

Aid Cuts for Refugees Reduce Welfare Without Increasing Self-Reliance

(working paper)

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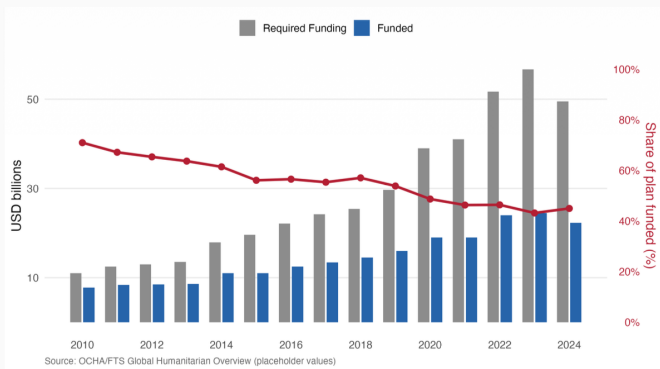
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Joint Data Center on Forced Displacement

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Record Displacement Meets Shrinking Humanitarian Budgets



Source: FTS / OCHA

- ▶ In LLMICs, refugee numbers **tripled** (9M → 30M, 2005–2025)
- ▶ Many refugees in LLMICs live in **camps or designated settlements**
- ▶ Funding has not kept pace: humanitarian appeals are increasingly underfunded

The Policy Response: Prioritization

- ▶ As emergency budgets shrink, agencies adopt **prioritization**: cut or eliminate aid for less-vulnerable households, **protect transfers for the most vulnerable**
- ▶ Now in place across e.g., Jordan, Rwanda, Kenya, Uganda, Ethiopia, South Sudan, Djibouti, Cameroon, Chad, Mali, Nigeria, Burkina Faso, and others
- ▶ A possible nudge toward **self-reliance**: reducing aid would *encourage* refugees to work more, start businesses, farm more intensely, or relocate

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Using household-specific financial information, our paper provides some of the first systematic empirical evidence from a nationwide aid prioritization reform.

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We compare households' responses along two margins:

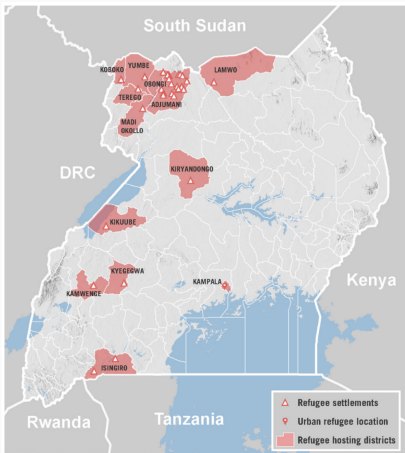
Productive coping

- ▶ Increase wage employment
- ▶ Start a business / self-employment
- ▶ Expand farming
- ▶ Migrate to better opportunities

Destructive coping

- ▶ Increase debt for consumption
- ▶ Reduce food intake
- ▶ Schooling → child labor
- ▶ Declining physical/mental health

Setting: Uganda – “If Anywhere, Here”



- ▶ **1.9M refugees**; largest hosting country in Africa
- ▶ Majority of refugees from **South Sudan** (57%) and **DRC** (31%)
- ▶ 90% in 30+ rural settlements; only 7–8% in Kampala
- ▶ **Inclusive legal framework**: **right to work, move, own land, access to public services**

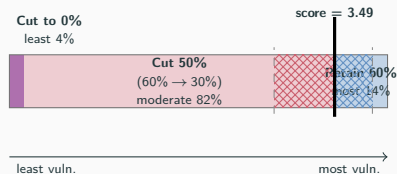
⇒ If aid cuts can push refugees toward a productive response anywhere in a low-income setting, it should be here.

What WFP Did: Timeline and Prioritization

Timeline:

- ▶ **Until Nov 2021:** all HHs receive **100% rations** (~\$75/HH/month)
- ▶ **Nov 2021:** study settlements (Adjumani, Kiryandongo, Palabek) reduced to **60% rations** (\$45/HH/month) [▶ map](#)
- ▶ **Mid-2022:** WFP/UNHCR census; HHs scored on 13 vulnerability indicators
- ▶ **July 2023:** HH-level prioritization based on the vulnerability score

From score to allocation:



We survey ~5,400 refugee HHs within ± 1 score point of the 3.49 cutoff.

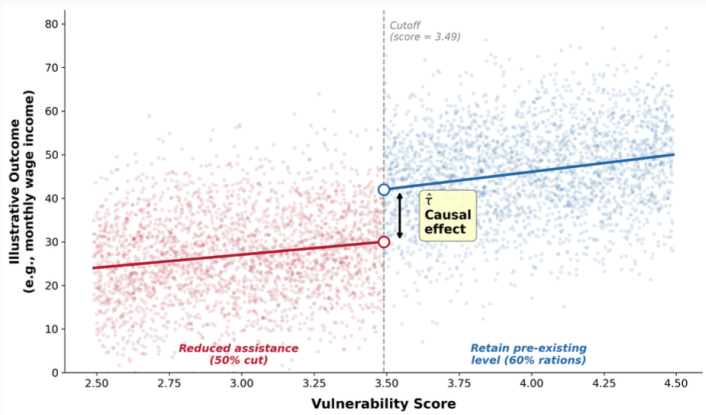
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- ▶ Vulnerability score built **before** the policy was announced; even if some responses were untruthful, errors should not be **systematic across** the (tight) cutoff
- ▶ Households on either side of the cutoff are **similar at baseline**
- ▶ Vulnerability score is **deterministic** and **compliance** is assured by WFP

Differences in outcomes after the policy identify the **marginal effect of having aid cut vs. retained** at the cutoff

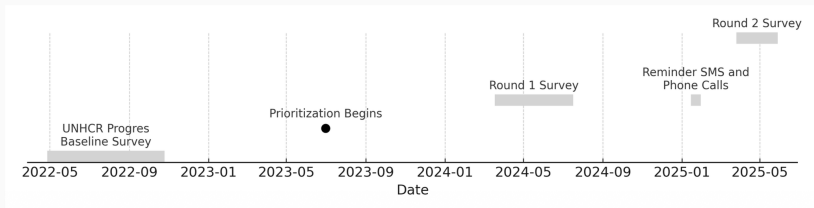
The Intuition: As-If Random Within a Narrow Window



We estimate the marginal effects of falling just-below vs. just-above the cutoff, within a **narrow window** of ± 0.3 around the cutoff. Households far from the cutoff are not used to identify the effect.

Data Collection (panel survey of ~5,400 refugee HHs)

- ▶ Round 1: March–July 2024 (8–12 months post-policy)
- ▶ Round 2: March–May 2025 (20–24 months post-policy)
- ▶ Attrition: 2%



Finding 1: No Detectable Productive Adjustment

We find no detectable increase in employment, earnings, migration, or farming for HHs that lost 50% of their support, relative to similar HHs retaining aid level.

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- ▶ **HH head wage employment:** a *short-run uptick* in 2024 (~10 pp) that does **not persist** into 2025 – consistent with transient adjustment
- ▶ **No expansion of farming** – arable land is tightly constrained, mediated by host communities
- ▶ **No productive migration** – ~10% of HHs report a member exit, mostly distress return to South Sudan

**Even among the quarter of HH heads who work, earnings average
~\$1/day – insufficient to offset the aid cut.**

Finding 2: Destructive Coping – Debt and Lost Schooling

Aid-cut HHs took on more debt for consumption and pulled children out of school
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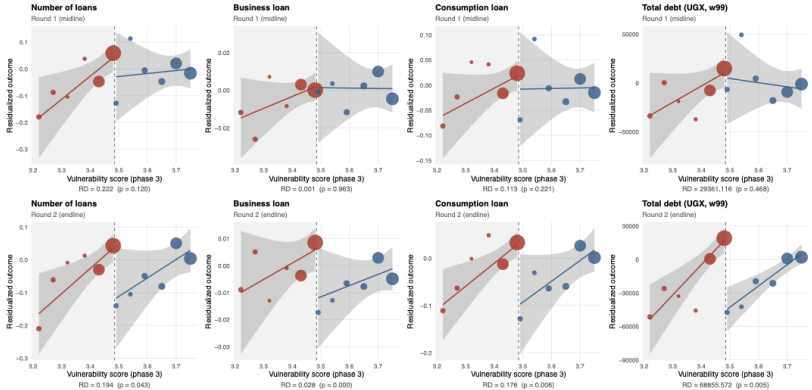
2a. Debt, not new income

- ▶ **R1 (8–12 mo):** Limited difference in new debt – buffers not yet exhausted
- ▶ **R2 (20–24 mo):** +19 pp **number of loans**; +17.6 pp **consumption loan** (54% of aid-cut HHs)
- ▶ **No substantive rise in business loans** – food, rent, school fees, health
- ▶ Unpaid balance **\$70–90** \approx 3 months of HH-head wages

Debt: Aid-cut households took on more debt including for consumption

RD plot: debt outcomes at the pre-registered ± 0.3 inner frame

Dots = mean of residualized outcome at each mass point (size ~ n); lines = side-specific local-linear fits weighted by n.



Residualization: outcome - Tier-1 | settlement_name. Cutoff = 3.485 (dashed). RD = (treated - control) causal effect; positive = aid cut raised debt.

> 1 in 3 borrowers report facing threats of violence if they cannot repay.

Finding 2: Destructive Coping – Debt and Lost Schooling

Aid-cut HHs took on more debt for consumption and pulled children out of school – effects that grew over time.

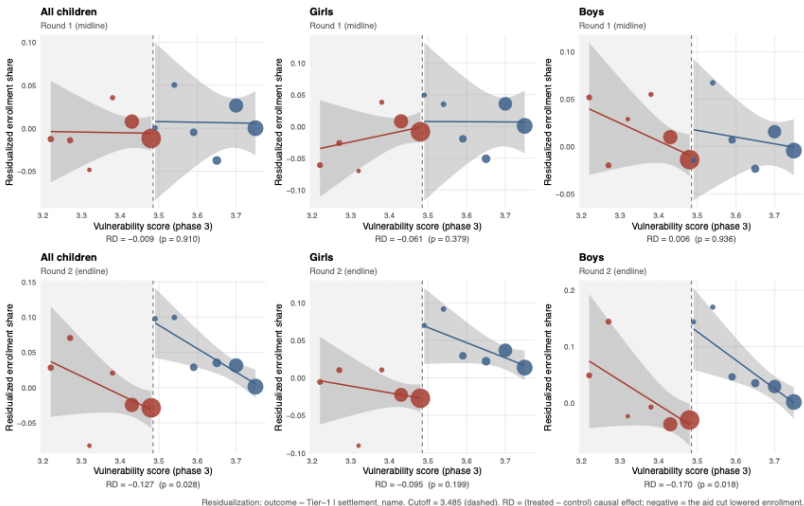
2b. Children out of school

- ▶ Unenrolled children **+11%**; **+25%** HHs with ≥ 1 child not enrolled
- ▶ Chronic absenteeism **+23%**; sharpest at **secondary level** (highest costs)
- ▶ Children **+19%** more likely to do chores; *no* rise in child paid work
- ▶ Per-child education spending **fell**; cost is top reason for withdrawal

Education: Aid-cut households took more children out of school

RD plot: schooling outcomes at the pre-registered ± 0.3 inner frame

Dots = mean of residualized outcome at each mass point (size $\sim n$); lines = side-specific local-linear fits weighted by n .



Removing children from school is driven by both direct and opportunity costs.

Settlement-Wide Deterioration Between Rounds (Descriptive)

Between 2024 and 2025, conditions worsened across both aid-cut and aid-retained households.

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Across all HHs, 2024 → 2025:

- ▶ HH head wage employment **fell**
- ▶ Other adults' monthly hours & earnings **fell**
- ▶ Outstanding debt **doubled**; food diversity **fell**
- ▶ Anxiety/depression rose by $> \frac{1}{2}$ SD; life satisfaction fell sharply
- ▶ Crime victimization rose; number of crime incidents rose

- ▶ **Meanwhile, Uganda's GDP per capita rose 6.8% between 2023 and 2025** – the contraction is concentrated in refugee-hosting areas

Why no productive response?

Uganda grants refugees rights to work, move, access services, and own land – yet aid-cut households show no productive response. Why?

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- ▶ Labor markets are **saturated**; wage employment is **scarce**
- ▶ The aid cuts themselves **depress local demand**
- ▶ Access to arable land is **tightly constrained** (mediated by host communities)
- ▶ Migration is **costly** – relocating forfeits shelter and services

Main Takeaways

- 1 **Cutting aid did not make households self-reliant.** It made them poorer, more indebted, and pulled children out of school
- 2 **Legal rights are necessary but not sufficient.** The right to work means little when there is no work, no access to land, and no liquidity
- 3 **Targeting can preserve transfers but cannot protect livelihoods** when local refugee economies contract – individual HHs cannot absorb a system-wide shock
- 4 **Effects grow over time.** Second-year impacts exceed first-year – short-run evaluations **understate** the true cost

If aid must be reduced, pair it with concrete pathways and supports – jobs programs, access to land and credit, mobility support, school meals, etc.

Looking Ahead: The Post-2025 Landscape

- ▶ Shortfalls + USAID terminations → WFP reclassified beneficiaries in 2025
- ▶ **> 1 million refugee households** in Uganda now receive **no food assistance**
- ▶ As of June 2025: only **12%** of Uganda's \$968M refugee funding needs are met

Service degradation already visible:

- ▶ **Health: \$9.70/refugee/year** vs. regional standard of \$85
- ▶ **Education:** Growth in average class sizes well beyond capacity
- ▶ **GBV: 1 caseworker per 84 cases** vs. standard of 1:20 (staffing –67%)

Round 3 (May 2026): some aid vs. no aid, plus host community surveys.

Round 3 Plan (May 2026)

- ▶ Phase 4 re-categorization (June 2025) split households into “some aid” and “no aid” groups
- ▶ Both groups are scrambled across the prior cutoff → comparability check, but **no clean RD**
- ▶ Plan: **matched triplets** design to compare receiving some aid vs. no aid
- ▶ Continuing **host community surveys** to measure spillovers

Thank you

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Paper: *Aid cuts for refugees reduce welfare without increasing self-reliance*
Authors: *Shelby Carvalho, Iman Dahr, Guy Grossman, Yang-Yang Zhou*

Appendix

Descriptive Information on Our Sample

Who are these households?

- ▶ Median HH size: **9 members** (incl. **4 other adults**)
- ▶ **95% female-headed**; 57% married
- ▶ **55% no formal education**; <2% any tertiary
- ▶ **93%** from South Sudan
- ▶ Average **10 years** in Uganda
- ▶ 97% never lived outside their current settlement since arrival
- ▶ Pre-prioritization transfer: **≈\$50/HH/month**

Vulnerability indicators

- ▶ **80%** dependency ratio ≥ 2
- ▶ **67%** 2+ children under age 5
- ▶ **41%** have a separated child living in the HH
- ▶ **27%** include a woman at risk (e.g., GBV)
- ▶ **47%** have a member with severe disability
- ▶ **12%** have a member with chronic illness

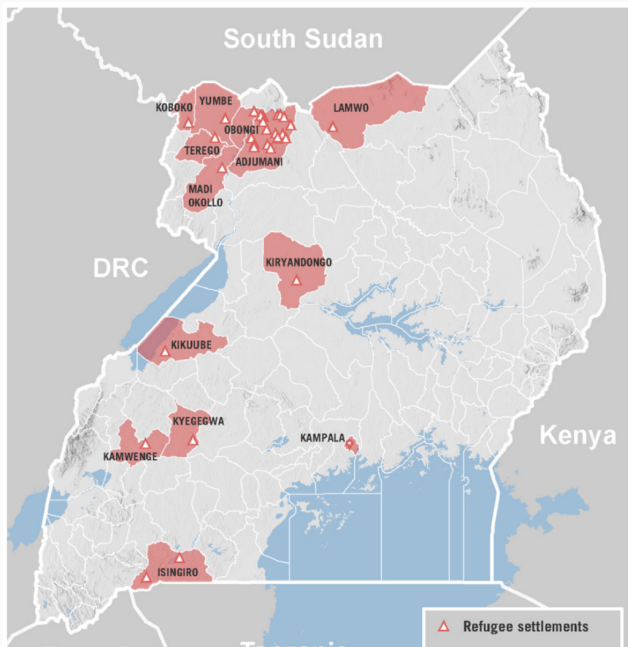
Key takeaway

These are quite vulnerable households *before* any aid cut.

WFP General Food Assistance Rations – Until 2021

- ▶ All refugees in settlements received monthly in-kind or cash transfers
- ▶ Designed to meet basic survival guidelines: 2,100 kcal/person/day
- ▶ **In-kind 100% food basket:** maize grain (12kg/person), beans (2.4kg), fortified oil (0.9kg), salt (0.15kg)
- ▶ **OR cash equivalent:** UGX 31,000 (\approx \$8.60) per person per month

Study Settlements



What This Study Does *Not* Claim

We identify the marginal effect of having aid cut vs. retained at the cutoff – not the overall welfare effect of humanitarian retrenchment.

The design does *not* support:

- ▶ Effects for HHs far from the cutoff or for the 4% whose aid was eliminated
- ▶ Direct measurement of informal sharing or local price/wage spillovers
- ▶ Causal claims about settlement-wide deterioration (descriptive only)

The major confounding shocks (USAID terminations, June 2025 reclassification) post-date our Round 2 data collection (Mar–May 2025) – they cannot contaminate our estimates.