Aid, Interrupted: Conflict Dynamics Following the USAID Suspension in Africa*

Annabelle Tan
University of Sydney

Ashani Amarasinghe
University of Sydney

David Ubilava†
University of Sydney

This draft: April 7, 2026

Abstract

Foreign aid withdrawal may put the political stability of aid-dependent states at risk, yet short-term conflict responses to donor-side aid disruptions remain poorly understood. We exploit the abrupt and unanticipated suspension of the United States Agency for International Development (USAID) in January 2025 as an exogenous shock to examine its effects on conflict dynamics in Africa. Using monthly conflict data for 44 Sub-Saharan African countries, we apply an event-study design to trace conflict responses in highly aid-dependent countries relative to less aid-dependent countries following the suspension. We find a general increase in conflict, with a swift 12 percent rise in armed conflict between organized groups and a delayed 10–14 percent increase in militia-perpetrated violence against civilians. We show that these effects are primarily driven by countries with limited state capacity and high political corruption, pointing to the role of institutions in addressing socio-political tensions arising from aid disruptions.

Keywords: Foreign Assistance, USAID Suspension, Armed Conflict, Violence Against Civilians, State Capacity, Africa

JEL Codes: D74, F35, O19

*This paper evolved from Annabelle Tan's Honours thesis, completed at the University of Sydney. Ashani Amarasinghe and David Ubilava acknowledge financial support from the Australian Research Council under its Discovery Projects funding scheme (DP240101563). Refine.ink was used to proofread the paper to identify any errors and improve consistency. We thank Christopher Barrett and Jason Kerwin for their valuable feedback. All remaining errors are our own.

†Corresponding author: david.ubilava@sydney.edu.au

1 Introduction

On 20 January 2025, the United States Agency for International Development (USAID) abruptly suspended all overseas development programs, marking the beginning of the end of more than six decades of international engagement in over one hundred developing countries (Norris, 2021). The suspension halted billions of dollars in aid funding across vulnerable regions, leaving humanitarian, health, and other vital programs in limbo. The dismantling of the agency concluded on 1 July 2025 with the formal cessation of USAID operations and the transfer of some remaining functions to the U.S. Department of State (USDS, 2025).

This suspension (henceforth also referred to as "the shutdown") constituted a shock of historic magnitude in official development assistance. USAID was the main vehicle through which the United States—the world's largest bilateral donor—delivered its foreign assistance. In fiscal year 2024, USAID funded or managed US$34 billion disbursements, amounting to a half of total U.S. foreign assistance (USAID and USDS, 2025). The shutdown disrupted aid disbursements to politically fragile, conflict-prone states that rely heavily on external financing for the provision of social support and basic public services.

Both the United Nations and the World Bank have cautioned that abrupt aid withdrawal can heighten fragility and undermine stability (UNDP, 2008; World Bank, 2011), yet empirical evidence on the immediate social and political consequences of aid shocks remains scarce (Cheeseman et al., 2024). More specifically, little is known about how the large-scale withdrawal of a major donor and the blanket termination of its long-standing aid programmes reshape conflict dynamics in aid-dependent states.

We examine the short-run effects of the USAID suspension on conflict in Sub-Saharan African countries most exposed to the aid shock. Crucially, the sudden contraction of assistance was driven entirely by U.S. domestic politics—not by recipient-country actions. This unprecedented and largely unexpected event therefore presents a unique natural experiment for studying how aid shocks—and, more specifically, large-scale aid withdrawals—influence conflict dynamics within fragile, aid-dependent regions.

We focus on Africa because it offers a revealing setting in which many countries, on the one hand, are prone to conflict and violence and, on the other hand, depend heavily on external assistance to sustain public goods provision and political legitimacy. USAID played a crucial role in the region, with approximately one-third of agency-funded or managed foreign assistance directed toward Sub-Saharan Africa (USAID and USDS, 2025). In February 2025, total USAID disbursements to African countries fell by roughly 90% relative to the previous months (USAID and USDS, 2025). Although disbursements partially recovered in subsequent months, the scale of the initial contraction constituted a substantial short-run shock to external financing (see Appendix Figure B1 for monthly disbursements from January 2024 to June 2025). The recovery, moreover, was widely perceived as temporary, with expectations shaped by the belief that funding through this donor would soon cease.

The drop in aid was far from homogeneous—exposure to the USAID suspension varied substantially across African countries due to differences in pre-shutdown funding intensity, the sectoral composition of aid portfolios, and reliance on USAID-financed programs. This heterogeneity in exposure provides the cross-country variation that helps us identify the short-run effects of the shock within a common regional and temporal context.

Using monthly data from the Armed Conflict Location and Event Data (ACLED) Project (Raleigh et al., 2010), and USAID disbursement records from ForeignAssistance.gov (USAID and USDS, 2025), we apply an event-study estimator within a difference–in–differences setting to trace the evolution of conflict around the exogenous shift in foreign aid at a higher temporal resolution than that used in much of the existing literature. Because contractions in external assistance may alter incentives and shape forms of conflict differently, we distinguish between violent conflict (armed violence between organized actors or against civilians) and non-violent conflict (protests and riots initiated by civilian groups). Furthermore, because access to resources and modes of operation can differ substantially across paramilitary actors, we separately examine violence against civilians committed by state forces, rebel groups, and militias.

We find an escalation of armed conflict between organized actors, followed by a sustained increase in violence against civilians—perpetrated by militias but not by state forces or rebel groups—in countries more exposed to the shock due to their aid dependence, relative to other countries. Specifically, we observe an immediate 12 percent increase in armed conflict, and a delayed 10–14 percent increase in violence against civilians perpetrated by militias. These effects are robust to alternative definitions of the dependent variable and of the treatment indicator. We further show that institutional capacity plays a crucial role in buffering destabilizing pressures stemming from aid withdrawal.

The increase in armed conflict and violence against civilians following the USAID suspension is consistent with two key mechanisms. First is a predation mechanism operating through bargaining failure. The USAID suspension abruptly collapsed future payoffs and weakened enforcement mechanisms, transforming what would otherwise have been a repeated bargaining relationship into a finite one and intensifying commitment problems and rent-seeking behavior (Fearon, 1995; Powell, 2006). This constrained governments' ability to deter violence or sustain the formal and informal agreements that had previously kept rebel groups and militias in check (De Ree and Nillesen, 2009; Nielsen et al., 2011; Mitchell et al., 2014). The resulting shift in the balance of power toward insurgents facilitated strategic advances against the state, while the collapse of future payoffs reduced incentives for restraint and induced a substitution away from strategic fighting toward predatory violence against civilians—including looting, intimidation, and coercive extraction—as a short-run source of revenue and control (Nielsen et al., 2011; Findley et al., 2011). These dynamics were likely reinforced by the rapid decline in financial and human resources between the shutdown announcement and its eventual cessation, which disrupted aid implementation and oversight and expanded opportunities for predatory behavior and conflict (Moscona, 2025).

Second is an opportunity-cost mechanism operating through the termination of existing programs that targeted vulnerable populations in potentially conflict-prone zones while also providing employment and thus serving as an important source of income for local commu-

nities. The resulting void reduced the opportunity cost of joining (or being recruited by) rebel groups and militias and of participating in violence (Dal Bó and Dal Bó, 2011; Dube and Vargas, 2013; Bazzi and Blattman, 2014). In this environment, militias in particular are well positioned to capitalize on diminished livelihoods by engaging in one-sided violence against civilians, especially where monitoring is limited and enforcement is all but absent (Berman and Couttenier, 2015; Koren, 2018; Ubilava et al., 2023).

We contribute to the literature on the aid–conflict nexus (De Ree and Nillesen, 2009; Nielsen et al., 2011; Findley et al., 2011; Nunn and Qian, 2014; Crost et al., 2014; Strange et al., 2017; Bluhm et al., 2021; Findley et al., 2023; Christian and Barrett, 2024; Moscona, 2025) in several ways. First, whereas existing studies primarily examine how changes in aid flows affect conflict, we study how an abrupt and unforeseen termination of foreign assistance widely assumed to operate indefinitely reshapes conflict dynamics in aid-dependent settings. This distinction matters: a donor-side commitment shock may operate through bargaining breakdown, shifting expectations, and institutional fragility in ways that gradual inflow variation does not capture. Second, rather than relying on instrumental-variable strategies that proxy income shocks, we exploit a plausibly exogenous blanket contraction in foreign assistance driven by domestic political dynamics within a large donor country and orthogonal to contemporaneous political or economic conditions in recipient countries. Third, we depart from the annual or multi-year frequency that dominates the literature by using high-frequency monthly data over a short window, allowing us to capture short-term dynamic responses that unfold after a sharp disruption in aid flows. Taken together, these contributions advance empirical understanding of the aid–conflict relationship by isolating the short-run conflict consequences of abrupt aid withdrawal and highlighting the role of institutional fragility in mediating these effects.

2 Data

We source disbursement data for USAID projects from ForeignAssistance.gov (USAID and USDS, 2025) and conflict data from the Armed Conflict Location and Event Data (ACLED) Project (Raleigh et al., 2010). We also draw on additional data for variable construction and as controls, which we briefly describe at the point where they are first used.

2.1 Aid

We collect country-level data on USAID disbursements from ForeignAssistance.gov (USAID and USDS, 2025). This repository publicly houses project-level data on U.S. foreign assistance disaggregated by country, agency, and purpose. We restrict ourselves to projects funded or managed through USAID and directed to sovereign states within Africa. We focus exclusively on disbursements, rather than obligations, to reflect realized outflows and capture changes in liquidity reaching aid-recipient countries. Moreover, it is the withdrawal of realized inflows—rather than planned allocations—that we hypothesize plausibly affects conflict dynamics.

USAID, through its aid disbursements, was present in nearly all countries in Sub-Saharan Africa, although the intensity of assistance varied considerably across countries. Owing to limited or no USAID presence, we omit island nations—with the exception of Madagascar—from our analysis. This leaves a sample of 44 countries.

To capture this heterogeneity in USAID assistance intensity, we aggregate USAID–related disbursements over the entire calendar year 2024 and, to account for country–specific differences in size, we normalize these amounts by 2024 population estimates obtained from World Bank (2025). Figure 1 presents a color-coded map illustrating variation in the intensity of USAID assistance across countries. In our analysis, we use these values to split countries into "high-aid" and "low-aid" subgroups, corresponding to the treatment and control groups, respectively.

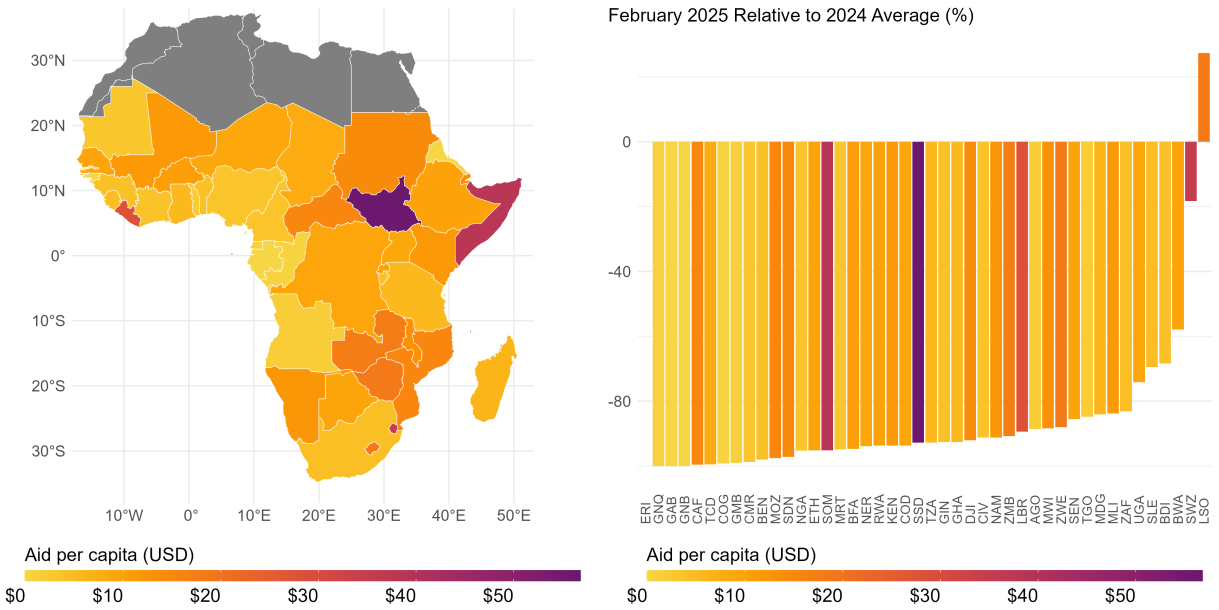

Figure 1: Aid in 2024 and change in 2025

Note: Data comprise all disbursements funded or managed by USAID (USAID and USDS, 2025). The map shows aid in calendar year 2024, normalized by 2024 population estimates (World Bank, 2025). The bar plot shows the percent change in USAID disbursements in February 2025 relative to 2024 monthly average.

2.2 Conflict

We source conflict data from the ACLED Project (Raleigh et al., 2010), which provides georeferenced daily data on political violence and social unrest events worldwide. ACLED classifies events into six mutually exclusive categories: Battles, Explosions/Remote Violence, Violence Against Civilians, Riots, Protests, and Strategic Developments. ACLED also maintains a broader classification of events grouped into Political Violence (including Battles, Explosions/Remote Violence, Violence Against Civilians, and the more violent forms of Riots and Protests, such as mob violence and excessive force against protesters), Demonstrations (the remaining Riots and Protests), and Strategic Developments.

We exclude events classified as Strategic Developments, as this category captures contextually important developments that do not constitute political violence per se. We therefore retain the broader disorder categories of Political Violence and Demonstrations (which we refer to as Social Unrest). We also retain specific event types: Battles, to examine incidents

of armed combat or attacks between organized armed groups; Violence Against Civilians, as a distinct category capturing one-sided coercive violence perpetrated by organized actors; and Protests, to capture the collective expression of grievances representing a relatively non-violent form of civil disorder. Finally, we disaggregate Violence Against Civilians into events perpetrated by State Forces, Rebel Groups, or Militias (combining Political and Identity Militias), as the motives and modes of violence may differ across these actors.

Our unit of analysis is the country–month. We therefore retain all events regardless of geographic or temporal precision, as even the least precise records are resolved to the correct country and month.

Figure 2 presents a map of conflict incidents per million people, by country, over calendar year 2024. This provides a baseline preceding the USAID suspension. The figure also illustrates the relative change in conflict incidents, by country, from 2024 to 2025. There is substantial country–specific heterogeneity in both the intensity of conflict and the direction and magnitude of changes in conflict incidents around the time of the shutdown.

3 Empirical Strategy

Estimating the effect of foreign aid on conflict can be complicated by concerns related to unobserved heterogeneity, i.e., variation in aid exposure correlated with omitted confounding factors contained in the error term (Dreher et al., 2019), and reverse causality, i.e., aid allocations responding to conflict risk (De Ree and Nillesen, 2009; Nunn and Qian, 2014).

We sidestep the bulk of such endogeneity concerns by exploiting the 2025 USAID suspension as a plausibly exogenous shock driven by U.S. domestic political gridlock rather than conditions in recipient countries. The abrupt and largely unanticipated nature of the shutdown, combined with differential exposure across African countries arising from variation in pre-existing aid dependence, creates a quasi-experimental setting that allows us to identify the effect of changes in aid—and, in particular, aid withdrawal—on conflict.

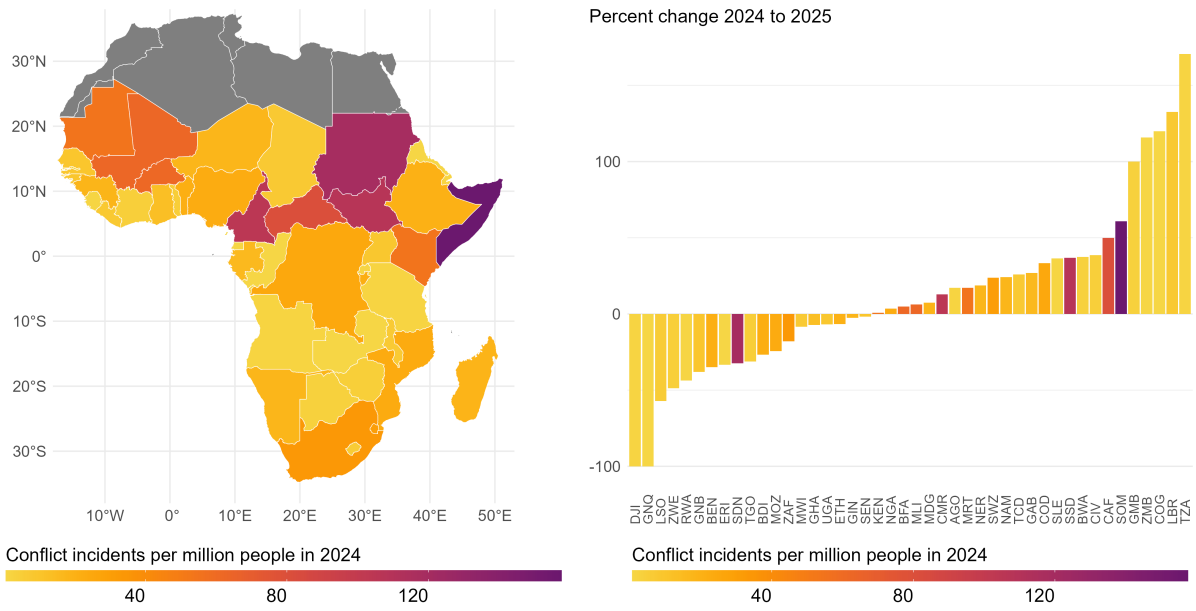

Figure 2: Conflict in 2024 and change in 2025

Note: Data comprise all conflict events in the ACLED Project (Raleigh et al., 2010), excluding those classified as "Strategic Developments". The map shows total count of conflict incidents over 2024, normalized by 2024 population estimates (World Bank, 2025). The bar plot shows the percent change in conflict incidents from 2024 to 2025.

Our empirical strategy examines changes in conflict in high–aid countries relative to low–aid countries, in the months following the shutdown. We define treatment—a country-level binary indicator for aid dependence—as follows:

$$T_i = \begin{cases} 1, & \text{if } \text{Aid}_i/\text{Pop}_i \geq \mathbf{M}(\text{Aid/Pop})\,, \\ 0, & \text{otherwise.} \end{cases} \tag{1}$$

where $\text{Aid}_i/\text{Pop}_i$ denotes per-capita aid in calendar year 2024 for country i, and $\mathbf{M}(\text{Aid/Pop})$ denotes the median of per-capita aid in calendar year 2024 across the countries. Defined this way, and with the largely uniform drop in aid across countries, treatment captures countries experiencing larger per-capita aid contractions associated with the USAID suspension.

We apply an event study specification to trace the evolution of the relative outcome in response to the shutdown, while controlling for fixed differences across countries and common trends over time, as well as country–specific time–varying characteristics:

$$Conflict_{it} = \sum_{j \neq -1} \gamma_j \; T_i \times D_{t-j} + \alpha_i + \lambda_t + \boldsymbol{\theta}' \boldsymbol{x}_{it} + \varepsilon_{it}. \tag{2}$$

where $j \in \{-8, -5, \ldots, 10, 11\}$ indexes the event-study window, with $j = -1$, which is December 2024 in our case, omitted as the reference period.

Our outcome variable, $Conflict_{it} = asinh(\text{Events}_{it}/\text{Population}_i)$, is the inverse hyperbolic sine of conflict incidents per million people in country i and month t. We employ this transformation to facilitate interpretation while accommodating zero-valued conflict observations (Bellemare and Wichman, 2020). Specifically, $[\exp(\hat{\gamma}_j) - 1] \times 100\%$, where $\hat{\gamma}_j$ is the coefficient estimate, approximates the percent change in conflict, j months after the USAID suspension, in treated countries relative to others.

The treatment indicator, T_i, identifies countries with higher pre-shutdown aid dependence. The event-time indicator, D_{t-j}, takes a value of one at event time j, in this case meaning that the USAID suspension occurred j months prior to calendar month t. By

interacting these two indicators, we are able to estimate how conflict outcomes evolve in countries experiencing larger per-capita aid contractions relative to less exposed countries, tracing monthly deviations in conflict outcomes relative to the December 2024 baseline.

Country fixed effects, α_i, capture time-invariant or slowly-evolving characteristics such as political or economic environments, while month fixed effects, λ_t, account for common shocks and seasonal variation in the data. We also include country-specific monthly averages of precipitation and maximum temperature, obtained from the National Oceanic and Atmospheric Administration database (NOAA, 2025a,b), monthly indicators of hydrological, meteorological, and climatological disasters obtained from Emergency Events Database (EM-DAT, 2025), as control variables, $\boldsymbol{x}_{it}$, to ensure that the estimates are not driven by contemporaneous agro-climatic shocks or weather-related disruptions.

The coefficients γ_j for $j < 0$ capture differential pre-trends, while the coefficients for $j \geq 0$ trace the dynamic effects of the shutdown. A causal interpretation of the γ_j coefficients relies on the parallel trends assumption—i.e., that in the absence of the shutdown, treated and control countries would have followed similar trajectories in conflict. We discuss the validity of this assumption in the results section below.

4 Results

We present our main results in Figure 3. The top row includes estimates for any conflict as well as two subcategories of conflict: political violence and social unrest; the middle row, includes estimates for battles, violence against civilians, and protests; the bottom row further segregates effects for violence against civilians by perpetrator: state forces, rebel groups, and political/identity militias.

Across the specifications, we find no evidence of pre-trends—the estimated coefficients in the pre-treatment period are indistinguishable from zero at the 5% significance level. This helps with out claim that any divergence in conflict between high–aid countries and low–

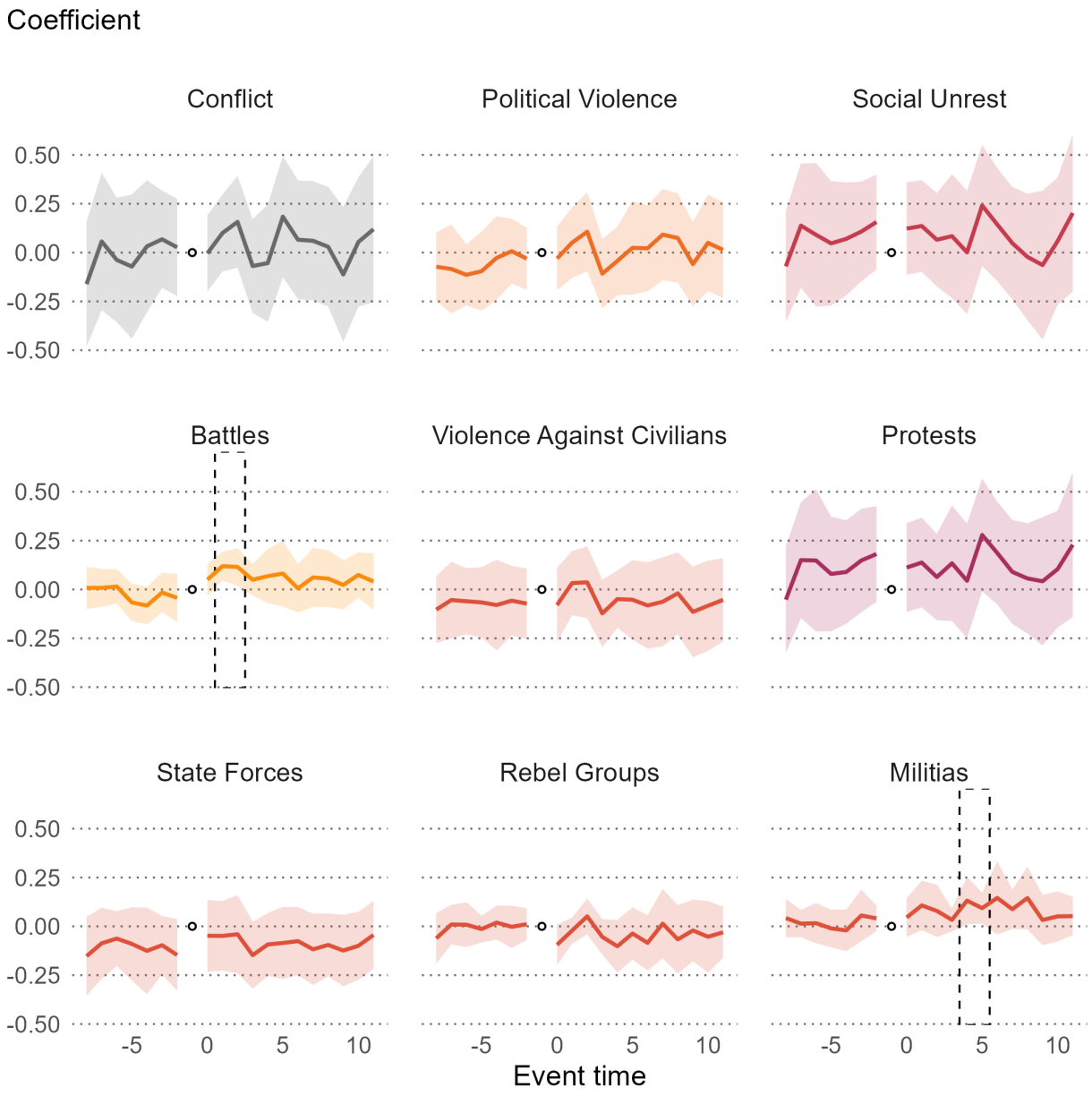

Figure 3: The effect of USAID suspension on conflict dynamics

The dependent variable is the inverse hyperbolic sine of conflict incidents per million people. Solid lines show point estimates, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

aid countries is driven by the exogenous aid shock rather than by anticipatory behavior or pre-existing conflict dynamics.

In the post-treatment period, when the outcome variable aggregates all conflict types, we find that the effect of the USAID suspension on conflict is indistinguishable from zero. When disaggregated, we observe a statistically significant 12 percent increase in battles in high-aid countries relative to low-aid countries during the early months following the USAID suspension. In subsequent months, the magnitude subsides slightly and the coefficients lose statistical significance. This somewhat transitory intensification of armed conflict points to heightened resource contestation, where sudden scarcity and volatility in available resources likely triggered short-term incentives.

We find no evidence of substantial divergence in social unrest or violence against civilians following the shutdown. When we further disaggregate violence against civilians by perpetrator type, which include state forces, rebel groups, or militias—each with distinct motives and political agendas (Ubilava et al., 2023)—we observe a gradual increase in violence perpetrated by militias, with statistically significant effects ranging from a 10–to–14 percent increase, several months following the USAID suspension.

Overall, these results suggest that conflict dynamics following the USAID suspension unfold in stages. The withdrawal of aid almost immediately sparked conflict between organized actors. This potentially transient increase in conflict accords, for example, with Berman et al. (2011) and Dube and Vargas (2013), who show that external funding shocks can trigger brief instability as actors adjust to altered resource flows. This initial spike in armed conflict is then followed by an increase in militia–perpetrated violence. Militias rarely initiate or participate in large-scale conflict; instead, they tend to engage in smaller-scale rent-seeking activities—including looting, intimidation, and coercive violence against non-combatants—once state–rebel fighting has degraded enforcement capacity and created pockets of vulnerability (Mitchell et al., 2014; Koren and Sarbahi, 2018).

4.1 Robustness Checks

To verify that our main findings are not sensitive to alternative definitions or functional forms, we conduct a series of robustness checks.

First, to show that the findings are not sensitive to our choice of dependent variable, we consider the inverse hyperbolic sine of the number of events (rather than events per million people) and the number of events per million people (rather than its inverse hyperbolic sine) as alternative dependent variables. The results, presented in Figure B2 and Figure B3, exhibit the same general patterns as the baseline estimates. Coefficients are noisier in both instances, and when the dependent variable is the inverse hyperbolic sine of the number of events, there is evidence of heightened violence against civilians by rebel groups, especially in the early months following the USAID suspension.

Second, to ensure that the estimates are not sensitive to our definition of treatment, we present an additional set of estimates in which treatment is defined using USAID assistance as a share of GDP in 2024 and USAID assistance as a share of total official development assistance (ODA) received in 2024. The results, reported in Figure B4 and Figure B5, are largely comparable to the main results of this study, especially when the treatment is defined based on aid as a share of GDP—a commonly applied measure of aid–dependence (Jones and Tarp, 2016; Galiani et al., 2017).

Taken together, these two sets of robustness checks provide suggestive evidence that the patterns observed in the baseline specification—which yield our headline results—generally hold, while also exhibiting some sensitivity to alternative specifications. These sensitivities are not substantial enough to overturn our headline findings, however.

To further strengthen our case, we conduct a placebo event study that anchors the event one year earlier (January 2024), while retaining the same exposure definition and treatment assignment as in the main specification. The results, reported in Figure B6, indicate that the estimated dynamics are not spurious: coefficients during the placebo "post-treatment" period are small and statistically insignificant throughout. Although several coefficients are statis-

tically significant in the placebo "pre-treatment" period, these effects appear many months prior to the USAID suspension and do not present a compelling case against our narrative. This exercise, this, reinforces the validity of our identification strategy and supports interpreting the 2025 estimates as a genuine response to the USAID suspension.

4.2 Mechanisms and Heterogeneity

We suggest that a likely mechanism behind the increase in conflict and violence following the USAID suspension is the deterioration of relationships between potentially hostile political groups. Although we cannot directly test this claim, we can assess it indirectly using country–specific measures of institutional capacity.

The political effects of an aid suspension depend critically on institutional capacity and states' ability to absorb negative external shocks. Institutions mediate whether a sudden reduction in aid is absorbed, reallocated, or translated into instability. Where bureaucracies are capable and enforcement is credible, the effects of aid reductions may be partially offset through adjustments that maintain service provision, preserve public trust, and limit political disruption (Besley and Persson, 2011). In fragmented or predatory regimes, by contrast, abrupt aid withdrawals can destabilize existing rent-sharing arrangements, weaken service provision, and intensify competition among elites, thereby increasing the risk of conflict (Nielsen et al., 2011).

Evidence that aid is often allocated along political lines to specific regions or groups (Dreher et al., 2019) further suggests that abrupt withdrawals may disproportionately disrupt political equilibria, particularly in institutionally weak environments. An additional channel operates in settings where state institutions are weak—donors bypass governments and deliver more aid through nonstate actors (Dietrich, 2013). Aid withdrawal can, thus, reduce resources available to rebels or rebel-aligned militias, motivating them to revert to more violent forms of rent extraction (Sexton, 2016).

We assess the foregoing conjecture within an event study framework as follows:

$$Conflict_{it} = \sum_{j \neq -1} \gamma_j \; T_i \times D_{t-j} + \sum_{j \neq -1} \gamma_j \; T_i \times D_{t-j} \times C_i + \alpha_i + \lambda_t + \boldsymbol{\theta}' \boldsymbol{x}_{it} + \varepsilon_{it}. \tag{3}$$

where C_i is a country–specific measure of institutional strength. We consider two such measures, both sourced from Our World in Data, which compiles and updates these indicators. Our first measure, the State Capacity Index, comes from Hanson and Sigman (2021). It captures the extent to which the state controls its territory, sustainably raises sufficient resources, and maintains skilled and impartial security forces and public servants. Higher scores indicate greater capacity. Our second measure, the Political Corruption Index, is drawn from the V-Dem dataset (Coppedge et al., 2025). It captures expert assessments of the extent to which the executive, legislature, judiciary, and bureaucracy engage in bribery and theft, and the degree to which the making and implementation of laws are susceptible to corruption. We present cross-sectional summaries of these measures in Appendix Figure B7.

If our proposed mechanism is valid, we would expect a negative differential effect associated with state capacity, and a positive differential effect associated with political corruption. The results, reported in Figure 4 and Figure 5, align with these expectations.

We find that the headline results of this study are primarily driven by countries with weak institutions. Comparing estimates evaluated at the 25th percentile of institutional strength (low state capacity and high political corruption, respectively) to those evaluated at the 75th percentile yields very similar results across the two measures. Defined this way, in countries with weak institutions, the USAID suspension resulted in a sustained 15–to–20 percent increase in armed violence, whereas in countries with strong institutions the initial uptick quickly dissipated. Likewise, violence against civilians increased in countries with weak institutions, but there was no substantial change in countries with strong institutions. Where state capacity is limited and corruption is high, political stability is often maintained through a greater reliance on informal preferential arrangements with potential perpetrators

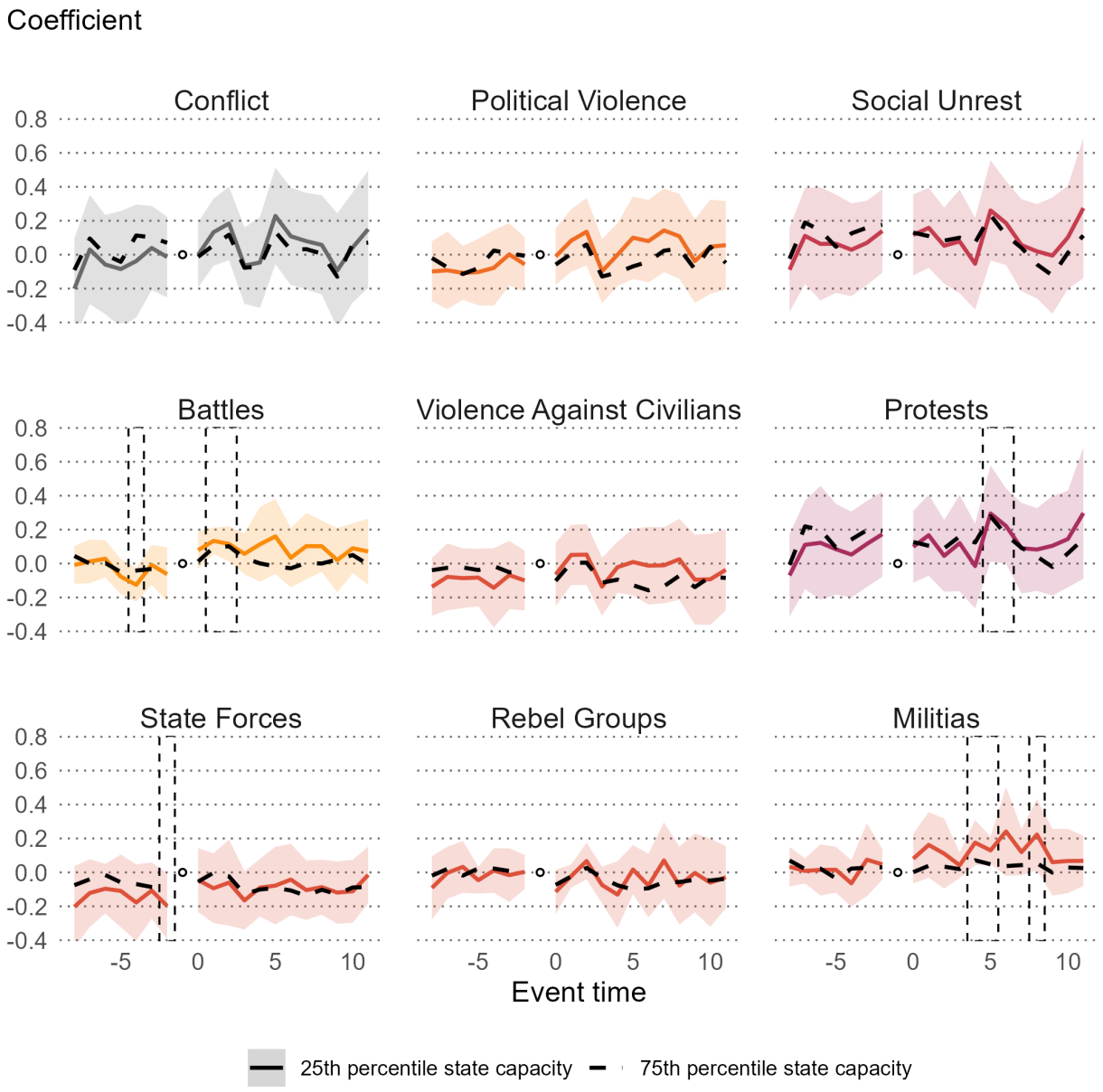

Figure 4: Conflict dynamics in states with low state capacity

The dependent variable is the inverse hyperbolic sine of conflict incidents per million people. Solid lines show point estimates evaluated at the 25th percentile (low) state capacity dose, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed lines show point estimates evaluated at the 75th percentile (high) state capacity dose. State Capacity Index is obtained from Hanson and Sigman (2021) via Our World in Data. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

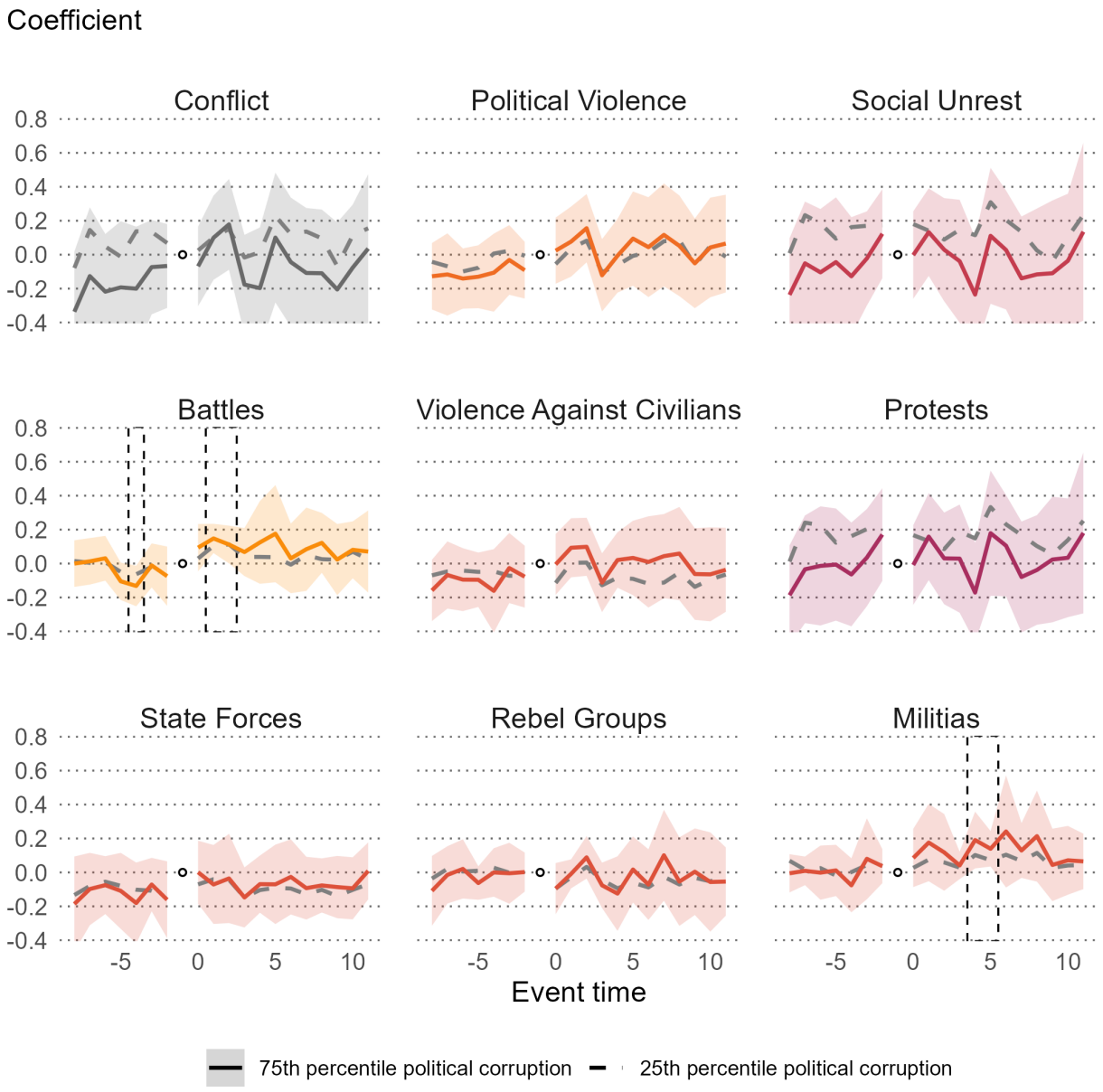

Figure 5: Conflict dynamics in states with high political corruption

The dependent variable is the inverse hyperbolic sine of conflict incidents per million people. Solid lines show point estimates evaluated at the 75th percentile (high) political corruption dose, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed lines show point estimates evaluated at the 25th percentile (low) political corruption dose. Political Corruption Index is obtained from Coppedge et al. (2025) via Our World in Data. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

(Carey et al., 2015; Haass and Ottmann, 2017; Raleigh et al., 2022). With the withdrawal of aid, such arrangements became potentially unsustainable, prompting armed actors to pivot toward more violent forms of rent extraction.

5 Conclusion

How did the abrupt 2025 USAID shutdown—the announcement, the immediate and stark drop in aid, and the subsequent volatility in aid disbursements—affect conflict in aid-dependent countries across Africa? Using this event as a natural experiment, we identify the short-run causal responses of conflict to a sudden contraction in foreign aid.

At the aggregate level, we find little evidence of a systematic increase in conflict following the announced USAID suspension. Disaggregated analysis, however, reveals a richer pattern. Armed conflict diverges most sharply between high-aid and low-aid countries in the immediate aftermath of the shutdown, consistent with a weakening of the state's position as aid flows contract. This is followed by an increase in violence against civilians perpetrated by militias, plausibly reflecting both a direct effect of aid withdrawal—as perpetrators turn to civilians when other sources of income or support diminish—and an indirect effect operating through an earlier rise in large-scale conflict between organized actors.

Our headline findings are particularly pronounced in high-aid, institutionally weak settings. Results on institutional heterogeneity show that, when conditioning on different measures of state capacity, more fragile states exhibit markedly stronger conflict responses to aid contractions, consistent with weaker institutional cohesion heightening vulnerability to donor shocks. These findings support existing theories that strong governance mediates the effects of external shocks (Berman et al., 2011; Crost et al., 2014).

Our findings underscore that abrupt aid suspensions in general, and the USAID suspension in particular, amplified conflict dynamics not only by removing resources, but also by disrupting the expectations and commitments that previously constrained violent behavior.

These results carry broader implications for the stability and design of the international aid system, suggesting that current foreign assistance arrangements remain vulnerable to political and fiscal disruptions within donor countries, with few safeguards to protect institutionally weaker and more exposed states against sudden contractions. For aid-dependent governments, the findings highlight the importance of institutional resilience and the persistent challenges of maintaining stability amid structural fragility and external dependence. For donor governments and international organizations, the findings highlight the need for real-time monitoring of aid delivery disruptions and policy frameworks that buffer vulnerable states from donor-side fiscal volatility, thereby preventing the unintended transmission of political shocks from advanced economies to the countries most exposed.

References

Bazzi, S. and C. Blattman (2014). Economic Shocks and Conflict: Evidence from Commodity Prices. *Journal of Political Economy 122*(1), 1–38.

Bellemare, M. F. and C. J. Wichman (2020). Elasticities and the Inverse Hyperbolic Sine Transformation. *Oxford Bulletin of Economics and Statistics 82*(1), 50–61.

Berman, E., J. N. Shapiro, and J. H. Felter (2011). Can Hearts and Minds Be Bought? The Economics of Counterinsurgency in Iraq. *Journal of Political Economy 119*(4), 766–819.

Berman, N. and M. Couttenier (2015). External Shocks, Internal Shots: The Geography of Civil Conflicts. *The Review of Economics and Statistics 97*(4), 758–776.

Besley, T. and T. Persson (2011). Fragile States and Development Policy. *Journal of the European Economic Association 9*(3), 371–398.

Bluhm, R., M. Gassebner, S. Langlotz, and P. Schaudt (2021). Fueling Conflict? (De)Escalation and Bilateral Aid. *Journal of Applied Econometrics 36*(2), 244–261.

Carey, S. C., M. P. Colaresi, and N. J. Mitchell (2015). Governments, Informal Links to Militias, and Accountability. *Journal of Conflict Resolution 59*(5), 850–876.

Cheeseman, N., H. J. Swedlund, and C. O'Brien-Udry (2024). Foreign Aid Withdrawals and Suspensions: Why, When and Are They Effective? *World Development 178*, 106571.

Christian, P. and C. B. Barrett (2024). Spurious Regressions and Panel IV Estimation: Revisiting the Causes of Conflict. *The Economic Journal 134*(659), 1069–1099.

Coppedge, M., J. Gerring, C. H. Knutsen, S. I. Lindberg, J. Teorell, D. Altman, F. Angiolillo, M. Bernhard, A. Cornell, M. S. Fish, L. Fox, L. Gastaldi, H. Gjerløw, A. Glynn, A. Good God, S. Grahn, A. Hicken, K. Kinzelbach, J. Krusell, K. L. Marquardt, K. McMann, V. Mechkova, J. Medzihorsky, N. Natsika, A. Neundorf, P. Paxton, D. Pemstein, J. von Römer, B. Seim, R. Sigman, S.-E. Skaaning, J. Staton, A. Sundström, M. Tannenberg, E. Tzelgov, Y.-t. Wang, F. Wiebrecht, T. Wig, S. Wilson, and D. Ziblatt (2025). V-dem [country-year/country-date] dataset v15.

Crost, B., J. Felter, and P. Johnston (2014). Aid Under Fire: Development Projects and Civil Conflict. *American Economic Review 104*(6), 1833–1856.

Dal Bó, E. and P. Dal Bó (2011). Workers, Warriors, and Criminals: Social Conflict in General Equilibrium. *Journal of the European Economic Association 9*(4), 646–677.

De Ree, J. and E. Nillesen (2009). Aiding Violence or Peace? The Impact of Foreign Aid on the Risk of Civil Conflict in Sub-Saharan Africa. *Journal of Development Economics 88*(2), 301–313.

Dietrich, S. (2013). Bypass or engage? Explaining donor delivery tactics in foreign aid allocation. *International Studies Quarterly 57*(4), 698–712.

Dreher, A., A. Fuchs, R. Hodler, B. C. Parks, P. A. Raschky, and M. J. Tierney (2019). African leaders and the geography of china's foreign assistance. *Journal of Development Economics 140*, 44–71.

Dube, O. and J. F. Vargas (2013). Commodity price shocks and civil conflict: Evidence from Colombia. *Review of Economic Studies 80*(4), 1384–1421.

EM-DAT (2025). The international disaster database. Dataset. Accessed on 2026-02-02; maintained by Centre for Research on the Epidemiology of Disasters (CRED) at Université catholique de Louvain, Brussels, Belgium, www.emdat.be.

Fearon, J. D. (1995). Rationalist Explanations for War. *International Organization 49*(3), 379–414.

Findley, M., J. K. Young, D. Strandow, and O. Cat (2023). Aiding War: Foreign Aid and the Intensity of Violent Armed Conflict. *International Studies Quarterly 67*(3), sqad048.

Findley, M. G., J. Powell, D. Strandow, and J. Tanner (2011). The Localized Geography of Foreign Aid: A New Dataset and Application to Violent Armed Conflict. *World Development 39*(11), 1995–2009.

Galiani, S., S. Knack, and L. C. Xu (2017). The Effect of Aid on Growth: Evidence from a Quasi-Experiment. *Journal of Economic Growth 22*(1), 1–33.

Haass, F. and M. Ottmann (2017). Profits from Peace: The Political Economy of Power-Sharing and Corruption. *World Development 99*, 60–74.

Hanson, J. K. and R. Sigman (2021). Leviathan's Latent Dimensions: Measuring State Capacity for Comparative Political Research. *The Journal of Politics 83*(4), 1495–1510.

Jones, S. and F. Tarp (2016). Does Foreign Aid Harm Political Institutions? *Journal of Development Economics 118*, 266–281.

Koren, O. (2018). Food Abundance and Violent Conflict in Africa. *American Journal of Agricultural Economics 100*(4), 981–1006.

Koren, O. and A. K. Sarbahi (2018). State Capacity, Insurgency, and Civil War: A Disaggregated Analysis. *International Studies Quarterly 62*(2), 274–288.

Mitchell, N. J., S. C. Carey, and C. K. Butler (2014). The Impact of Pro-Government Militias on Human Rights Violations. *International Interactions 40*(5), 812–836.

Moscona, J. (2025). The Management of Aid and Conflict in Africa. *American Economic Journal: Economic Policy 17*(4), 228–259.

Nielsen, R., M. Findley, Z. Davis, T. Candland, and D. Nielson (2011). Foreign aid shocks as a cause of violent armed conflict. *American Journal of Political Science 55*(2), 219–232.

NOAA (2025a). CPC Global Unified Gauge-Based Analysis of Daily Precipitation. https://psl.noaa.gov/data/gridded/data.cpc.globalprecip.html. Accessed October 2025.

NOAA (2025b). CPC Global Unified Temperature Dataset. https://psl.noaa.gov/data/gridded/data.cpc.globaltemp.html. Accessed October 2025.

Norris, J. (2021). *The Enduring Struggle: The History of the U.S. Agency for International Development and America's Uneasy Transformation of the World*. Bloomsbury Publishing. Imprint: Rowman & Littlefield Publishers. Published July 1, 2021.

Nunn, N. and N. Qian (2014). US food aid and civil conflict. *American Economic Review 104*(6), 1630–1666.

Powell, R. (2006). War as a Commitment Problem. *International Organization 60*(1), 169–203.

Raleigh, C., H. J. Choi, and D. Wigmore-Shepherd (2022). Inclusive Conflict? Competitive Clientelism and the Rise of Political Violence. *Review of International Studies 48*(1), 44–66.

Raleigh, C., A. Linke, H. Hegre, and J. Karlsen (2010). Introducing ACLED: An armed conflict location and event dataset. *Journal of Peace Research 47*(5), 651–660.

Sexton, R. (2016). Aid as a Tool Against Insurgency: Evidence from Contested and Controlled Territory in Afghanistan. *American Political Science Review 110*(4), 731–749.

Strange, A. M., A. Dreher, A. Fuchs, B. Parks, and M. J. Tierney (2017). Tracking Underreported Financial Flows: China's Development Finance and the Aid–Conflict Nexus Revisited. *Journal of Conflict Resolution 61*(5), 935–963.

Ubilava, D., J. V. Hastings, and K. Atalay (2023). Agricultural Windfalls and the Seasonality of Political Violence in Africa. *American Journal of Agricultural Economics 105*(5), 1309–1332.

UNDP (2008). Post-conflict economic recovery: Enabling local ingenuity. https://www.undp.org/sites/g/files/zskgke326/files/publications/undp-cpr-post-conflict-economic-recovery-enable-local-ingenuity-report-2008.pdf. Accessed May 2025.

USAID and USDS (2025). ForeignAssistance.gov: U.S. Agency for International Development and U.S. Department of State. https://foreignassistance.gov. Stewards: U.S. Agency for International Development and U.S. Department of State on behalf of United States Government agencies reporting foreign assistance. Accessed November 2025.

USDS (2025, July). Making foreign aid great again. https://statedept.substack.com/p/making-foreign-aid-great-again. Accessed November 2025.

World Bank (2011). World Development Report 2011: Conflict, Security and Development. https://documents1.worldbank.org/curated/en/966731468161352341/pdf/World-development-report-2011-conflict-security-and-development.pdf. Accessed April 2025.

World Bank (2025). World Development Indicators (WDI). https://data.worldbank.org/indicator. Accessed October 2025.

A Appendix Figures

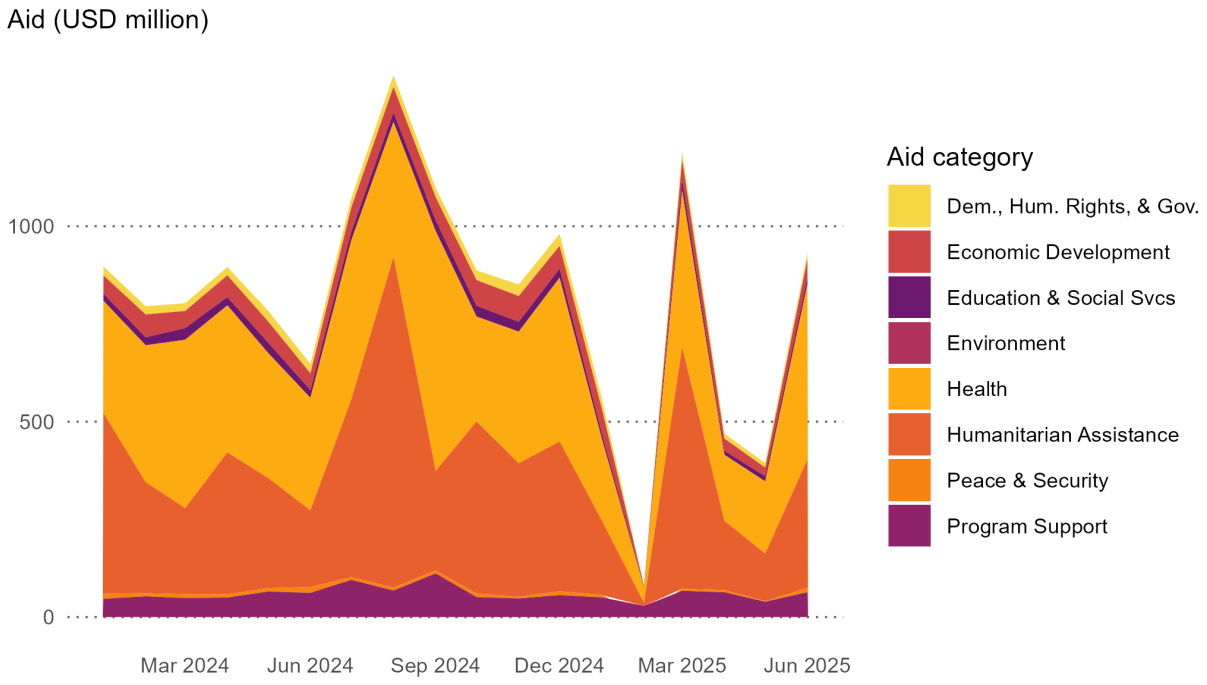

Figure B1: USAID monthly disbursements by aid category

Note: Data comprise all disbursements funded or managed by USAID (USAID and USDS, 2025).

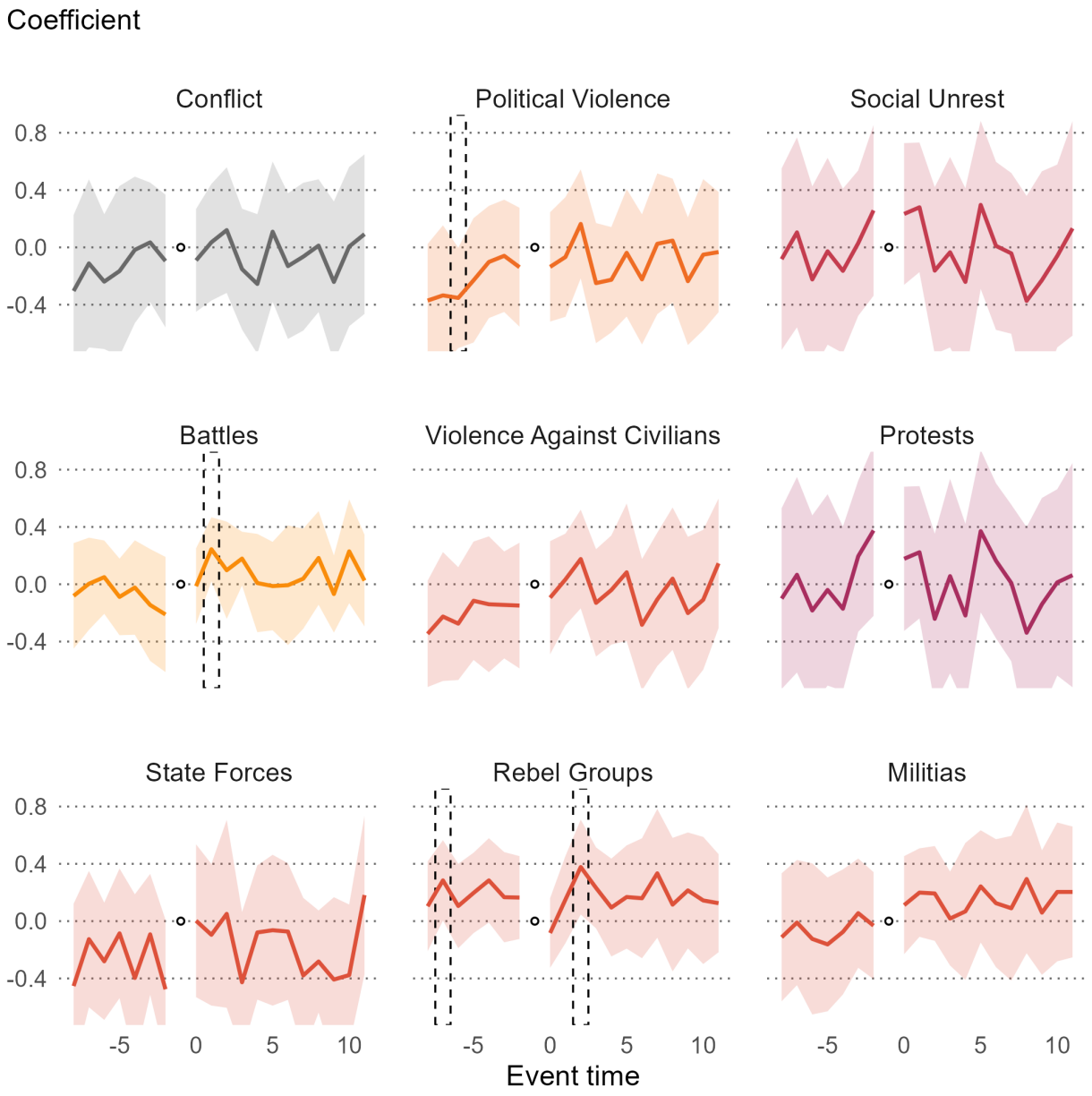

Figure B2: Dependent variable–inverse hyperbolic sine of conflict events

The dependent variable is the inverse hyperbolic sine of conflict incidents. Solid lines show point estimates, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

Figure B3: Dependent variable–conflict events per million people

The dependent variable is the conflict incidents per million people. Solid lines show point estimates, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

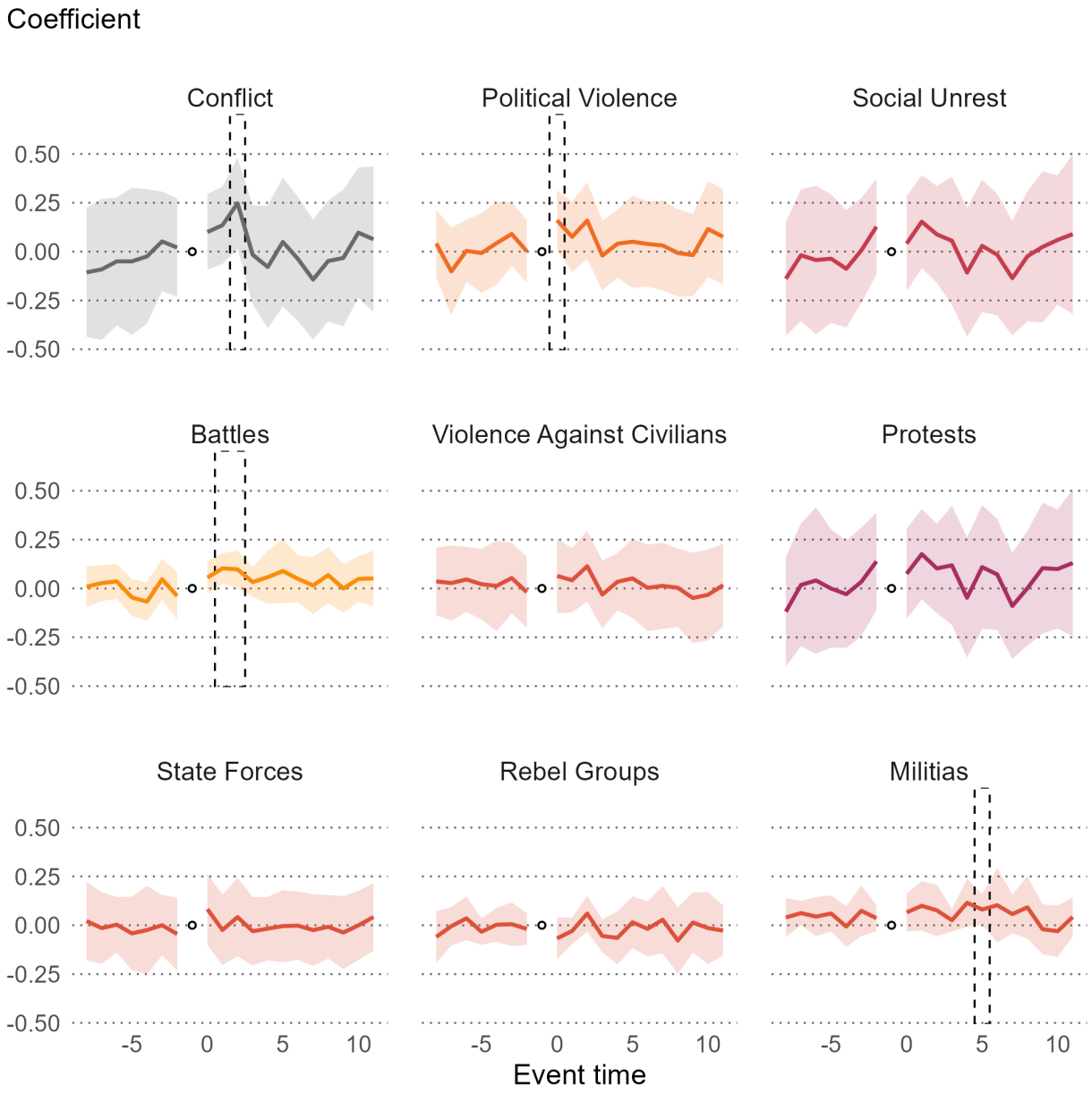

Figure B4: Treatment variable—based on USAID/GDP

The dependent variable is the inverse hyperbolic sine of conflict incidents per million people. Treatment is determined based on USAID assistance as a share of GDP in 2024. Solid lines show point estimates, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

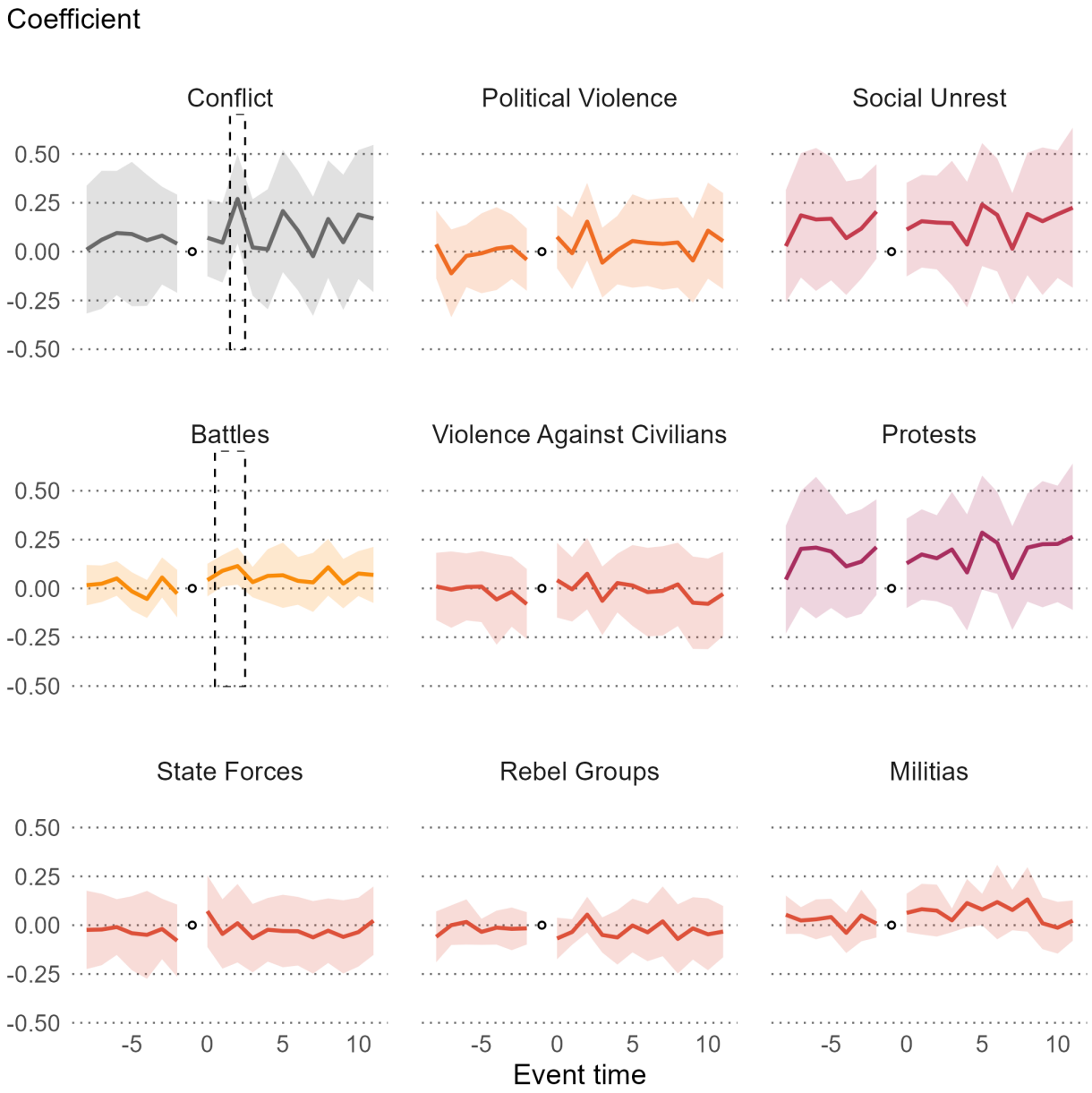

Figure B5: Treatment variable—based on USAID/ODA

The dependent variable is the inverse hyperbolic sine of conflict incidents per million people. Treatment is determined based on USAID assistance as a share of total official development assistance (ODA) received in 2024. Solid lines show point estimates, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

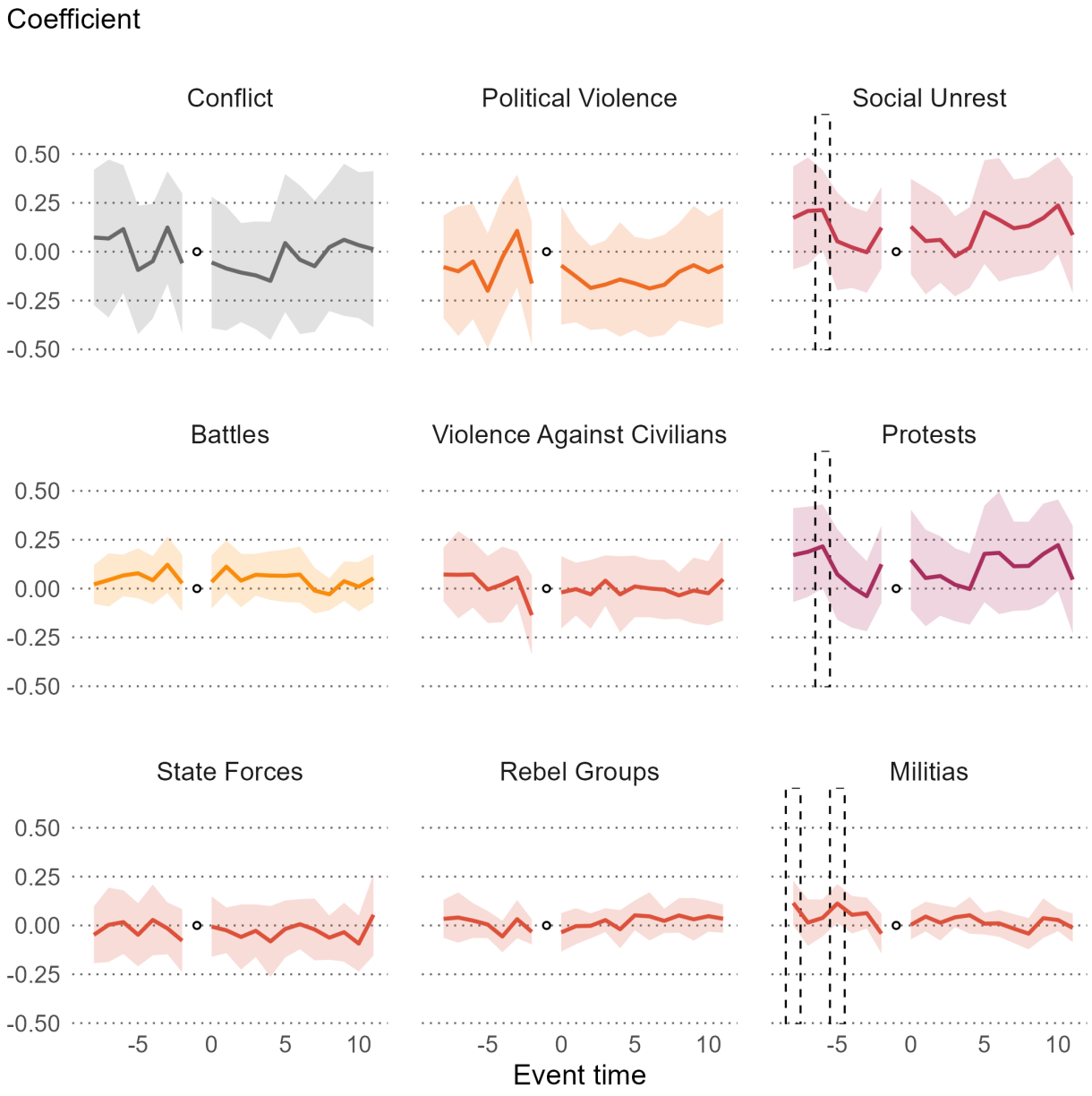

Figure B6: Placebo—event shifted one year earlier

The dependent variable is the inverse hyperbolic sine of conflict incidents per million people. Event is shifted one year earlier. Solid lines show point estimates, and shaded regions represent 95% confidence intervals, based on standard errors clustered at the country level. Dashed rectangles identify effects that are statistically significant at 5% level. Reference period is December 2024—the month immediately preceding the USAID suspension.

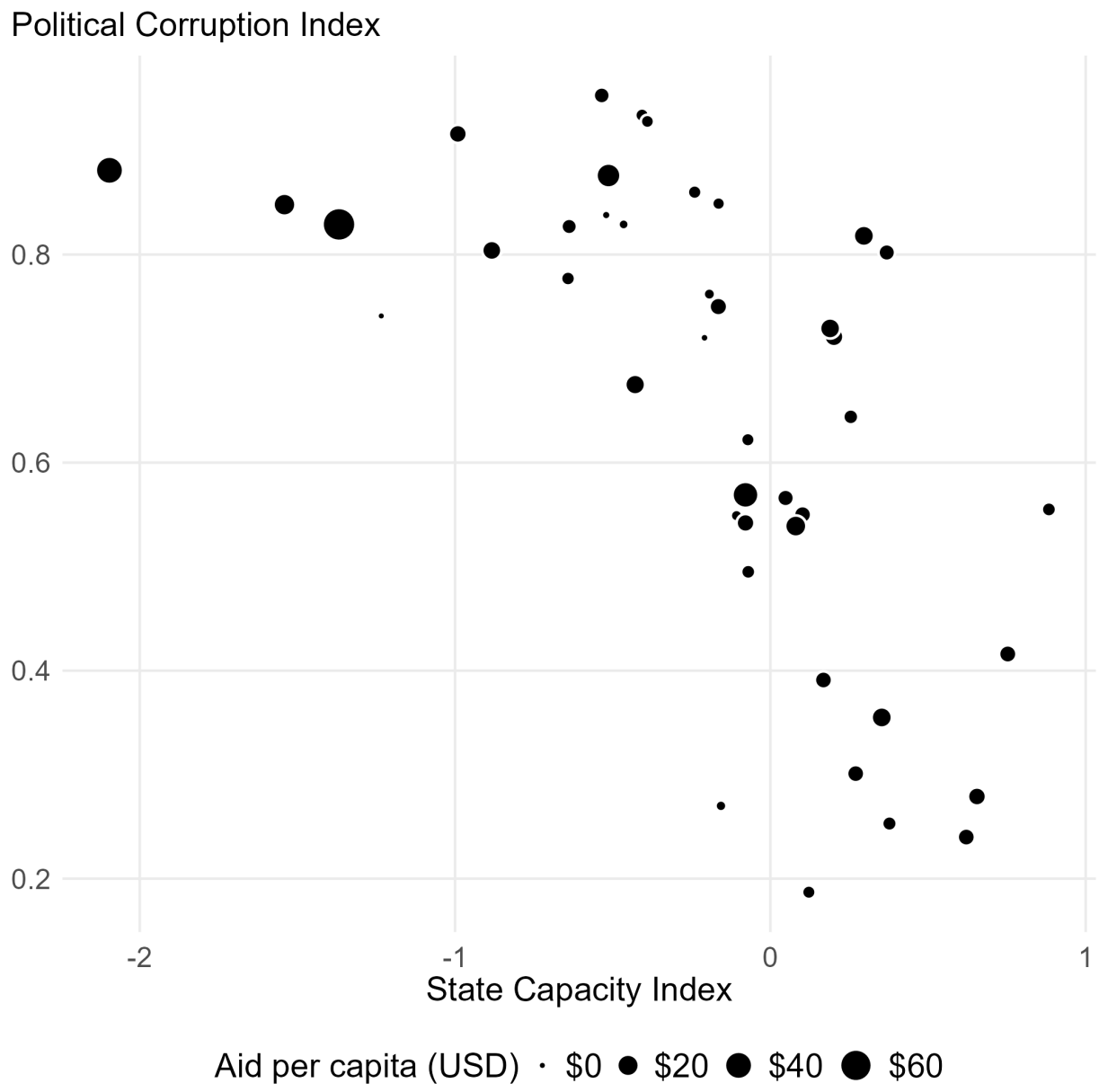

Figure B7: State capacity and political corruption across countries

Note: Data on institutional variables are sourced from Our World in Data. The original sources are Hanson and Sigman (2021) for the State Capacity Index and Coppedge et al. (2025) for Political Corruption Index. Aid per capita (USD) is based on calendar year 2024 USAID disbursements from USAID and USDS (2025) and 2024 population estimates from World Bank (2025).