indicators steadied in late 2009, CBOs experienced continued volatility and funding lags. Responses to the November 2009 follow-up survey varied more than the responses to the original survey. In the follow-up, while many organizations noted lingering and increasingly negative impacts of the crisis on their financial support and programming, other organizations recorded unexpected generosity by new donors and increased community engagement in response to the impacts of the global recession. Funding sources and prospects were mixed. Survey respondents generally noted less financial support in the second half of 2009 from local and regional governments and individuals, a slight increase in funding from new donors, and persistent decreases in funding from preexisting donors.

The follow-up survey responses also showed a flat to negative picture of the effects of the economic crisis. In comparison with the original survey, the proportion of CBOs reporting being severely affected by the economic crisis rose from 15 percent to 21 percent; those reporting no effects from the crisis dropped from 7 percent to 3 percent; and nearly the same

proportion were feeling minimal and moderate impacts. Even though some organizations had begun to recover from the impacts of the crisis, the great majority continued to experience the same level of, or increasing, negative effects.

CBO observations of community impact also held steady or worsened. In late 2009, 7 percent more of the survey respondents (43 percent versus 36 percent) reported severe impacts in their communities. As of the continuing effects of the crisis, respondents noted the increased demand for social services and increased debt of community members.

But the survey results also demonstrated remarkable resilience and resourcefulness. For example, one in four CBOs reported making strategic shifts in programs, services and operations to better use their core competencies and respond more accurately to community needs in the changing economic environment. Of particular note, 18 percent of CBOs reported having begun the planning or implementation of strategic income generation activities.

Lessons from the grassroots

The survey results demonstrate the time lag in the negative impact of the crisis on CBOs. The impact of the global recession clearly had immediate effects on the funding and program capacity of these grassroots organizations and it appears will have much longer-term effects on their organizational strength and development.

An important observation is that CBOs continue to take steps to reduce the effects of the global economic crisis on their organizations and within their communities. While most organizations had to cut their budgets at the onset of the recession, most CBOs have focused on small program adjustments, making changes in staff responsibilities and program structures, and increasing fundraising efforts and income generation activities, as economic recovery continues.

Amidst the challenging economic conditions, CBOs demonstrated resourcefulness and resilience, seeking ways to fulfill their mission despite the loss of financial support. Nevertheless, they are burdened with tough decisions due to decreasing resources and increasing need among their communities. Without the capacity to react with emergency or reserve funds, the majority of CBOs surveyed were forced to make budget revisions and funding reallocations. In order to maintain consistent programs and preserve the size and scope of their services, CBOs made staff changes and strategic shifts for more

efficient allocation of resources and priorities. Many organizations noted moderate to severe negative impacts of the global economic crisis on their organizational capacities and highlighted the impact on income levels, employment and food security in their beneficiary communities.

While the Global Fund for Children has not conducted a second follow-up survey in 2010, our grantee partners continue to note the continuing negative impact of a faltering global economy. In recent grant proposals and reports, GFC's grantee partners report that year-to-year budget decreases are a result of the economic crisis. One particularly established grantee partner in Nigeria attributed its organizational budget decrease from \$310,000 to \$210,000 to the loss of a major donor. Many CBO partners note that effects stemming from the global recession still influence decision-making and daily operations.

What's next?

Past economic downturns have shown that there is a lag before the nonprofit sector experiences negative effects or resilience. In this global recession, the survey results have proven no different. While some economic indicators suggest that the financial and manufacturing industries are in the midst of a recovery, it will still take many months to ascertain the overall impact of this global recession on CBOs. Furthermore, it may take years for them to fully recover in terms of funding, staffing and organizational capacity. The overwhelming sense from the voices on the ground is that the impacts of the crisis have not leveled off and that CBOs continue to cope by making structural changes in their organizations and programming.

The results of this research and ongoing reports from the field are simultaneously disheartening and inspiring. The clear negative effects of the economic downturn on small, community-level organizations providing critical programs and services to vulnerable children and youth highlights the very real challenges of this burgeoning sector. Their observations of increased community demand provide a call to action to support and bolster their efforts, especially in difficult financial times. And their ingenuity, innovation, resourcefulness and resilience are testament to adaptable and sustainable community-level program solutions on the frontlines of the global recession. 

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