

# ***Rhetoric vs. Reality: How Aid Sanctions Affect Funding for Local Actors in Aid-Recipient Countries***

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How do different types of aid sanctions affect the flow of funds to local implementation partners in the target state?

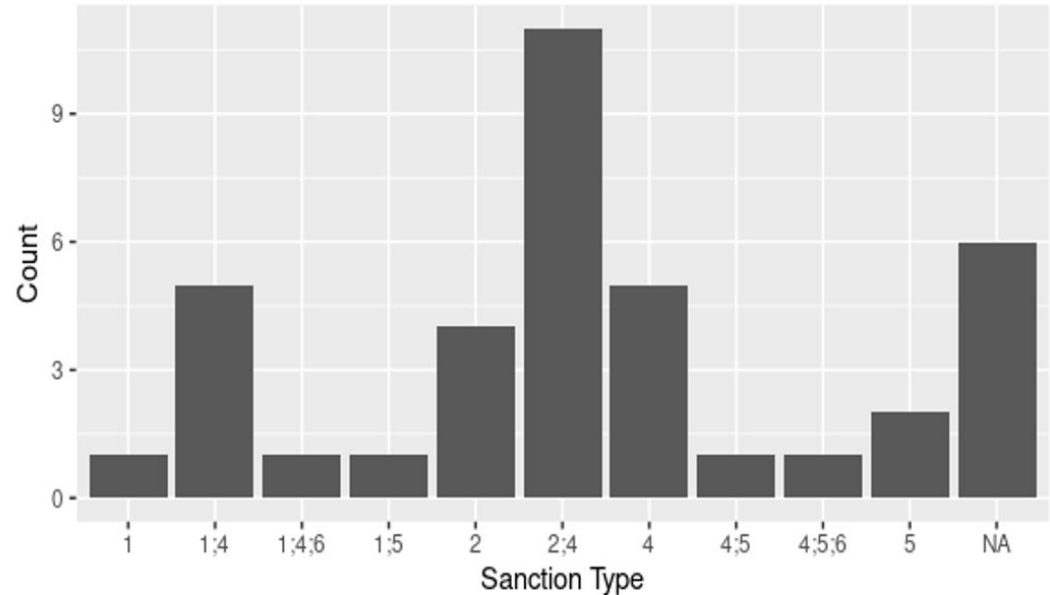


# The Nature of Aid Sanctions

- Assumptions in literature on effects of sanctions/aid:
  - Aid sanctions are a monolith
  - Sanctions lead to decreased resources available for the target
- Reality:

Aid sanctions have various forms

- complete vs. partial *suspension*
- complete vs. partial cancellation of *committed aid*
- diverting funds via *reprogramming to other countries or redirecting to other sectors*



1 - Complete Suspension of Aid,  
2 - Partial Suspension of Aid,  
3 - Cancellation of Committed Aid,  
4 - Partial Cancellation of Committed Aid,  
5 - Reprogramming to Another Country,  
6 - Redirecting to Other Sectors

# Aid Sanctions Cont'd

- Sanction-specific characteristics have an effect on outcomes
  - Scope - comprehensive sanctions result in greater negative impact on target population (Gutmann et al, 2021; Peksen and Drury, 2010, etc.)
- Aid as sanction instrument:
  - Type-specific effects: Aid sanctions are more effective at both threat and imposition stage (Jeong, 2019; Early and Jadoon, 2019)
  - Inequality reduction, especially when compared with sanctions broadly defined (Jeong, 2020)
    - Reduction in government-to-government aid
- Expectation:
  - Depending on the stated imposition method of aid sanction, local implementation partners may receive more or less funding.
    - Expect local public sector to be the most significantly and negatively affected across the board.
    - Sanction's effect on other channels varies with how aid sanctions are imposed and what type of aid sanctions are imposed

# Approach

- Novel data that informs country-level expectations of aid flows post-aid implementation.
- Synthetic Control Method to investigate how various forms of aid sanctions affect local implementation partners (NGOs, CSOs, and government).

# Data

- Episodes of US aid sanctions *imposed* from 2002-2020
  - 2002-2016 cases selected from EUSANCT and TIES databases (drop all cases where sanctions were only threatened but never implemented).
  - Code according to EUSANCT rules for newly identified cases from 2016 onwards.
  - 96 cases of aid sanctions identified
- New variables added (based on publicly available statements/news releases/articles, etc.):
  - Type of aid threatened (when specified) by sanctions
  - Amount of aid threatened (when specified) by sanctions
  - Aid sanction implementation method
    - Complete/partial suspension of aid
    - Complete/partial cancellation of committed aid
    - Reprogramming of aid to another country
    - Redirecting of aid from government in target state to civil society



# Research Method

- Synthetic Control Method (SCM)
- Predictors for Weights
  - Logged trade flows between the US and the aid recipient/target state
  - Logged GDP per capita
  - Logged population of aid recipient/target state
  - Logged deaths from natural disasters in the aid recipient/target country
  - Freedom House Civil Liberties and Political Rights scores for the aid recipient/target state
  - Previously colonized by the US (binary indicator)
- Outcomes of interest:
  - Logged value of annual foreign assistance flows from the US to the aid recipient/target state through five implementation channels (collapsed from the Foreign Assistance dataset):
    - US nongovernmental actors
    - Local nongovernmental actors
    - US public sector actors
    - Local public sector actors
    - Multilateral and international organizations

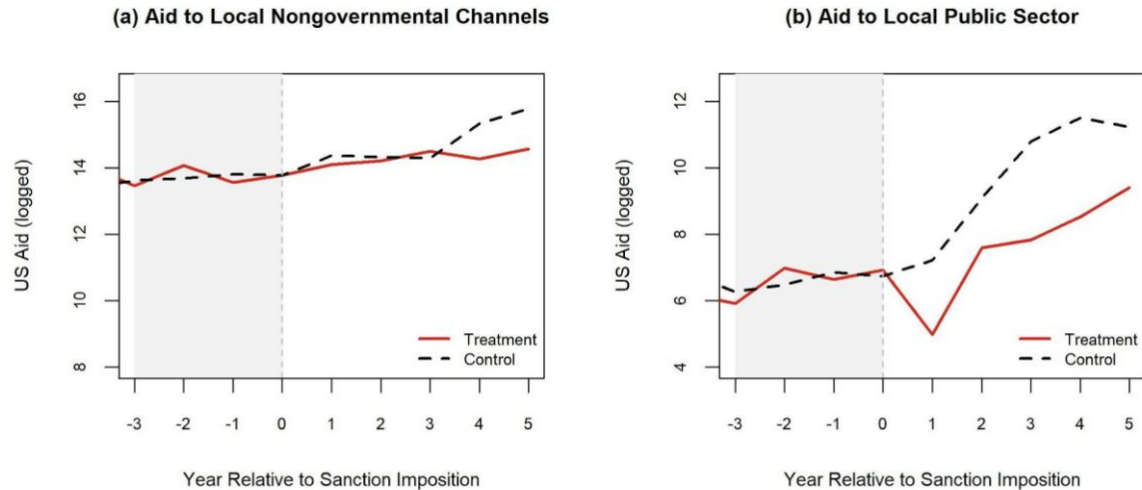
# Data Cont'd

- Aid flow
  - Foreign Assistance Dataset
    - Aggregate project-level disbursement data from over 2,500,000 project funded by the US in OECD aid-receiving countries from 2002-2020
- Further restrictions on data
  - Remove any countries whose population is below 1 million for at least half the years of our analysis period to reduce noise.
  - Omit any countries not considered by the OECD to be an “aid recipient country”



# Results - All Cases

Figure 3: Effect of Sanction Imposition on US Aid to Local Actors



The red line plots the average amount of US aid (logged) disbursed to the specified channel in sanctioned countries ( $n = 20$ ) in the three years prior and five years following the imposition of sanctions, while the black dashed line plots the average of US aid (logged) of the corresponding synthetic controls. The gray shaded region indicates the pre-treatment period across which the mean values of the predictors and outcome variable were used to construct the synthetic control units. The dashed gray line indicates the year of sanction imposition.

# Case Studies

# Uganda - 2014

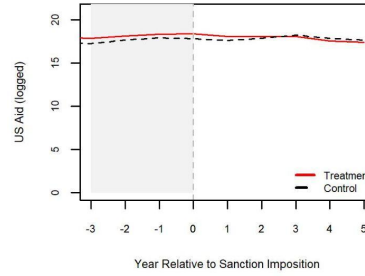
- Cause of sanction: Anti-gay legislation signed into law by Ugandan President Yoweri Museveni in February 2014.
- Announced sanction measures (aid-specific)
  - \$3 million intended for construction of new public health institute reprogrammed to unnamed African country.
  - \$2.4 million for community policing program halted.
  - Budgetary support for salaries and travel expenses of Ugandan officials redirected to civil sector
- Reductions in aid (current dollars):
  - Total: \$74.5 million
    - Health: \$95.3 million
- Expectations:
  - Decrease in funds directed through local public channels
  - Slight increase or same levels of funding for other channels

*Note: The US and other donor states had already started decreasing aid prior to sanctions in anticipation of the anti-gay legislation becoming law.*

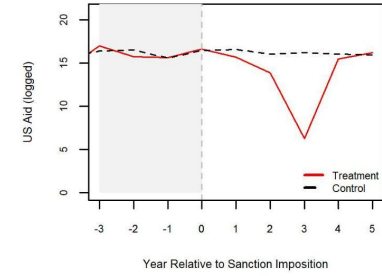
# Uganda - Results of SCM

Uganda

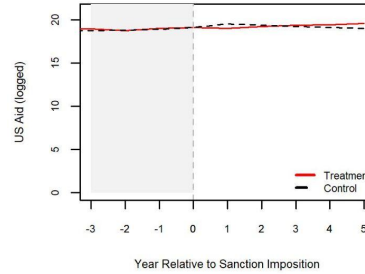
(a) Aid to Local Nongovernmental Channels



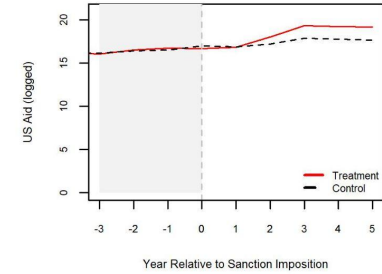
(b) Aid to Local Public Sector Channels



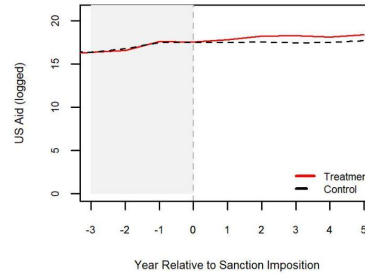
(c) Aid to US Nongovernmental Channels



(d) Aid to US Public Sector Channels



(e) Aid to Multilateral Channels



# Madagascar - 2009

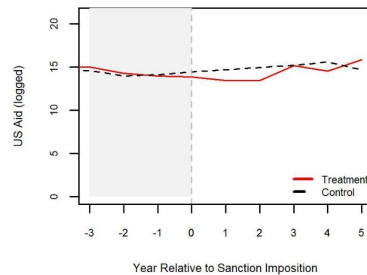
- Cause of sanction: Coup
- Announced sanction measure (aid-specific):
  - Suspension and cancellation of all non-humanitarian aid
  - Millennium Challenge Corporation froze \$110 million that was intended to be used for poverty reduction projects over the course of five years
- Reduction in aid (current dollars)
  - Total: \$12.9 million
  - Reduction across all categories of aid (with the exception of humanitarian aid)
- Expectation:
  - Drop across all channels, particularly public sector
  - Potential decrease, but less sharp, for non-governmental channels.



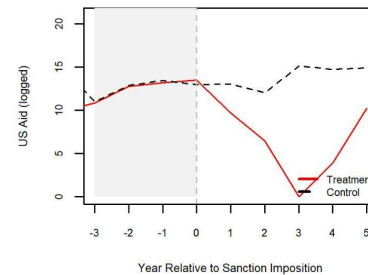
# Madagascar

## - Results of SCM

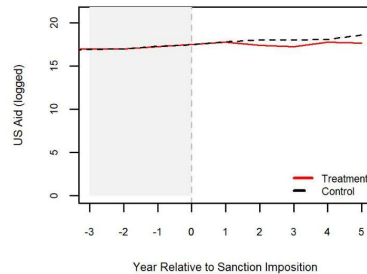
(a) Aid to Local Nongovernmental Channels



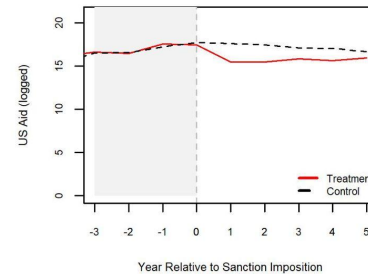
(b) Aid to Local Public Sector Channels



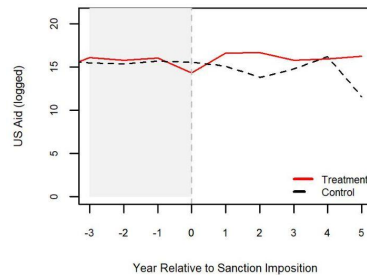
(c) Aid to US Nongovernmental Channels



(d) Aid to US Public Sector Channels

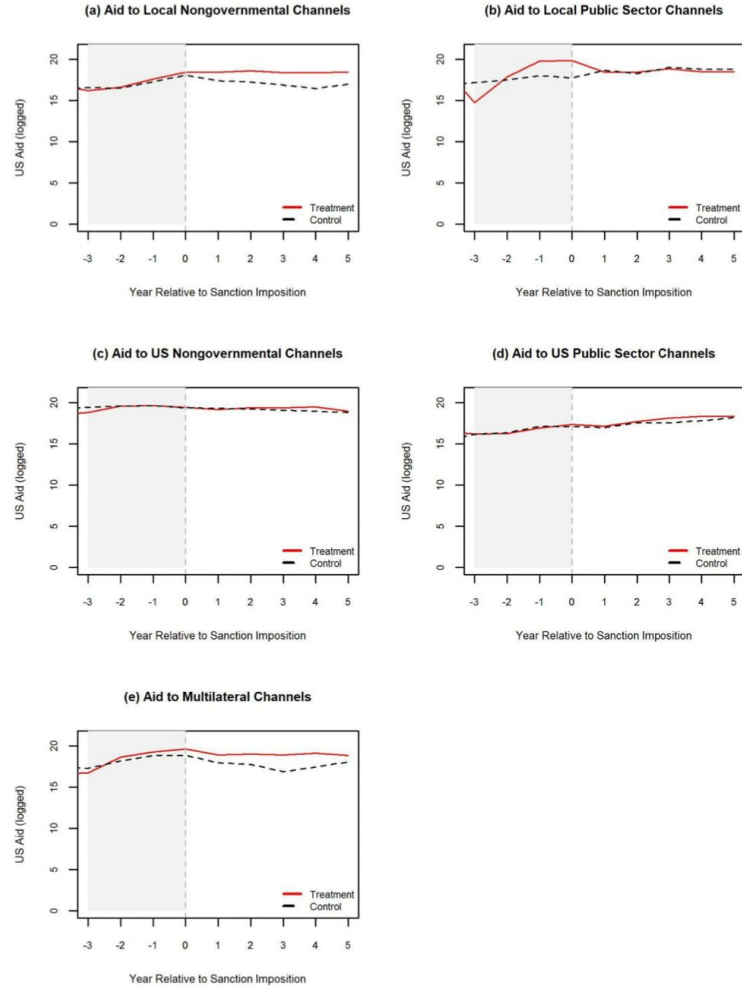


(e) Aid to Multilateral Channels



# (Comparison) Military Assistance Withdrawal Only

## Pakistan



# Takeaways

- Aid sanctions are not all alike
  - Implications for assessing the effects of sanctions on the target state population
- When aid sanctions are imposed:
  - Local public implementation partners (governments in the target state) see the largest drop in US aid for projects.
  - Nongovernmental implementation partners (US and local) don't see a lot of movement in projects funded by US foreign assistance (though some variation depending on the scope of the sanctions).
  - The pattern of through which channels the aid is distributed does fit into expectations from how the government stated aid would be withdrawn.
- Going forward:
  - Analysis of the sector of aid sanctioned and how it affects the types of projects funded
  - Tie it to outcomes on the ground

Thank you!

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