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Foreign aid withdrawals and suspensions: Why, when and are they effective?

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ABSTRACT

In this introduction to the special issue, “Foreign Aid Withdrawals and Suspensions: Why, When and Are They Effective,” we both summarize the current state of the literature and outline a robust new agenda for studying aid suspensions and withdrawals. A common contribution of the papers in this special issue is that they emphasize that donors and aid-recipient states have more options available to them than previous literature has allowed and that it is the creative ways in which aid-recipient governments seek to discipline their donors that make the effective use of conditionality so challenging. In this introduction, we not only summarize what we know about aid suspensions and withdrawals but also begin to unpack the complex decision-making that underlies aid suspensions, providing a simplified decision tree that can guide future research. Overall, we emphasize that, far from being a niche issue, aid suspensions and withdrawals are a fundamental part of the political economy of foreign aid and that much more work is needed to understand how recipient governments make decisions about how to respond or not to respond to (threats of) aid suspensions and withdrawals and how donors factor such political calculations into their initial or subsequent decision-making. The article highlights both the challenges and the opportunities of unpacking the complex decision-making behind aid suspensions and withdrawals.

1. Introduction

In the wake of widespread democratic erosion, many states are debating how best to protect civic space and advance democratic principles globally. The last two decades have seen a democratic recession that has eroded the gains made in the 1990s in some cases and strengthened established authoritarian regimes in others. The collective impact of these trends has driven growing concerns about the state of civil liberties and political rights globally. This, in turn, has raised the question of how pro-democratic states can respond most effectively to democratic decline (Carothers and Press, 2022). One powerful tool in states’ toolbox is the suspension and/or complete withdrawal of foreign aid. But when are states willing to use this tool and when is it effective at promoting democracy and/or development?

In the early 1990s, Paris Club donors moved to suspend non-humanitarian financial aid to Kenya and Malawi, citing the need for “good governance” reforms. In the context of the “third wave of democratization” in Africa, it was clear that this meant reintroducing multiparty elections. In the months that followed, both governments begrudgingly accepted that their political monopoly was no longer sustainable (Cheeseman, 2015). Two decades later, in December 2013, the United States Agency for International Development (USAID) cancelled $32 million in aid to Ecuador due to deteriorating relations with President Rafael Correa. The aid withdrawal came amid a broader anti-American drift in the Correa administration, which had expelled the U.S. Ambassador in 2011. Thus, the withdrawal reflected not only a strategic attempt to use aid to discipline Ecuador’s leaders but also the growing recognition that it was simply difficult for USAID to work productively in the country (Hiemstra, 2012). Eight years later, in January 2021, the European Union suspended aid to the government of Prime Minister Abiy Ahmed in Ethiopia, citing concerns about his handling of the ongoing conflict in the Tigray region, including the prospect of mass starvation due to blockades of food aid by the administration (Marks, 2020). Abiy was unmoved. Without access to humanitarian food aid, the Famine Early Warning System Network (2021) announced on 17 May that the Tigray region had moved into famine, and Abiy remains in power.

These examples, and the more general observation that donors...
appear to have become increasingly timid in the face of assertive authoritarian regimes (Cheeseman & Desrosiers, 2023), raise the question of whether the power of political conditionality has diminished—and indeed whether it was ever an effective way to “discipline” recipient states (Abrahamsen, 2000). Against this backdrop, it is particularly problematic that we still have much to learn about when foreign donors are willing to withdraw aid, and when aid suspensions and withdrawals—or the threat of these actions—are effective at changing behavior. In part, this is a methodological problem, related to data availability and the observability of aid withdrawal threats. But it also stems from a tendency to underestimate the significance of aid withdrawals and suspensions and to mistakenly view them as a niche issue, rather than a core feature of the international development system.

In this introduction to the special issue, we both summarize the current state of the literature and outline a robust new agenda for studying aid suspensions and withdrawals. In doing so, we argue that the absence of aid and the threat of withdrawal are just as important to the political economy of international development as aid’s presence. In 1962, Hans Morgenthau cast foreign aid as a bribe. Yet, for aid to be an effective incentive for behavior change, donors must be willing to withhold aid if recipients fail to comply with stipulated conditions, and recipients must feel compelled to make changes in response. Unlike aid given as a reward for good behavior or specific actions, donors use withdrawals and suspensions to explicitly express their displeasure and/or pressure recipient governments to change course. This punitive element makes aid suspensions and withdrawals a distinctive feature of international development and a unique form of political conditionality (Koch, 2015). We argue that the possibility of suspension or withdrawal is thus a constant in the calculations of both foreign aid donors and recipient governments, even if these sanctions are not very frequent or effective.

We also emphasize the importance of unpacking the complex decision-making that underlies aid withdrawal and suspension for both donors and recipient governments. Rather than a unilateral decision, aid suspensions represent a political game between donors and recipients; a game that can and does change over time and in different contexts as the political calculations of each actor change and evolve. Beyond having the desired disciplinary effect, aid suspensions and withdrawals have the potential to backfire, creating an even more problematic situation for donors. Recipient governments may be able to turn aid suspensions to their advantage, framing such strategies as neocolonial impositions that undermine national sovereignty and using withdrawals to rally stronger domestic support (Dasandi & Erez, 2023; Nyambi, 2017). At the same time, aid suspensions may push recipient states into closer ties with non-democratic powers in search of replacement funding and partnerships. The risk of strategies backfiring has likely only increased in recent years due with the emergence of stronger critiques of Western neo-imperialism and movements such as #BlackLivesMatter (Paley, 2020), as well as the growing number of authoritarian donors (Cheeseman & Desrosiers, 2023).

The papers in this special issue advance our understanding of foreign aid suspensions and withdrawals by emphasizing the political economy of aid suspensions and withdrawals. They examine donor decision-making (Corwin, 2023; Iamantoni, 2024) and the political response in recipient countries (Dasandi & Erez, 2023; Kohno, Montinola, & Winters, 2023; Portela & Mora-Sanguinetti, 2023). In this introduction, we start the debate by outlining what we know, what we don’t know about aid suspensions, emphasizing the need to consider the political economy of aid suspensions and withdrawals. We then outline the sequence of decisions made by donors and recipient governments following an infraction, constructing a decision tree of actors’ options and summarizing the variables most likely to influence their choices. The model is necessarily schematic. However, it is intended to illustrate the iterative nature of decision making with regards to aid suspension and withdrawal and serve as a reference point for future scholarship.

Finally, we conclude by outlining a robust new agenda for the study of aid suspensions and withdrawals. Here we emphasize the need for new forms of data collection and verification to go hand in hand with more systematic and nuanced approaches to understanding the choices made by donors and recipients, and highlight the specific contributions of each of the articles in this special issue. A common contribution of these papers is that aid-recipient states have more options available to them than previous literature has allowed, and it is precisely the creative ways in which aid-receiving governments seek to discipline their donors that make using conditionality effectively challenging. This is an important not only because it speaks to the feasibility of using aid withdrawals and suspensions to defend democracy, but also because it demonstrates how calculations about these processes shape and inform international development writ large.

2. What do we know about aid suspensions and withdrawals?

2.1. What are aid suspensions and withdrawals?

Foreign aid is commonly defined as “the transfer of money, goods, and services from one nation to another” (Morgenthau, 1962, 301). Aid suspensions and withdrawals involve the retraction of promised aid and are a punitive and reactive response by donors to the actions or non-actions of recipients. Both aid withdrawals and suspensions fall under the broader umbrella of political conditionality, or “the allocation and use of financial resources to sanction or reward recipients” often with the desire to promote democratic governance and human rights (Molenaers et al., 2015: 2). However, an aid withdrawal is permanent, while aid that is suspended may be resumed. As a result, aid withdrawal is generally seen as a more powerful tool than aid suspension. By their very nature, aid suspensions suggest that donors are reluctant to terminate projects and sever ties with their partners, implying a potential willingness to reopen the financial taps even if the conditions set are not met.

Early scholarship on political conditionality tended to focus exclusively on aid withdrawal, or at least the threat of withdrawal (Stokke, 1995, 12). In the 2000s, however, many scholars began to advocate for a broader understanding of political conditionality that also takes into account inducements (e.g. membership in the European Union), non-aid related political conditionalities (e.g. in trade agreements – see Koch, 2015; Molenaers et al., 2015), and the use of diplomatic pressure generated by public statements and pressure from like-minded donors. While we do not disagree with this broader understanding of political conditionality, we believe there is value in focusing specifically on donors’ punitive and reactive responses to recipient transgressions. In particular, this allows us to define a narrower set of scope conditions for the study of aid withdrawals and suspensions, helping us to define what is unique about this particular phenomenon.

While the decision to withdraw or suspend aid may be shaped by similar considerations as the decision to provide aid in the first place, we argue that the two actions are qualitatively different in three respects. First, initial aid allocations are only marginally shaped by factors such as regime type, the quality of democracy (OECD, 2022), and the likely compliance of the recipient state with donor requirements (Hagmann & Reyntjens, 2022). Decisions about how much aid to give and how to give it, for example, are strongly shaped by the political economy within donor countries (Dietrich, 2013; Dietrich, 2021; Allen & Flynn, 2017). By contrast, considerations such as human rights abuses and unconstitutional transfers of power motivate many incidents of aid suspensions and withdrawal—or at least calls for such action. Second, unlike both initial aid allocation decisions and other forms of conditionality, suspensions and withdrawals are a negative and ex-post response to the behavior of a recipient. This means that the leverage mechanism is more specific—the withdrawal of benefits to achieve compliance (Koch, 2015: 99)—and makes it clearer what donors are trying to achieve and how they hope to achieve it. Third, aid suspensions and withdrawals are a
publicly debated and controversial type of political conditionality. Aid withdrawal, in particular, is almost always a public act since it typically results in the cessation of certain activities and, in some cases, the termination of programmes that have a significant impact on the general public. Indeed, one reason that donors use aid withdrawal is that they hope that the attention and embarrassment generated by its announcement will push the government back toward compliance (see Kohno et al., 2023).

Aid withdrawals and suspensions are also qualitatively different from broader decisions about how to provide aid, such as through general budget support or “bypass” aid. A specific decision to withdraw aid from a government following evidence of human rights abuses and instead give it to an NGO would fit our definition because it represents an attempt to shift government behavior. By contrast, a general decision to invest more money through civil society groups because of, for example, a commitment to support local democracy may result in fewer funds being allocated to the government. However, the logic of the decision and what it means for the relationship between donors and the state are profoundly different. What is key here is that aid suspensions are a punitive decision.

As the foregoing discussion suggests, this still leaves a wide range of possible responses available to donors within the broad category of aid suspensions and withdrawals. Donors, for example, may withdraw or suspend specific types of aid, such as health aid, in response to restrictive measures on rights for LGBTQ+ minorities. Or they may make a more sweeping decision to suspend all or most development aid to the country, as was the case immediately following the fall of the Afghan government to the Taliban in August 2021 (Bohmani, 2021). These differences may be significant. However, it is not yet known whether targeted or more general suspensions are more effective.

A last area of possible ambiguity relates to how formal promises about aid need to be for terms such as withdrawal and suspension to be suitable. Practically speaking, what is important is that the promise of aid is credible and specific. That is, recipients must expect the aid to materialize and know what it involves so that they understand what they stand to lose if donors change their minds. For this reason, in the vast majority of cases, aid suspension and withdrawal are likely to occur once programmes have started and initial funds have been transferred. This is yet another reason to distinguish aid withdrawals and suspensions from political conditionality more broadly. While (sometimes vague) promises of aid in response to good behavior would be included under the broader category of political conditionality, aid withdrawals and suspensions refer specifically to the punitive retraction of officially promised aid in response to a specific event/situation.

As a final caveat, there is a general tendency for the scholarship on aid suspensions and withdrawals to focus on OECD donors rather than “non-traditional” donors such as China and Russia. There are three main reasons for this. First, official development assistance (ODA) from OECD-DAC donors represents by far the largest share of total aid disbursed, with a total value of US$ 204 billion in 2022. Second, aid figures, policies, and rationales are often much harder to access and deconstruct for non-OECD donors, who tend to be more authoritarian and less transparent. Third, the logic of aid tends to be different in the two cases, making direct comparisons problematic. While aid from OECD donors often comes with various forms of conditionality around issues such as democracy and aid diversion, states such as China and Russia have gone to considerable lengths to present their aid as being free of such conditions.

Accordingly, this introduction mainly discusses OECD-DAC donors. Nevertheless, there have been cases where non-traditional donors have cut aid programmes. For example, a combination of ideological differences and growing competition for influence in Asia led the Soviet Union to withdraw its support from China in the 1960s (Li, 2011). Moreover, the Asian Development Bank (ADB), long considered an agent of Chinese influence in development, has suspended aid in response to coup in Africa, Southeast Asia, and the Middle East over the past forty years (RIP, 2012). Saudi Arabia, another non-Western donor considered lax in its conditionality, nonetheless suspended aid to Lebanon in 2016 due to rising Iranian influence in the country and, in 2023 stated its intention to tie its regional aid to recipient domestic reforms (Nereim & Yee, 2023). To develop a comprehensive picture of aid withdrawals, further research on these cases and their similarities and differences with their OECD counterparts is needed.

2.2. When do donors withdraw or suspend foreign aid?

When are donors willing to engage in this punitive use of conditionality? In addition to the broad consensus that donors rarely actually withdraw aid, the literature suggests that whether aid is withdrawn or suspended depends on six main factors: (1) geopolitical competition and the diplomatic/economic cost to the donor of potentially damaging a relationship with the relevant state; (2) the decision-making process within the donor government(s), which includes variation in the type of donor; (3) public opinion in donor countries; (4) the degree of donor coordination and the extent of “peer pressure”; (5) the type of foreign assistance at stake; and (6) the type of rule-breaking or violation that occurred.

First, there is broad consensus in the literature that political conditionality, and in particular aid suspensions and withdrawals, are strongly influenced by geopolitics, including economic incentives in recipient countries (e.g., Stokke, 1995; Dunning, 2004; Bermeo, 2016). Simply put, donor agencies are less likely to enforce good governance criteria when it is diplomatically and/or economically costly for donor governments; that is, when the recipient is politically or economically important to the donor country and when individual donors, such as the United States, use aid to pursue other diplomatic goals (Atia and Grauvogel, 2023). As the aid landscape becomes increasingly crowded, scholars have paid more attention to the degree of perceived or real “aid competition” amongst donors (Hall, 2011; Hyo-Sook & Potter, 2012). The more alternative options recipients have, the less likely they are to be responsive to the use of conditionality. Here China has often been painted as a threat to aid conditionality, because, as noted above, it has positioned itself as a “non-conditional” partner.2

Second, scholars have emphasized the importance of understanding decision-making processes within donor countries/organizations themselves. De Felice (2015) argues that Britain’s distinctive bureaucratic structure likely accounts for the country’s greater use to political conditionality as compared to France, while both Swedlund (2017b) and Von Borzyskowski and Vabulas (2019) point to the importance of the number of veto players when determining the likelihood of an aid suspension. Importantly, aid suspensions and withdrawals can be made either by individual governments or by multilateral institutions such as the European Union. While it is frequently assumed that decisive action is more difficult in multilateral institutions, in practice the distinction may not be as significant as it might first appear. In individual countries, for example, there is often competition and disagreement over policy direction and aid decisions between ministries and agencies responsible for development, foreign policy, and defense (Cheeseman, 2015). Moreover, the number of veto players can vary both across bilateral and multilateral donors (Swedlund, 2017b; Von Borzyskowski & Vabulas, 2019).
Another important factor is the state of public opinion in donor countries. British aid officials, for example, generally do not believe that political conditionality can force political change on aid recipients, but they continue to use it to reassure an increasingly aid-skeptical domestic audience (Fisher, 2015). Such strategies may be effective; Dasandi et al. (2022: 603) find that reports of rights abuses in aid-recipient countries reduce public support for aid, but an explicit donor response, including cutting aid, prevents such a decline. While these studies establish a baseline effect of public opinion on the likelihood and efficacy of withdrawal, the extent to which public opinion can influence foreign aid decisions is still unclear. For example, are there audience costs (Fearon, 1994) for the donor if they publicly cut aid but the recipient doesn’t change their policy? More research is needed to understand the precise causal mechanisms through which public opinion influences aid suspension outcomes, and how this varies across different countries and contexts (Milner & Tingley, 2013).

Relationships between donors and the degree of donor coordination have also been found to be significant. Molenaers and her colleagues (2015a; Molenaers et al., 2017), for example, find evidence that peer pressure matters within the donor community. When more donors provide budget support, the likelihood of aid withdrawal increases, while suspensions by multilateral donors such as the World Bank or the European Commission increase the likelihood of bilateral suspensions. This echoes a broader strand in the foreign aid literature, which highlights the extent to which the presence of like-minded donors, and the absence of rival foreign actors with alternative motivations, can encourage the adoption of bolder strategies (Cheeseman, 2015). In a context where the donor community is highly fragmented, “coordination among donors is necessary for conditionality to have an impact” (Borchgrevink, 2008: 207).

There is also strong evidence that donors more frequently suspend certain types of foreign assistance than others. Cross-national research suggests that donor agencies are more likely to condition aid for economic programs on governance (Clist, Isopi, & Morrissey, 2012; Dietrich, 2013; Nielsen, 2013; Winters & Martinez, 2015), and surveys (Swedlund, 2017b) confirm that donors are more willing to suspend budget support. Scholars explain this by pointing to the degree of pressure donors face from domestic constituencies when providing budget support and the relative ease of suspending this type of aid (Faust & Koch, 2014; Molenaers et al., 2015). Budget support is often harder to sell to donor publics precisely because it imposes fewer constraints on recipients (Hayman, 2011), and is therefore seen as more vulnerable to misuse. At the same time, it is often easier to suspend the kind of sums that can force a government’s hand via budget support, because it tends to be disbursed in large tranches (Molenaers et al., 2015b).

Finally, there is evidence—although much of it anecdotal—that the type of violation matters. While academic and public debates often focus on anti-democratic behavior and human rights violations, corruption and fiscal irresponsibility seem more likely to trigger aid suspensions (Swedlund, 2017). In 2013, Uganda’s “Anti-Homosexuality Law” provoked an international backlash and led to the suspension of $100 million in foreign aid (Brown, 2023; Dasandi, 2022; Dasandi and Erez, 2023). The year before, however, donors cut three times as much aid—$300 million in direct budget support—when it was discovered that $11 million in donor funds had disappeared from an account held by the Prime Minister’s office (Swedlund, 2017a). While anti-democratic behavior has often gone unpunished, many donors have entire offices dedicated to ensuring fiscal accountability, and allegations of aid mismanagement can be deeply damaging to donor agencies that rely on taxpayer funds. In the case of corruption in the Ugandan Prime Minister’s office, the misappropriated funds came primarily from Ireland, which was facing a financial crisis at the time. Irish newspapers decried the waste of public funds, especially at a time when there were pressing needs at home.

Taken together, these findings suggest that whether donors withdraw or suspend aid is likely to be influenced by the interaction of domestic decision-making processes and public opinion, the geopolitical context and the degree of donor coordination, the nature of the violation, and the type of aid provided. They also reveal that much more work needs to be done to gain a better understanding of how donors make choices about when to threaten to withdraw aid, when to suspend it, and when to actually withdraw it. In Section Three we develop an aid withdrawal decision tree that highlights the iterative nature of these negotiations, and the importance of prior experiences in shaping later decision-making.

2.3. Under what conditions is the withdrawal or suspension of aid effective?

The second major issue in the literature on aid suspensions and withdrawals is their effectiveness. There is a relatively broad consensus in the academic literature that at least four factors matter in determining effectiveness: (1) the nature of international engagement; (2) the type of recipient regime; (3) the extent of aid dependency; and (4) the type of aid.

First, the degree and breadth of international engagement matters. Aid conditionalities are most likely to be effective where there is a broad international consensus on desirable goals (Cheeseman, 2015), and where donors’ broader geopolitical objectives do not “undermine the credibility of threats to condition aid on the adoption of democratic reform” (Dunning, 2004: 409). A critical component of credibility is consistency: in many cases, threats to withdraw aid are discounted by recipient governments because donors are poor at keeping their promises (Swedlund, 2017). This appears to be particularly true when aid conditionalities are used to promote political liberalization (Crawford & Kacarska, 2019).

Second, the type of recipient regime matters. There is strong evidence that authoritarian regimes that do not face meaningful political opposition or electoral competition—for example, because of their ability to use repression to control the political agenda—are particularly well-positioned to stand firm in the face of aid withdrawals (Portela & Mora-Sanguinetti, 2023), even if the withdrawals cause material harm to citizens (Chingono, 2010). Moreover, over time aid appears to promote the survival of authoritarian leaders more than their democratic counterparts (Kono & Montinola, 2009). One reason for this is that undemocratic leaders have found numerous ways to manipulate and divert aid to deliver services to citizens, strengthen patronage networks, and even fund the ruling party’s electoral campaign (Hagmann & Reyntjens, 2016). Conversely, when aid is delivered through NGOs and civil society groups rather than via the state, leaders find it more difficult to retain power (Allen, Ferry, & Shammama, 2023). However, the extent to which this logic compels leaders to comply with conditionality depends on what conditions are being applied. Conditionality may be too high a price to pay if donors demand changes that prevent aid from being used in ways that stabilise authoritarian rule or empower the opposition.

Third, the recipient’s dependency on foreign aid shapes the outcome of withdrawals and suspensions. The larger the amount of aid and the greater the overall dependency of the country in question, the more likely it is that aid conditionalities will gain traction (Brown, 2005)—especially when alternative donors are few and far between. The influence of external powers is likely to be particularly strong where they

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3 Indeed, as Heinrich, Kobayashi, and Bryant (2016) note, donor publics are much more likely to demand aid cuts when faced with domestic economic downturns.
have significant leverage over recipient governments through the provision of aid, and where there is also a high degree of economic integration ("linkage") that binds the country to aid donors. In contrast, where leverage is high but linkage is low, "external pressure is intermittent" and only partially effective (Levitsky & Way, 2006: 379).

A growing concern is the apparent willingness of ‘emerging’ donors to step in and fill the gaps left by suspensions and withdrawals, undermining incentives for recipients to change their behavior. As previewed above, the past fifteen years have seen the rise of a wide range of countries that do not prioritize democracy and human rights in their foreign policy and distance themselves from Western aid practices (Hodzi et al., 2012). Although there is evidence that the impact of the rise of China on the international aid system has been exaggerated (Hackenesch, 2017; Brautigam, 2011; Swedlund, 2017c), it is also true that the range of partners now committed at least rhetorically to unconditional aid— including Brazil, India, Iran, Russia, Saudi Arabia, and Turkey— has emboldened recipient governments to engage more critically with traditional donors. During the spate of coups in West Africa in 2021–23, for example, junta leaders explicitly denounced France, the former colonial power, while openly expressing support for President Vladimir Putin and new ties with Russia (Cheeseman & Mbulle-Nzige, 2023). China’s lack of conditionality also appears to undermine both Western donors’ initial aid conditions and recipients’ likelihood of adhering to them (Watkins, 2022).

Finally, as with the onset of aid withdrawal, the type of aid matters because some types of aid are more important to regime survival than others. For example, military aid is particularly valued by authoritarian regimes (Sullivan et al., 2011) and can affect the population through a mechanism that makes it harder to divert, such as project aid (Radelet, 2005) or “results-based aid” (David-Barrett et al., 2020), the opportunities for diversion are reduced.

Taken together, this existing literature has been able to explain some variation in the effectiveness of aid suspensions and withdrawals but has the obvious limitation that it tends to overlook the importance of domestic politics in recipient states and the agency of both political leaders and publics in recipient countries – even though these factors have often been shown to be more influential political outcomes than the international context (Cheeseman, 2015). In response, a growing body of research has emerged that specifically examines at the political economy of aid suspensions and withdrawals in recipient countries— including many of the articles in this issue.

2.4. The political economy of aid suspensions and withdrawals in recipient countries

The emerging literature on how the domestic politics shape the impact of aid suspensions and withdrawals highlights how aid suspensions and withdrawals can change the political landscape in recipient countries; for example, by altering distributional politics or the ability of recipient governments to shape how domestic publics interpret aid relations. Research conducted over the last decade has shown that the political consequences of aid withdrawal depend on how coalition politics intersect with the aid withdrawal event. A critical factor in this process is public opinion in the recipient country, which can turn against the government if it is seen to have undermined valuable international relations and important resource flows, but which can also rally behind a government if leaders use nationalist appeals to portray the withdrawal as an unwarranted foreign interference. Alternatively, opposition parties can mobilize against the failure of aid projects (Briggs, 2012), or the failure of the international community (O’Brien-Udry, 2023), to challenge poorly behaving incumbents.

Here the signal sent by withdrawing aid can be as important as the material loss of resources. By withdrawing aid, donors send a strong message about their lack of confidence in and support for the recipient government. In the extreme, declining international confidence can signal weak governments and a window of opportunity for potential coup instigators (Boutton, 2023). More benignly, the loss of aid can imply a lack of capacity on the part of recipient governments to deliver promised public services to their populations (Dolan, 2021, Carnegie & Dolan, 2021). In Lebanon, for example, the withdrawal of aid in response to corruption and a lack of reform led to massive protests as citizens experienced deteriorating public services (Baylouny, 2020, Makdisi & Amine, 2022). Just as the visibility of aid projects— especially in infrastructure— can lead to increased government support (Marx, 2018), the absence of aid can increase discontent.

Yet donor disapproval can also create opportunities for recipient governments to “rally around the flag”, as Dasandi and Erez (2023) demonstrate in this issue (see also Galtung, 1967; Han et al., 2020). Asongu and Nwachukwu (2017: 201) argue that if governments can portray conditionalities as an unwarranted violation of sovereignty, aid volatility may serve to “instill nationalist sentiments and consolidate the ruling party’s grip on power.” Donor aid sanctions can thus create a backlash against the international community (Kohn et al., 2023). Inconsistency in the application of donor rationales for aid withdrawal (Attia & Grauvogel, 2023) lends credibility to accusations of hypocrisy or political motivations (Brown, 2023). Trade sanctions, for example, have been shown to increase support among recipient populations for the very policies that led to the imposition of sanctions (Grossman, Manekin, & Margalit, 2018, Gruffydd-Jones, 2019). Nationalist appeals to support the government against foreign interests may effectively undermine the intended impact of aid withdrawal.

The partisan politics of aid and its withdrawal contribute to a larger conversation about donors and domestic electorates. Bush and Prather (2020), for example, find that domestic populations have preferences for foreign economic engagement, including aid, that are consistent with their partisan preferences. The political economy of donor aid (Greene & Licht, 2018; Allen & Flynn, 2018; Dietrich, Milner, & Slapin, 2020) is well established, but we know less about how donor preferences for aid allocation or withdrawal interact with recipient party politics (Tingley, 2010; Dietrich, 2013, 2016; Jablonski, 2014; Seim et al., 2020). Aid withdrawal appears to be particularly challenging for governments when state resources are strained and delays in securing replacement funds are costly and embarrassing, for example during periods of economic decline or national emergencies (MONTINOLA, 2010). This suggests that aid cuts may be more effective in the run-up to general elections, but this has yet to be systematically tested. The same is true of the impact of the increasingly strident critiques of neocolonialism, white supremacy, and global economic inequality that have come to the fore over the past decade (Naber, 2017; Sogge, 2022), and the extent to which they have further sensitized the public to anti-donor rhetoric.

Much more research is therefore needed on the distributional effects of aid and how its withdrawal interacts with partisanship to produce political coalitions that affect policy choices and the policy trajectories of recipient countries. What is clear from this emerging literature is that the choice faced by recipient governments facing aid suspension or withdrawal is not simply to comply with or ignore donors’ wishes. Rather, they can also reduce the costs of such strategies to themselves and increase the cost to donors by mobilizing public opinion against the suspensions/withdrawals, and/or shifting their allegiance to other global powers/networks. If this possibility is recognized by donors themselves, it is likely to affect their calculations about whether to withdraw or suspend aid in the first place. How this possibly shapes the process of aid bargaining and negotiation is discussed in the next section.
3. What decisions are taken in an aid withdrawal or suspension?

In the previous section, we have argued for a more explicit focus on the political economy of decision-making by both donors and recipient governments. Doing so requires us to understand aid suspensions and withdrawals as a political game between the two parties. In this section, we build on our review of the literature to outline the decisions that both parties must make in the event of an infraction, using a logical decision tree, as illustrated visually by Fig. 1.

One benefit of modeling the decision-making process in this way is that it highlights how decisions made at earlier points are likely to be shaped by a consideration of how other players may respond, and the feedback loops in the diagram are an important reminder that this process may be repeated several times, with previous (threats of) aid suspensions influencing subsequent decisions. A second benefit is that this approach allows us to identify key stages and decisions in the process for which we have a stronger (weaker) evidence base, and hence to clarify key gaps for further research. Finally, articulating the decision-making framework behind aid suspensions and withdrawals highlights how these processes shape broader aid dynamics. Understanding the different choices and factors that donors and recipients take into consideration makes clear that aid suspensions and withdrawals—even if they happen rarely—are a fundamental part of the political economy of foreign aid. The choices that both parties make, whether they are conscious or not, visible or hidden, are influenced by political and economic calculations. Understanding these choices helps us to not only understand the logic behind aid suspensions but also the logic beyond aid giving and receiving more broadly.

For ease of understanding, the decision tree models a simplified decision process with three key decision points: Step 1: the initial reaction of a donor to an infraction. Step 2: the response of the recipient government to the donors’ behavior. Step 3: the subsequent follow-up response of the donor. In real-world cases, the decision-making process is likely to be more complicated. However, the model provides a first step toward understanding the key stages and possible outcomes of an aid suspension decision.

3.0.1. Step 1: Initial response by donor(s)

In response to the initial violation, such as a stolen election or stolen funds, donors are faced with four main options (shown under “Initial donor response” in Fig. 1):

1. They may choose to do nothing.
2. They may choose to threaten aid withdrawal for the specific project/whole country.
3. They may immediately suspend/withdraw aid for the specific project/whole country.

![Fig. 1. Aid withdrawal/suspension decision tree.](image-url)
[4]. They may shift the aid funds to other projects/programs.

As noted in section II, existing research suggests that whether donors select option [1] or options [2–4] is influenced by at least six factors: geopolitical and aid competition—i.e. the likelihood the recipient state will find alternative donors and international allies, generating a diplomatic/economic loss to the donor; the decision-making process within the donor government; public opinion in donor countries; the degree of donor coordination and peer pressure; the type of foreign assistance at stake; and, the specific violation that has occurred. Research also suggests that donors are unlikely to pursue option [3] regularly because the barriers to implementing aid suspensions/withdrawals are so high.

However, we lack information on which of these six factors are most influential and/or how they interact to increase or decrease pressure to suspend aid. That is, which factors weigh more (or less) heavily in the political calculations of donors when making this initial decision? When does public opinion matter for donors, and does it matter more to some donors than others? How does public opinion interact with high-level diplomatic concerns and/or organizational pressures and politics? Have donor calculations changed over time? Moreover, relatively little is known about how donors differentiate between options [2], [3], and [4]. That is, when they do decide to act, how do they decide whether to threaten suspension/withdrawal, suspend/withdraw immediately, or shift the money elsewhere? Internal donor decision-making processes are private and difficult to reconstruct, even for researchers with good access to senior decision-makers. Threats, in particular, are difficult to study because they are likely to be made behind closed doors: especially if they are effective, we may never hear about them.

### 3.0.2. Step 2: Response by the recipient government

If donors do nothing, we expect that most recipient countries will also do nothing. In the absence of a strong incentive to change course, there is little reason to believe that recipients are likely to change their behavior. If, however, a donor or group of donors chooses to threaten or suspend aid, recipients are presented with three possible ways of responding (shown under “Recipient government response” in Fig. 1):

1. They may do nothing or fail to respond to the threat or suspension.
2. They may modify their behavior to improve relations with donors.
3. They may (attempt to) pressure donors to back down.

Scholars are, in general, skeptical that aid suspensions and withdrawal will significantly change the behavior of recipients. Nevertheless, the literature on the effectiveness of aid suspensions tells us that whether recipients pursue [1] or [2] depends on the type of recipient regime; the extent of aid dependency; the type of aid; and (possibly) the timing of the suspensions. In the case of a threat of suspension, we would also expect the (perceived) credibility of the threat to be important. Moreover, as we have seen, the literature tells us that when donor opinion does not align with public sentiment—for example, in the case of LGBTQ+ rights—donor suspensions can be used strategically by governments to rally support and critique donors (Brown, 2023).

Our knowledge about how and why recipients choose between options [2] and [3] is still quite limited, however. When are recipients willing to modify behavior, and when might doing so have political costs that they are unwilling to bear? How do different recipient states make these calculations? While current research makes clear that a backlash is possible, to what extent is this a political strategy pursued by states, and to what extent is that shaped by the current climate and the increasingly crowded donor space? There is evidence that the growing assertiveness of recipient governments has encouraged donors to communicate their criticisms behind closed doors (Cheeseman & Dodsworth, 2023) to minimize “backfire” effects. However, more research is needed to assess the extent to which such efforts are successful and under what conditions.

### 3.0.3. Step 3: Donor follow-up

The third step in our decision tree is the donor’s response to the recipient’s response. Here, donors have four main options (shown under “Follow-up donor response” in Fig. 1), some of which become moot depending on their initial response and the recipient government’s response. If donors initially threaten to suspend aid, they can:

1. Back down on their threat by doing nothing.
2. Follow through with their original threat by withdrawing or suspending aid.
3. Shift aid to another sector or project.
4. Reinstatement of the suspended or shifted aid.

This is perhaps the area in which the literature is most thin. It is logical that if recipient countries modify their behavior donors will continue to fund/reinstate funding, but we know little about exactly how much needs to be done for donors to be satisfied—or about whether this has the effect of increasing the efficacy of aid. In this regard, the clarity and precision of the original donor demands is likely an important factor, because it shapes the amount of “wriggle room” that is available for subsequent negotiations.

Where donor demands are precise—as in the withdrawal of Paris Club funding to force the reintroduction of multiparty elections in Kenya and Malawi in the early 1990s—it is more obvious, and therefore embarrassing for donors, when aid is resumed without key conditions being met (Widner, 1994). Conversely, when the reason for aid suspension or withdrawal is left vague—such as an improvement in human rights that is not accompanied by specific targets—recipient governments may believe that they can placate donors with “window dressing” reforms that are largely cosmetic (Brown, 2005). However, given that donors can likely foresee this, do they sometimes deliberately leave their demands vague to give themselves more flexibility, only to inadvertently undermine their own position?

When it comes to option [2], donors’ decisions are likely to be shaped by the set of factors outlined in Step 1. The one significant difference is how donors respond to evidence of recipient government intrusiveness (Step 2, Option 1), or explicit pushback (Step 2, Option 3). There is little research on this issue, although following the conclusions summarized in Section 1, donors can be expected to be more likely to follow through with substantial aid withdrawal if the issue is of particular importance to donor governments and their public. In turn, this decision is likely to shape future iterations of the game—for example, every time a donor fails to follow through on a prior threat of withdrawal, this is likely to undermine the credibility of future threats, increasing the chances that recipient governments will seek to call donors’ bluff.

As this brief overview has shown, more research is needed on all three steps, but particularly on steps 2 and 3. This includes research on how both donors and recipients understand how the other is likely to react to different choices. Below we discuss how we can begin to fill these knowledge gaps and the work this issue does to advance this agenda.

### 4. A new research agenda: What we need to know and the barriers to finding it out

The political economy of foreign aid is often narrowly studied in terms of donors’ political and economic objectives. Much time and energy has been devoted to understanding how donors’ political and economic objectives affect how they allocate their aid and, consequently, whether aid is effective or not (i.e., de Mesquita & Smith, 2009;
However, a focus on aid withdrawals/suspensions forces us to think about aid policy more holistically and as a political game between donors and recipients. As we have argued, withdrawing promised aid is politically and developmentally different from not offering aid in the first place. These highly politicized interactions offer insights into the function of aid in international relations and domestic politics—in both donor and recipient states. Moreover, by drawing attention to the dyadic interactions between donors and recipients, aid suspensions and withdrawals remind us that aid is a political game that depends on the players and their calculations—and that both change over time and across contexts. In light of this, more research is needed to understand how an increasingly competitive aid environment shapes the strategies of donors and recipient governments. For example, to what extent does the growing prominence of non-traditional donors encourage aid recipient states to breach conditionality, knowing that they can turn to competing donors to cover funding shortfalls? And to what extent does this knowledge discourage traditional donors from using aid suspensions and withdrawals?

The phenomenon of aid withdrawal also allows us to highlight some of the methodological challenges of studying aid, including small sample sizes, clustering among donors and recipients, endogeneity, and the measurement of aid and its absence. Studying aid suspensions and withdrawals is particularly difficult because of two challenges: First, much data on aid withdrawals suffers from selection bias, as existing datasets do not include cases where aid withdrawal was threatened rather than implemented, or cases where donors simply did not respond to violations at all (O’Brien-Udry, 2023). Second, it can be difficult to disentangle aid withdrawals and reductions from aid volatility caused by other factors, such as declining aid budgets or strategic decisions by donors to focus on different countries or issues (Iannantouni, 2024). This quantitative challenge also has a qualitative counterpart, namely the difficulty of observing aid withdrawals given the long chain of actors involved in the allocation of aid.

Several different strategies will be needed to address these challenges. It will be important to generate more accurate and usable databases of aid commitments, such as the European Partnership for Democracy (EPD) project to recode European democracy aid. This needs to be supported by further efforts to collect representative data on public opinion on aid, and aid withdrawal in both donor and recipient countries. These quantitative approaches will need to be complemented by in-depth qualitative studies that conduct interviews with key decision-makers (e.g., Swedlund, 2017b) to reconstruct the decision-making process outlined in Section III. This will provide critical insights into how the donor-recipient relationship is understood, what knowledge and information donors and recipient governments use when calculating how to act, and how often their assumptions turn out to be correct. At the same time, experimental approaches will allow us to test specific mechanisms that are difficult to observe in observational data due to collinearity or social desirability biases (Dietrich, Hardt, & Swedlund, 2021).

The papers collected in this special issue begin this process, offering fresh perspectives into the role of aid in international development by focusing on the political economy of aid suspensions and withdrawals using a combination of methodologies and approaches. Individually and collectively, they provide several new insights—as well as further questions to be explored. Corwin’s work, for example, urges us to think about aid suspensions as just one of the options available to donors. Using cross-country data, Corwin (2023) finds that between 2003 and 2018, donors have increasingly opted for catalytic rather than coercive strategies in the face of state violence. That is, instead of suspending aid to punish aid recipients, donors have increasingly sought to limit state violence by using aid to transform and reform state institutions from within. The exception is when political liberalization is difficult or undesirable for the donor. Unfortunately, the cross-country data and econometric analysis conducted by Portela & Mora-Sanguinetti (2023) suggest that these are precisely the places where aid suspensions are likely to be the least effective, with single-party regimes and monarchies proving to be the regime types most resistant to aid suspensions.

Using different methodologies in different country contexts, Dasandi and Erez (2023) and Kohno et al. (2023) both reach similar conclusions; aid suspensions can backfire when domestic constituencies do not share donors’ normative preferences. Drawing on the case of anti-homosexuality legislation in Uganda, Dasandi and Erez (2023) illustrate that aid suspensions have a dual function, serving as both a “stick” and a “flag”. Although these dual functions are often mutually reinforcing, the use of aid suspensions can backfire for donors when there is a complicit public. Meanwhile, using large-scale survey experiments in Myanmar, Nepal, and Indonesia, Kohno et al. (2023) find that verbal condemnation and the threat of aid suspension can strengthen public support for status quo policies by increasing support among partisans. Finally, Iannantouni (2024) provides evidence that greater aid volatility over time is associated with worse institutional outcomes, prompting us to reflect on the development costs of aid suspensions and withdrawals. By examining both the determinants and effects of aid withdrawal, these five papers provide rich insights into the dynamics of aid from multiple perspectives. Taken together, they provide a solid foundation for future research on the political economy of aid and aid withdrawal, highlighting that aid withdrawal is very different from providing no aid at all. The act or threat of withdrawal changes the context of development and donor engagement in a given recipient country. Thus, far from being a niche issue, aid suspensions and withdrawals—no matter how frequent—are a core part of foreign assistance. Each paper also emphasizes that recipient governments often have more options available to them than the literature currently suggests. Going forward, we encourage more research in this area and emphasize that scholarship on aid suspensions and withdrawals needs to continue to unpack the complex decision-making that underlies aid withdrawal and suspension for both donors and recipient governments. Doing so is essential for just not just understanding aid suspensions and withdrawals, but for understanding the broader political economy of foreign aid.

CRediT authorship contribution statement

Nic Cheeseman: Conceptualization, Writing – original draft, Writing – review & editing. Haley J. Swedlund: Conceptualization, Project administration, Writing – original draft, Writing – review & editing. Cleo O’Brien-Udry: Conceptualization, Project administration, Writing – review & editing.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data availability

No data was used for the research described in the article.

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