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# Filling the “Decency Gap”? Donors’ Reaction to US Policy on International Family Planning Aid

Nathalie Ferrière 

## Abstract

The impact of US allocation of family planning aid on other donors is studied in order to gain new insights into donor interactions. Within this context, the dominant player in the sector is the United States, whose policies on family planning undergo changes influenced by domestic debates surrounding abortion. By utilizing the Mexico City Policy and considering exposure to this particular policy as an instrumental factor, it has been observed that other donors do not immediately react to policy changes made by the United States, either contemporaneously or within one year. However, a noticeable shift occurs after a two-year period, indicating that these donors eventually align their allocation strategies with those of the United States. Further analysis of this phenomenon reveals varying patterns among different types of donors. While smaller donors exhibit a clear intention to compensate for US policy changes, larger donors display a mix of competitive tendencies and herding behavior, thereby reinforcing the impact of the Mexico City Policy after the two-year time frame.

JEL classification: C26, F35, I15, I18, J13, O15

Keywords: family planning, foreign aid, Mexico City Policy, donor interaction

## 1. Introduction

In low- and middle-income countries, it has been reported that one in two pregnancies is unwanted (Bearak et al. 2020). This creates a discrepancy between desired and actual fertility rates, despite the fact that around 60 percent of such pregnancies end in abortions. The lack of access to birth control has adverse effects on the well-being of women and children (Chari et al. 2017) and hinders the progress of fertility transition, especially in Sub-Saharan Africa. While fertility is influenced by various factors such as preferences, women’s choices, and household dynamics (Doepke and Tertilt 2018; Rossi 2019), the

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availability of family planning (FP) programs is considered to play a significant role (Bongaarts 2020).<sup>1</sup> International conferences, such as those held in Cairo (1994), London (2012), and Nairobi (2019), have emphasized the importance of family planning, while access to safe and voluntary family planning is a target of Sustainable Development Goal 3.7. However, as of 2020, an estimated 218 million women seeking to avoid pregnancy still lacked access to safe and effective family planning methods. In developing countries, family planning programs heavily rely on foreign assistance, with international donors contributing approximately 48 percent, domestic governments 35 percent, and consumers 17 percent in 2018. However, there are significant disparities across countries, with donor contributions representing only 10 percent of total family planning expenditure in Bangladesh, but 61 percent in Kenya.<sup>2</sup>

Nonetheless, the availability of funds is not always reliable and is subject to the whims of donors, as well as their capacity to coordinate and compensate for reduced or withdrawn contributions from other donors. It is worth noting that the provision of access to contraceptive methods is a common objective among aid projects, regardless of the funding sources. This commonality reduces heterogeneity among donor projects and should ease substitution between them. Given these factors, inter-donor coordination in the family planning sector should ideally be promoted, as advocated by the 2005 Better Aid Agenda. Coordination could involve implementing a division of labor to avoid duplication and ensure improved access to contraceptives. However, the existing literature reveals that coordination and substitution remain a distant reality in development assistance (Nunnenkamp, Öhler, and Thiele 2013).<sup>3</sup> It is worth noting that the United States plays a dominant role in the family planning sector, accounting for approximately 49 percent of disbursements since 1990. In comparison, the second-largest donor, the United Kingdom (UK), has contributed only 10 percent of family planning aid during the same period. The significant funding and policy agenda of the United States has a substantial impact on sexual and reproductive health (SRH) initiatives worldwide. As a result, the United States' allocation of aid to specific countries is likely to influence aid flows from other donors. Therefore, comprehending donor interaction in the family planning sector is crucial for understanding how the United States' policies and funding decisions shape the landscape of global SRH initiatives and how other donors respond to these dynamics.

Building upon the literature on donor coordination and the competitive nature of development finance, this paper aims to analyze how other donors adjust their allocation of family planning aid in response to the United States' allocation. This question is crucial considering the United States' changing policies on family planning due to domestic debates surrounding abortion, which have led to significant variations in their family planning aid. Therefore, the interactions between other donors and the United States will critically affect the ability to mitigate family planning aid volatility for recipient countries and the adverse consequences of inadequate funding for women. The theoretical literature presents arguments for both positive and negative reactions to changes in aid allocation. For instance, Bourguignon and Platteau (2015) proposed a framework that involves a trade-off between aid effectiveness and political autonomy. Coordination, such as the division of labor, can enhance aid effectiveness but diminish a nation's independence in dealing with aid recipient countries. Substitution occurs when the emphasis on aid effectiveness outweighs the importance of political autonomy. Regarding changes in US aid allocation related to domestic debates on abortion, the United States has argued that reducing funding is necessary to avoid supporting abortions abroad. Other donors, particularly European donors, have criticized this stance and called for filling the "decency gap" (European Parliament 2004). This could be interpreted as donors placing greater

1 The United Nations Population Fund (UNFPA) defines family planning as the provision of information, methods, and resources that empower individuals to make informed decisions regarding the timing of their pregnancies. This includes a wide range of contraceptive options, as well as abortion services, and guidance on planned conception. For a comprehensive review of the effects of family planning on fertility, refer to Miller and Babiarz (2016).

2 Source: <http://progress.familyplanning2020.org/finance>.

3 Fragmentation of aid due to a lack of coordination can hinder aid effectiveness and have negative political consequences (Knack and Rahman 2007; Bigsten and Tengstam 2015).

emphasis on aid effectiveness rather than political autonomy, particularly considering the extensive media coverage and activism by non-governmental organizations (NGOs) surrounding the topic. However, as discussed in [Davies and Klasen \(2019\)](#), the reaction of other donors to changes in aid allocation may vary dynamically over time. Their findings suggest that donors tend to align their efforts in the year when aid allocation by other donors changes, but not one year later, due to information signals regarding the needs of the recipients. Consequently, when the salience of the issue diminishes, the trade-off might once again favor national autonomy and competition among donors. Furthermore, the literature distinguishes between donors' reactions based on certain characteristics. Large donors tend to place greater emphasis on their political autonomy compared to small donors ([Annen and Moers 2017](#)), making small donors likely to compensate for changes in US aid allocation immediately. However, a tendency to align their allocation with that of the United States may become more prevalent among other donors after a certain period, particularly when competition among donors becomes more significant.

To investigate whether and how other donors react to the United States' allocation of family planning aid, this study employs an instrumental strategy using two sources of variation, following the empirical literature on aid ([Nunn and Qian 2014](#); [Dreher et al. 2021](#)). Firstly, exogenous time variation induced by US domestic debates on abortion between Democrats and Republicans is utilized. These debates are not directly linked to international concerns or recipient-related considerations. Since 1984, the US foreign policy on family planning has been shaped by the successive rescinding and reinstating of the Mexico City Policy (MCP), initially implemented by President Reagan. The MCP directs US agencies, including USAID, to withhold funds from non-US NGOs that provide abortion-related services. The policy has become a symbol of the Republican Party and is only active during Republican administrations. Secondly, cross-sectional variation in a country's vulnerability to these changes is exploited, measured by the proportion of years in which a country receives family planning aid from the United States when the MCP is not active. This is interacted with the share of family planning aid channeled by those non-US NGOs. The results indicate that, on average, other donors do not react immediately or one year later, as the "decency gap" and the public good take precedence over political costs, autonomy, or competition. However, after two years, donors tend to decrease their allocation in line with the United States, with the change in reaction over time being statistically significant. Bilateral reactions further support this mechanism, as small donors compensate for US policy up to one year later but do not respond or align with the US allocation after two years. Conversely, large donors, for whom competition with other donors and political autonomy are more important, mimic the US allocation regardless of the time lag. Additional results also support this mechanism. Donors that are geopolitically close to the United States, donors competing with the United States in trade, and donors with restrictions on abortion tend to follow the trend of US allocation. The reaction two years later is more pronounced in recipient countries where abortion is restricted. These findings provide new evidence that donors' responses depend not only on the type of aid but also on donor identity and size.

The contributions of this study extend to several literatures. The results complement the empirical literature on donor interactions and their dynamics, emphasizing the importance of examining reactions at different time periods. While previous work finds immediate positive reactions ([Frot and Santiso 2011](#); [Zeitiz 2020](#); [Ferrière 2022](#)), this study does not find such reactions due to the specific reasons for the United States' withdrawal from the family planning sector. However, the usual crowding-in effect emerges after two years. Additionally, this study provides additional evidence that aid allocation is determined not only by the strategic and economic needs of donor countries ([Fuchs et al. 2015](#)), but also partly by domestic politics and party ideologies ([Brech and Potrafke 2014](#); [Greene and Licht 2018](#)). Finally, the findings raise questions about aid allocation at the sectoral level and offer insights into the specific determinants of aid provision ([Lewis 2003](#); [Kuhlgatz, Abdulai, and Barrett 2010](#); [Fink and Redaelli 2011](#)).

The remaining sections of the paper proceed as follows: US family planning aid and highlights anecdotal evidence on how other donors react to the United States are first presented. Next, I describe the

data used and outlines the identification strategy and estimating equations. Section Results discusses and explores the underlying mechanisms before concluding remarks.

## 2. Family Planning Aid

### 2.1. US Family Planning Aid

In 1961, the United States was directed to provide assistance to developing countries in controlling population growth as outlined in the Foreign Assistance Act (Blanchfield 2020). Family planning was included among the activities that could be pursued by USAID. By 1973, approximately 47 percent of USAID's funds were allocated to contraceptives and the delivery of family planning services (Fox 1985). To implement its family planning strategy, USAID relied heavily on private organizations, particularly NGOs, especially in countries without bilateral assistance programs.<sup>4</sup> Since then, the United States has consistently been one of the largest donors supporting international population assistance worldwide. According to the Institute for Health Metrics and Evaluation (IHME), starting from 1990, the United States has provided 49 percent of the total aid allocated to the sector, reaching an average of 67 recipient countries annually. On average, each recipient country received approximately \$5,100,000 in constant 2020 US dollars per year.

The most significant policy change in US family planning assistance occurred during the UN Population Conference in 1984 with the introduction of the MCP. President Reagan issued an executive order that imposed restrictions on family planning funding (The White House Office of Policy Development 1984). The policy required organizations receiving US funds to cease all abortion-related activities, even if conducted using non-US funds. Written certification was mandatory for organizations receiving US family planning aid, declaring that they did not and would not perform or actively promote abortion while under the funding agreement. The MCP did not distinguish between countries where abortion is legal and only applied to foreign NGOs and USAID funds.<sup>5</sup> The policy's full funding impacts could be delayed by several years since it was not retroactive. The MCP remained in effect until President Clinton rescinded it on January 22, 1993, allowing USAID to fund organizations engaging in abortion-related activities using alternative funds. The MCP became a clear distinction between the policies of Democratic and Republican administrations, as it was reinstated by all Republican presidents and rescinded by all Democratic presidents thereafter (van der Meulen Rodgers 2018).<sup>6</sup>

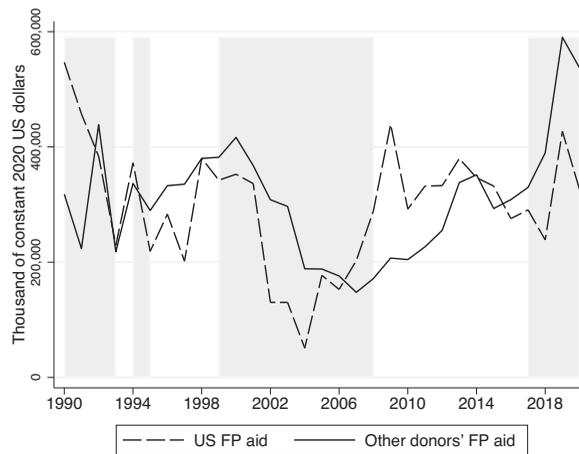
The negative consequences of the MCP were quickly documented after its initial implementation. Camp (1987) conducted a qualitative analysis demonstrating its adverse impact on organizations and family planning activities. By 2002, the MCP had halted shipments of USAID-donated contraceptives to 16 developing countries, and leading family planning agencies in 13 other countries became ineligible for USAID contraceptives as they refused to comply with the restrictions (PAI 2005). A review of the MCP under the Trump administration by The State Department (2020) indicated that a minority of organizations opted to forgo US global health assistance due to the policy's requirements, although the exact amount of funds involved was not provided. One could argue that the United States simply changed its

4 Family planning service projects, more than other components of population programs, drew upon the private sector (United States Congress House 1986).

5 According to Camp (1987, p.41), the 1985 decision taken by the Reagan administration "has been to stifle opposition and to create obstacles to a legal challenge....Shifting the burden of the restrictions to foreign NGOs weakened the grounds for legal challenge, since such organizations may not have standing in U.S. courts. The shift may have also deterred certain prestigious AID grantees, such as major U.S. universities and teaching hospitals that might have mounted a successful challenge had their academic freedom at home been more directly attacked."

6 The policy also sparked considerable debate in Congress, especially when Congress was not aligned with the president, resulting in the blockage of family planning funds for nine months in 1995 and the legislative reinstatement of the MCP for one year from October 1999 to September 2000.

**Figure 1.** Aid Disbursement for Family Planning from the United States and other Donors (1990–2020).



Source: Author's calculation based on data from IHME (2020).

Note: Gray periods are years when the Mexico City Policy is active.

methods of delivering family planning aid by focusing on governmental channels, or that a majority of foreign NGOs agreed to the terms of the MCP. However, [fig. 1](#) presents evidence of a decrease in family planning aid during the periods when the MCP was active (indicated by gray shading).<sup>7</sup> The impact of the MCP was most pronounced immediately after the election of G. W. Bush in 2000, with a sharp decline in family planning aid observed between 2001 and 2004. Family planning aid began to increase again in 2005, primarily due to the establishment of the President's Emergency Plan for AIDS Relief (PEPFAR) in 2003. While PEPFAR mainly focuses on combating HIV/AIDS, it also allocates some resources to family planning. Additionally, the number of aid recipients is lower (53) when the MCP is active compared to when it is not (83).<sup>8</sup>

It could be argued that Republican donors are generally more hesitant to finance development efforts abroad due to their skepticism about aid and the decrease in aid during Republican terms is not specific to the family planning sector. Using data from the Development Assistance Committee of the Organization for Economic Cooperation and Development (DAC-OECD), I find no significant difference in the annual average of total official development aid under Republican presidents or under a majority Republican Congress between 1984 and 2021 relative to Democrat presidents.<sup>9</sup>

## 2.2. Other Donors' Family Planning Aid and Reaction to the MCP

[Figure 1](#) illustrates the overall trend in family planning disbursements by other donors, which exhibits a pattern relatively similar to that of the United States. Among these donors, four significant contributors—the UK, Germany, the Netherlands, and the Bill and Melinda Gates Foundation (BMGF)—each contribute

- 7 Data are sourced from the Development Assistance for Health Database of the IHME, covering the period 1990–2020. Data are presented in Section Data and Empirical Strategy.
- 8 In [supplementary online appendix S1](#), I investigate the determinants of US family planning aid by running a regression that includes a dummy variable set to 1 when the MCP is active. The results are provided in [supplementary online appendix table S1.1](#), showing that the United States allocates less family planning aid when the MCP is active. However, aid is also influenced by needs related to reproductive and sexual activities.
- 9 I elaborate on this finding in the [supplementary online appendix S1](#), which presents the decreasing share of family planning aid in total development aid during Republican terms in terms of commitments (see [fig. S1.1](#)) and disbursements (see [fig. S1.2](#)). The CRS-OECD data cover the period 2000–2020, with more accurate sectoral allocation data available starting from 2005.

more than 5 percent between 1990 and 2020.<sup>10</sup> These donors allocate aid to fewer countries than the United States (ranging from an average of 14 for the Netherlands to 66 for the BMGF) and implement smaller-scale projects. The average annual amount allocated to recipient countries by these four major donors falls between \$500,000 and \$1,300,000 in constant 2020 US dollars. However, their participation has evolved differently over time. While the UK and the Netherlands have consistently provided family planning aid, Germany has decreased its family planning budget since 2000, and the BMGF has increased its involvement.

In response to the reinstatement of the MCP in 2001, some donors attempted to adjust their funding to compensate for the US allocation. However, a report from the European Parliamentary Assembly indicates that these efforts were insufficient to bridge the entire funding gap. The report highlights the leading role played by Nordic European countries, Germany, and the Netherlands. Poul Nielson, the European Union (EU) Commissioner for Humanitarian and Development Aid, summarized the reaction of European donors to the Bush administration's reinstatement of the MCP by stating that Europe should fill the "decency gap" (European Parliament 2004). The report also emphasized the increase in European donor funding received by UNFPA in 2002 as a response to the decrease in funding from the United States. It concluded that "the continuing challenge is, however, to build on this goodwill and not just to sustain but to continue to increase this support." The extension of the MCP in 2017 triggered stronger reactions from other donors. The European Commission explicitly declared its intention to "remain alert on this issue and if it finds that there is a funding gap, it will look into possibilities for stepping-up the assistance to health and gender-based violence projects provided that sufficient funding is available" (European Commission 2017). Sweden decided to withdraw support from reproductive and sexual health programs operated by groups complying with the MCP provisions (Reuters 2017). In response to the funding shortfall faced by family planning organizations due to the MCP, the Netherlands established a new fund called She Decides. The launch conference brought together 50 governments and 450 participants. However, discussions among European parliamentary members revealed diverging opinions both among and within member states. While most members criticized the US decision during a debate on the MCP in March 2017, a German member reminded the parliament that abortion is not under EU jurisdiction and remains a criminal offense in some EU countries. Meanwhile, a French member called for the respect of US national sovereignty in financing foreign NGOs.

### 3. Data and Empirical Strategy

#### 3.1. Data on Family Planning Aid

The Development Assistance for Health Database from the Institute for Metrics and Evaluation database (IHME 2020) offers estimates of health spending for 195 countries from 1990 to 2020, sourced from four categories: government, out-of-pocket, prepaid private, and development assistance for health (DAH). DAH refers to the financial and in-kind contributions made by major development agencies to low- and middle-income countries with the aim of maintaining or improving population health. The data specifically focus on disbursements rather than commitments. Within the IHME database, reproductive and maternal health (RMH) is further divided into family planning, other maternal health, and human resources (IHME 2020).<sup>11</sup> The choice to use the IHME data instead of the commonly employed CRS-OECD data for sector analysis on aid allocation is motivated by its broader coverage, spanning from 1990 rather than

10 Each remaining donor represents less than 3 percent of the total family planning aid.

11 The allocation of aid to the family planning sector is determined based on the presence of specific keywords in the project description, such as fertility, family planning, FP, birth control, family size, IPPF (international planned parenthood), planned parenthood, abortion, birth spacing, condom, IUD, vasectomy, or tubal ligation. For more detailed information on database construction and sector allocation, the IHME provides an annual review and an [online appendix \(http://www.healthdata.org/policy-report/financing-global-health-2019-tracking-health-spending-time-crisis\)](http://www.healthdata.org/policy-report/financing-global-health-2019-tracking-health-spending-time-crisis).

2005. Furthermore, the IHME’s definition of family planning aligns more closely with the US funding criteria for such projects, compared to the corresponding code in the CRS-OECD data (codes 13020 and 13030). When analyzing the data, EU funds are redistributed among European members based on their contributions to the total EU budget, treating the EU as an implementing agency. However, it should be noted that the allocation of EU aid typically remains partly independent of member states. To account for this, aid from the EU is reconstructed by consolidating all funding channeled through the EU in the data set. For member states, the funds from the EU are subtracted from their individual allocations.

In this study, an observation refers to the flow of aid from a donor to a recipient country within a given year and through a specific channel (bilateral, various multilateral organizations, US NGOs and foundations, international NGOs). A panel data set is constructed, including 25 donors (excluding the United States) and 106 recipients, covering the period from 1990 to 2018. The choice of this time frame is dictated by the availability of family planning aid data.<sup>12</sup> This panel encompasses all recipients and donors involved in family planning aid for at least one year. The measure of aid is expressed in thousands of constant 2020 US dollars.

### 3.2. General Specification

The baseline specifications estimate bilateral family planning aid disbursements from donor  $d$  to recipient  $r$  in year  $t$  as a function of recipient characteristics  $X_{r,t-1}$  and donor–recipient characteristics  $X_{dr,t-1}$ .<sup>13</sup> The control variables are drawn from the existing literature and described below. Family planning aid from the United States,  $FPA_{USrt}$ , is also included. The timing of the US aid allocation is adjusted, transitioning from an immediate reaction to a response three years later, resulting in the estimation of four distinct regression models:<sup>14</sup>

$$FPA_{drt} = \beta_1^k FPA_{USrt-k} + \beta_2^k X_{drt-1} + \beta_3^k X_{rt-1} + \lambda_{dt}^k + \lambda_{dr}^k + \epsilon_{drt}^k.$$

The dependent variable,  $FPA_{drt}$ , represents bilateral family planning aid from donor  $d$  to country  $r$  at time  $t$ . To handle zero values, the inverse hyperbolic sine transformation is applied.<sup>15</sup> Aid is measured in thousands of constant 2020 US dollars. The variable  $FPA_{USrt-k}$  denotes bilateral disbursed family planning aid from the United States to country  $r$  at time  $t-k$ , with the same inverse hyperbolic sine transformation.

For the recipient country, GDP-per-capita $_{rt-1}$  and population $_{rt-1}$  (in log) are included as control variables to account for wealth and size. Following [Asiedu, Nanivazo, and Nkusu \(2013\)](#), who investigated the determinants of family planning aid, the female fertility rate and its square are controlled for, as one objective of family planning aid is to reduce the fertility rate. The adolescent fertility rate is also included, as some donors may focus more on reducing early pregnancies. Additionally, the poverty rate, female life expectancy, the incidence of HIV in the 15–49 age population (number of new cases), the prevalence of HIV in the same population (total number of existing cases), and maternal mortality rate are controlled for, based on their relevance to the impact of family planning on poverty reduction, the spread of

12 Please refer to [supplementary online appendix S2](#) for the list of donors and recipients. Data for 2019 and 2020 are provided in aggregated form without recipient-level breakdowns.

13 There are many zeros in the data, suggesting that the relevant reaction might be at the extensive margins. For the United States, 42.5 percent of observations are equal to 0, while for other donors, it varies between 75 percent and 98 percent. However, donors were concerned about money, not about recipients not receiving US aid. Results at the extensive margins show no significant reactions ([table S4.1](#) in the [supplementary online appendix](#)).

14 Another way to examine the dynamic effects is to include different lags of US allocation for family planning aid in a single regression. However, due to the instrumental strategy employed, the chosen specification introduces the various lags of US aid allocation one by one. Similar results are obtained and provided in [supplementary online appendix S3](#) ([tables S3.1](#) and [S3.2](#)).

15  $IHST(x) = \log(x + (x^2 + 1)^{0.5})$ . Results in levels are never significant, but the magnitude and the pattern in the evolution of the estimates are similar. With the transformation  $f(x) = \ln(x + 1)$ , the conclusions remain the same.

HIV/AIDS, and maternal mortality, as reported by UNFPA. Data for these variables are obtained from the World Development Indicators.<sup>16</sup> Furthermore, to capture the influence of the recipient’s political situation on aid allocation, a democracy index (Polity IV database) is included.<sup>17</sup> Finally, to measure political ties, the voting alignment between the donor and recipient at the UN General Assembly is included, which is a widely used indicator. The absolute difference in their ideal points, calculated by [Bailey, Strezhnev, and Voeten \(2017\)](#), is used to quantify this alignment.<sup>18</sup> To account for donor-specific trends in the family planning aid budget or electoral cycles that can affect aid allocation, donor-year fixed effects,  $\lambda_{dt}$ , are included as time effects that differ across donors. Donor-recipient fixed effects,  $\lambda_{dr}$ , capture time-invariant features such as colonial links, distance, or shared language.

The coefficient of interest,  $\beta_1^k$ , represents the estimated effect of US family planning aid allocation in country  $r$ ,  $k$  years prior, on the family planning aid allocation of donor  $d$  in country  $r$  at time  $t$ . A positive coefficient indicates that, on average, if the United States increases its family planning aid to a specific country  $r$ , it also increases the amount of family planning aid from donor  $d$  to the recipient country  $k$  years later. Conversely, a negative coefficient suggests that other donors step in and compensate.

The variable  $FPA_{USrt-k}$  is endogenous. First, donors may react to shocks for which reliable or observed data are not available. For instance, the Cairo International Conference on Population and Development in 1994 emphasized the integral linkages between population and development, shifting the focus to meeting the needs of individual women and men rather than achieving demographic targets. Consequently, “family-planning promotion has dropped steadily down the list of international development priorities” according to [Cleland et al. \(2006\)](#). It is challenging to carefully control for all changes in recipient policies regarding population control, abortion, or reproductive health that could impact a donor’s allocation, leading them either to support or withdraw their aid. Depending on these reactions, the OLS estimates can be downward or upward biased. Secondly, there is a problem of reverse causality: despite being the dominant donor, the United States may also react to allocations from other donors.

### 3.3. Instrumental Strategy

To provide causal evidence of donors’ interactions, an instrument is developed for the US allocation based on a natural experiment, specifically the rescinding and reinstatement of the MCP mentioned earlier. The changes induced by the policy are driven by domestic debates on abortion and are unrelated to any changes in recipient countries’ needs or other donors’ foreign policies.

In order to employ this exogenous time variation as an instrument for the family planning aid allocated by the United States, a dummy variable,  $MCP_t$ , is created, taking a value of 1 when the MCP is active at time  $t$ . This dummy covers the years when a Republican president was in office, along with 1995 and 2000 when the Congress was Republican and successfully reinstated the policy in an attenuated form. To identify a causal effect, cross-country variation is introduced, as the policy does not uniformly affect all recipient countries.

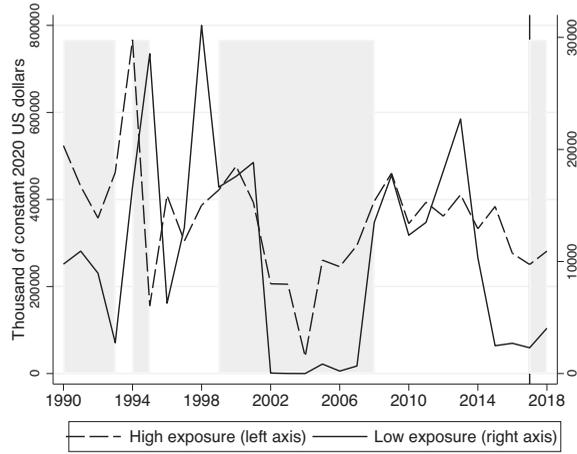
Not all recipients experience the same funding loss due to two factors. Firstly, similar to other donors, the United States tends to allocate larger aid grants to frequent family planning aid recipients. This is

16 For maternal mortality rate and poverty rate, data before 2001 are obtained from the official MDG Indicators website, and the last-known figures are imputed for missing years. The sample is reduced by 33 percent when economic controls are included, and by 48 percent when health controls are included in addition.

17 The sample size is reduced by 49 percent when economic, health, and political controls are included.

18 This variable is not defined for the EU and the Bill and Melinda Gates Foundation. For the EU, a weighted average of member states’ alignment could have been possible. However, there is no clear way to define the weight of each member state, especially since 2009 with the appointment of the first High Representative of the Union for Foreign Affairs and Security Policy. Therefore, a conservative approach is adopted, and voting alignment between the EU and a recipient at the UN General Assembly is not defined. When this variable is included, the sample size is reduced by 58 percent relative to the case with no controls.

**Figure 2.** US Family Planning Aid Disbursement: Vulnerability to the Mexico City Policy.



Source: Author’s analysis based on data from IHME (2020).

Note: High exposure describes a recipient whose vulnerability index (constructed by interacting the probability of receiving US family planning aid when the Mexico City Policy is not active with the share of aid channeled by non-US NGOs) is above 0.48.

captured by the variable  $FP_r$ , which represents the percentage of years during which a country receives US family planning aid when the MCP is inactive. Secondly, the extent to which US family planning aid is channeled through non-US NGOs varies across countries. The policy primarily affects countries where the United States relies more on non-US NGOs, as the MCP prohibits funding aid to non-US NGOs involved in abortion-related activities. This aspect is reflected in the variable  $shareNGO_r$ , which measures the share of US family planning aid channeled through NGOs during the Obama administration.<sup>19</sup> Figure 2 shows the evolution of US FP aid to highly exposed and little-exposed countries for the indicator of vulnerability.<sup>20</sup>

It is important to acknowledge that the MCP treatment may capture more than just the policy’s direct impact on aid procurements. The rhetoric surrounding abortion and family planning may also influence the reactions of other donors. The policy not only reduces funding but also establishes a new model of family planning assistance that excludes certain activities and places less emphasis on family planning. Due to the instrumental variable definition, it is not possible to disentangle these effects and only the overall effect of the MCP, along with any other policy changes correlated to it, on US family planning aid can be examined. The instrument for the first-stage equation is defined as  $\gamma_1^k MCP_{t-k} * FP_r * shareNGO_r$ . In the end,  $FPA_{USr-t-k}$  instrumented by the contemporaneous instrument  $\gamma_1^k MCP_{t-k} * FP_r * shareNGO_r$ .

19 Ideally, these two indicators should have been computed prior to the implementation of any MCP. However, data before 1984 are not available, making it impossible to obtain pre-implementation values. The second-best approach would have been to compute both indicators before each reinstatement. For example, one could use the probability of receiving family planning aid from the United States and the share channeled through non-US non-governmental organizations (NGOs) during the Clinton administration as reference points for the Bush and Obama periods. Similarly, the same indicators could be computed during the Obama period as references for the Trump and Biden administrations. Unfortunately, the data on channeling FP aid through non-US NGOs are not well recorded before the 2000s, and in cases where information is lacking, the bilateral channel is recorded instead. Therefore, the most viable option appears to be computing the channel share during the Obama period and the probability of receiving FP aid over all the rescinding periods (including those under different administrations).

20 See [figs S2.1 and S2.2](#) in the [supplementary online appendix](#) for a similar figure but for  $FP_r$  and  $shareNGO_r$ .

Thus the first-stage equation is the following, where  $k$  varies from 0 to 3:

$$\text{FPA}_{\text{USrt}-k} = \gamma_1^k (\text{MCP}_{t-k} * \text{FP}_r * \text{shareNGO}_r) + \gamma_2^k X_{\text{drt}} - 1 + \gamma_3^k X_{\text{rt}} - 1 \\ + \lambda_{\text{dr}}^k + \lambda_{\text{dr}}^k + \epsilon_{\text{drt}}^k - k.$$

A negative coefficient is expected for the instrument, indicating that countries heavily reliant on US family planning aid through non-US NGOs will experience a disproportionate decrease in aid when the MCP is reinstated. One concern is that this instrument may violate the exclusion restriction, as the probability of receiving US family planning aid could directly influence the amount of aid allocated by other donors due to specific connections between recipient and donor countries. However, the second-stage regression addresses this concern by controlling for the effects of the probability of receiving US family planning aid through recipient-donor fixed effects. By interacting this probability with the exogenous variable, an exogenous instrument is obtained under the assumption of parallel trends (Goldsmith-Pinkham, Sorkin, and Swift 2020).

The identifying assumption is that aid allocation from other donors in countries with differing probabilities of receiving US family planning aid via non-US NGOs will not be affected differently by changes induced by the change in US foreign policy, other than via the impact of US aid allocation, controlling for recipient-donor and donor-region-year fixed effects. Causal inference using the interacted instrumental variable relies on the assumption that conditional on the controls, the interaction between (lagged) US policy activation and a country's receiving US family planning aid through non-US NGOs only affects allocation from other donors through the US family planning aid allocation. For different trends to affect the results, these trends across countries with differing probability of receiving US family planning aid through non-US NGOs would have to be correlated with US changes of administration for all other donors, which is unlikely.<sup>21</sup> Nevertheless, I also interact all control variables with the vulnerability indicator ( $\text{FP}_r * \text{shareNGO}_r$ ) to capture any such effects in the first and second stages.

Finally, it is worth mentioning that a Democrat administration (or other donors) could potentially anticipate the reinstatement of the MCP and artificially increase their funding for family planning projects one year before the US election. However, in the period between 1990 and 2019, when two Republican presidents were elected, the expected outcome was the election of the Democrat incumbent, reducing the likelihood of strategic behavior one year prior to the election.

## 4. Results

### 4.1. Reactions over Time

The main results on the potential reaction of other donors to the US allocation for the period 1990–2019 are presented in [table 1](#). Columns (1)–(4) (respectively (5)–(8)) report the reaction of other donors to the US allocation with zero-, one-, two-, and three-year lags. Columns (1)–(4) include recipient's characteristics,  $X_{\text{rt}} - 1$ , as controls to avoid excluding the EU and the BMGF reactions, while columns (5)–(8) include bilateral determinants,  $X_{\text{drt}} - 1$ , resulting in the exclusion of the EU and the BMGF from the regressions.<sup>22</sup>

In panel A, OLS results show a positive correlation between the US allocation to recipient  $r$  and the allocation of donor  $d$  to the same recipient at time  $t$ , regardless of the lag considered. However, these results are likely to be biased due to endogeneity. Panel B presents reduced-form estimates, replacing the US allocation with lag  $k$  by the instrument with the same lag. For example, in column (3), US FP aid<sub>rt-3</sub> is replaced by  $\text{MCP}_{t-3} * \text{FP}_r * \text{shareNGO}_r$ . Panel C presents the second stage of the regressions estimated with 2SLS, while the corresponding first-stage results are provided in panel D. The first-stage estimates

21 In this analysis, there is no pre-period in which to test the parallel trend, as the MCP was first implemented in 1984. The setting is a specific one, with the policy switched on/off several times over the period of analysis.

22 See [tables S3.1](#) and [S3.2](#) in [supplementary online appendix S3](#) for results where all lags are simultaneously introduced.

**Table 1. Donors' Reaction to US Family Planning Aid Allocation (1990–2019)—Baseline Results**

	$k = 0$ (1)	$k = 1$ (2)	$k = 2$ (3)	$k = 3$ (4)	$k = 0$ (5)	$k = 1$ (6)	$k = 2$ (7)	$k = 3$ (8)
Panel A: OLS estimates—dependent variable: Family planning aid <sub>drt</sub>								
US FP aid <sub>rt-k</sub>	0.011 (0.006)	0.009 (0.005)	0.011 (0.005)	0.012 (0.005)	0.012 (0.006)	0.009 (0.005)	0.011 (0.006)	0.012 (0.006)
Panel B: Reduced-form estimates—dependent variable: Family planning aid <sub>drt</sub>								
Instrument <sub>rt-k</sub>	-0.015 (0.088)	-0.072 (0.083)	-0.219 (0.105)	-0.249 (0.110)	-0.034 (0.092)	-0.066 (0.092)	-0.204 (0.114)	-0.208 (0.114)
Panel C: 2SLS estimates—dependent variable: Family planning aid <sub>drt</sub>								
US FP aid <sub>rt-k</sub>	0.006 (0.036)	0.030 (0.035)	0.086 (0.042)	0.101 (0.045)	0.014 (0.038)	0.026 (0.037)	0.080 (0.045)	0.084 (0.046)
Panel D: First-stage estimates—dependent variable: US Family planning aid <sub>drt-k</sub>								
Instrument <sub>rt-k</sub>	-2.421 (0.238)	-2.416 (0.257)	-2.546 (0.281)	-2.474 (0.279)	-2.427 (0.236)	-2.511 (0.267)	-2.551 (0.290)	-2.475 (0.286)
CI90		[-0.06; 0.02]	[-0.09; -0.02]	[-0.05; 0.02]		[-0.05; 0.04]	[-0.09; 0.02]	[-0.04; 0.03]
Obs.	74,200	74,200	71,550	68,900	64,358	64,358	62,489	60,399
Donor–recipient pairs	3,350	3,350	3,325	3,300	3,069	3,069	3,048	3,026
Kleibergen-Paap <i>F</i> -stat	103.5	88.45	82.28	78.73	106.0	88.14	77.14	74.72
Cragg–Donald <i>F</i>	1,976.8	1,821.6	1,855.9	1,707.4	1,733.1	1,692.7	1,591.0	1,479.4
Controls <sub>rt-1</sub>	Yes							
Controls <sub>drt-1</sub>	No	No	No	No	Yes	Yes	Yes	Yes

Source: Author's analysis based on data from IHME (2020).

Note: Each column per panel represents one regression with the  $k$ -year lag for the independent variable. Instrument<sub>rt-k</sub> is equal to  $FP_r \cdot \text{shareNGO}_r \cdot \text{MCP}_{t-k}$ , where  $\text{MCP}_{t-k}$  is a dummy equal to 1 in a year the Mexico City Policy is active,  $FP_r$  is the proportion of years a recipient receive family planning (FP) aid from the United States over the period where the MCP is not active, and  $\text{shareNGO}_r$  is the share of US FP aid channeled by non-US NGOs during Obama terms. In panels A–C, the dependent variable is the amount of FP aid from donor  $d$  to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied. In panel D, the dependent variable is the amount of FP aid from the United States to recipient  $r$  at time  $t$  (columns 1 and 5),  $t-1$  (columns 2 and 6),  $t-2$  (columns 3 and 7), or  $t-3$  (columns 4 and 8) with the inverse hyperbolic sine transformation applied. In panels A and C, the independent variable is the amount of FP aid from the United States to recipient  $r$  at time  $t$  (columns 1 and 5),  $t-1$  (columns 2 and 6),  $t-2$  (columns 3 and 7), or  $t-3$  (columns 4 and 8) with the inverse hyperbolic sine transformation applied. Columns (1)–(4) include controls<sub>rt-1</sub>: GDP per capita in log, population size in log, poverty rate, life expectancy at birth, incidence and prevalence of HIV, fertility rate and its square, adolescent fertility rate, maternal mortality rate, Polity2 index, and the same controls interacted with  $FP_r \cdot \text{shareNGO}_r$ . Columns (5)–(8) add controls<sub>drt-1</sub>: UN proximity and its interaction with  $FP_r \cdot \text{shareNGO}_r$ . Columns (5)–(8) exclude the EU and the BMGF for the regression, as bilateral controls are not defined for them. CI90 gives the 90 percent confidence interval of the difference between the 2SLS estimates of the current column and the previous one (US FP aid<sub>rt-k-1</sub> – US FP aid<sub>rt-k</sub>). All regressions include donor-recipient and donor-year fixed effects. Coefficients are reported with standard errors clustered at recipient and donor levels.

demonstrate a negative relationship as expected. When the MCP is active, countries that regularly receive US FP aid through non-US NGOs tend to receive disproportionately less US FP aid compared to other countries. The Kleibergen-Paap (K-P) statistic confirms the instrument's strength. For the average recipient country, an active MCP reduces the amount of family planning aid allocated by the United States by 71 percent to 100 percent, depending on the column considered. This confirms that the implementation of the MCP has a significant impact on US funding.

The key results are presented in panel C, where I estimate the average treatment effect on the complier population, which consists of countries whose US family planning aid is affected by the MCP. The reaction increases over time and becomes significant with a two- or three-year lag. Therefore, for MCP-affected countries, the decrease in external funding for family planning projects in the year of MCP implementation and the following year is solely attributable to the changes in US allocation, as other donors neither reinforce nor compensate. However, the decrease in external funds is reinforced by other donors with a two- and three-year lag. On average, a 75 percent decrease in US FP aid leads to a 6 percent decrease in donor  $d$  aid two years later and a 7.5 percent decrease three years later. In terms of magnitude for the

average recipient, this corresponds to a decrease in total family planning aid from \$6.5 million to \$2.65 million two years after the implementation of the MCP, with 97 percent of this decrease being the direct effect of the MCP on the US allocation and 3 percent the indirect effect of the MCP on other donors' allocations.

The dynamics of the reaction can be interpreted in two ways. The first interpretation is that donors require some time to adjust their actual disbursement based on another donor's actions. They may not fully anticipate the changes caused by the MCP and adjust their allocation only when they observe the US allocation. However, this argument is not the preferred interpretation given previous literature's findings on significant and quick interactions among donors (Davies and Klasen 2019; Ferrière 2022). Instead, the second interpretation based on theoretical frameworks by Bourguignon and Platteau (2015) and Annen and Moers (2017) provides interesting insights. These frameworks consider the trade-off between aid effectiveness, where aid is seen as a public good, and competition or political independence in aid allocation. When donors prioritize aid effectiveness, they are more likely to substitute for each other (negative estimates) or not react to others' allocations. Conversely, when donors value competition or political independence more, complementarity (positive estimates) is expected. In the case of MCP implementation, it could be argued that it changes the weight donors give to aid effectiveness. Donors adopt a more positive attitude toward family planning aid and its effectiveness in response to the policy, reducing the weight on competition. This explains why donors initially do not react to the US allocation. However, over time, the competition effect resurfaces, and after two years, donors again align their allocation with the US allocation. Mechanisms supporting this interpretation are explored in the following subsection.

## 4.2. Exploring the Mechanisms

### 4.2.1. Large and Small Donors

Small donors tend to emphasize aid effectiveness more (Annen and Moers 2017), while large donors engage in more competition and are hesitant to compromise their political independence in aid allocation. Consequently, small donors are expected to be more likely than large donors to immediately compensate for the US allocation, whereas large donors are less likely to change their behavior regardless of the time horizon. To examine the distinct reactions of large and small donors and their dynamics, bilateral reactions are analyzed. In the baseline specification, the US allocation is interacted with a dummy variable for each donor, and the same is done for the instrument.<sup>23</sup> This leads to the following second-stage equation, with the coefficients of interest denoted as  $\beta_1^{dk}$ :

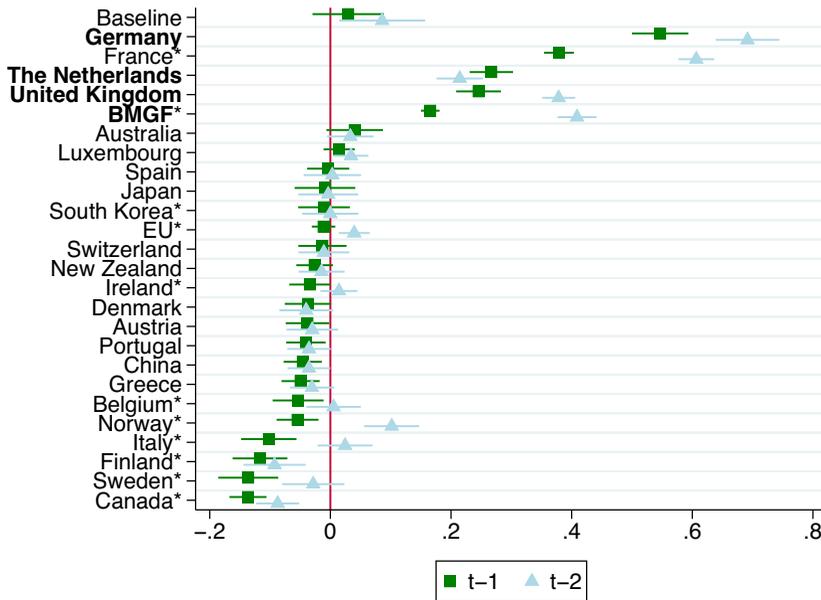
$$\begin{aligned} \text{FPA}_{\text{drt}} = & \sum_{d=1}^{25} \beta_1^{dk} \text{FPA}_{\text{US}(\text{rt}-k)} * \text{donor}_d + \beta_2^k X_{\text{drt}} - 1 + \beta_3^k X_{\text{rt}} - 1 \\ & + \beta_4^k X_{\text{drt}} - 1 * \text{FP}_r * \text{shareNGO}_r + \beta_5^k X_{\text{rt}} - 1 * \text{FP}_r * \text{shareNGO}_r \\ & + \lambda_{\text{dt}}^k + \lambda_{\text{dr}}^k + \epsilon_{\text{drt}}. \end{aligned}$$

The results are depicted in [fig. 3](#). Including 25 donors and interaction with the instrument leads to a significant decrease in the K-P  $F$ -stat, suggesting the presence of weak instruments. Therefore, the results should be interpreted with caution. Only results for one- and two-year lags are presented for clarity purposes and as the change in behavior mostly occurs at that time.<sup>24</sup> The large donors are highlighted in bold and represent over 5 percent of non-US aid throughout the period. The green squares represent the reaction with a one-year lag, while the blue triangles represent the reaction with a two-year lag. An

23 Another approach would have been to run separate regressions for each donor, but in that case the change in reactions might partly have been explained by variations in the estimates for the other controls. Results are similar and provided in [supplementary online appendix S3](#) (figs S3.2 and S3.3).

24 Results with all lags can be found in [supplementary online appendix fig. S3.1](#).

**Figure 3.** Bilateral Reactions to US Family Planning Aid Allocation (1990–2020).



Source: Author’s analysis based on data from IHME (2020).

Note: This figure reports the 2SLS estimates of interest obtained for  $k$  of 1 or 2 (baseline) and for each donor (2SLS regression with interaction terms as in the equation written in section “Large and Small donors”) with the same lags. The figure includes 90 percent confidence intervals. The dependent variable is the allocation of donor  $d$  to recipient  $r$  at time  $t$ . Estimates directly represent the reaction of donor  $d$  to the US family planning (FP) aid allocation one (green square) and two years later (blue triangle). Regressions include a donor-year and donor-recipient fixed effect and are controls for recipient characteristics  $\tau - 1$ : GDP per capita in log, population size in log, poverty rate, life expectancy at birth, incidence and prevalence of HIV, fertility rate and its square, adolescent fertility rate, maternal mortality rate, Polity2 index, and the same controls interacted with  $FP_r \cdot \text{shareNGO}_r$ . The K-P  $F$ -stats for the regression with one- and two-year lags are respectively 3.538 and 3.291. \* indicates that the reaction one year later is different at 10 percent from the reaction two years later.

asterisk indicates a significant difference in the reaction to the US allocation at time  $t - 1$  and  $t - 2$  at the 10 percent level.

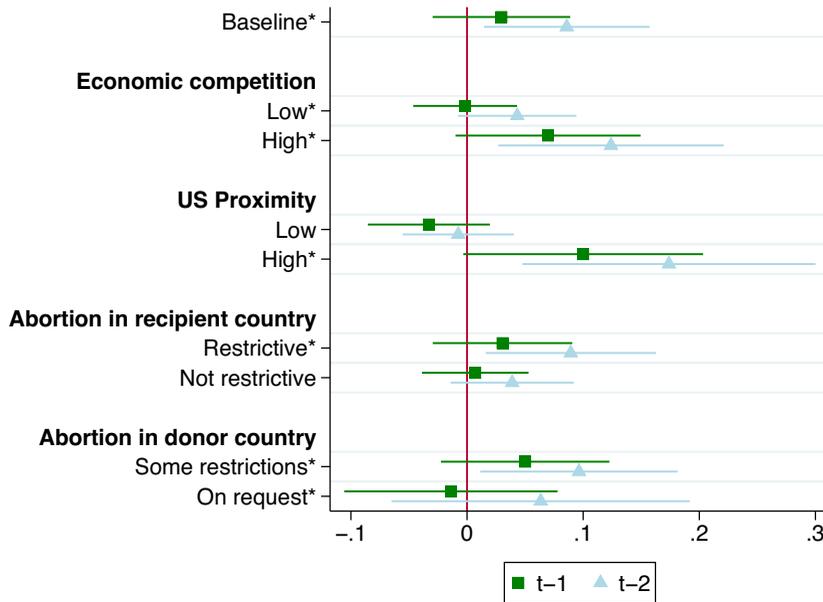
As anticipated, large donors demonstrate a more positive reaction to the US family planning aid allocation compared to small donors, regardless of the timing. A 10 percent decrease in the US allocation at time  $t - 1$  leads to a decrease of 1.6 percent to 5.4 percent in the allocation of large donors at time  $t$ . Conversely, most small donors do not react to the US allocation, and even those that do compensate for it exhibit a smaller effect in absolute terms, affecting a considerably lower amount of aid. Notably, France behaves like a large donor, despite being classified as a small family planning donor, due to its substantial contribution in total development aid terms. Only Canada and Finland substitute to the US allocation with a two-year lag, but their response is significantly diminished compared to their reaction one year prior. With the exception of the Netherlands, we consistently observe a rightward shift over time, indicating that donors gradually readjust their trade-off in favor of competition.<sup>25</sup>

#### 4.2.2. Economic Competition

The literature on aid allocation suggests that donors tend to allocate aid based on their trade interests. Therefore, donors who share extensive economic interests in a particular country are more likely to compete with the United States. In such cases, donors should mimic the US allocation, as the trade-off between aid effectiveness and political/economic costs favors the economic costs. However, the aid effectiveness

25 For 11 donors, the reaction differs significantly between  $t - 1$  and  $t - 2$ . Among large donors, only the BMGF reacts differently to the allocation of the United States with a one- or two-year lag.

**Figure 4.** Heterogeneity Analysis.



Source: Author's analysis based on data from IHME (2020).

Note: This figure reports the estimates of interest obtained for  $k$  of 1 or 2 (baseline) and for different heterogeneity analyses (regression with interaction terms) with the same lags. The figure includes 90 percent confidence intervals. The dependent variable is the allocation of donor  $d$  to recipient  $r$  at time  $t$ . The indicators of US proximity and abortion in the donor country vary at the donor level, the abortion in recipient country indicator only varies across recipients, while the economic competition indicator varies at the donor–recipient pair level. Controls and FE as in table 1. The K-P  $F$ -stats for regression with one- and two-year lags are respectively 44.07 and 38.58 (economic competition), 44.22 and 41.14 (US proximity), 34.46 and 33.81 (abortion in recipient country), 44.23 and 41.14 (abortion in donor country). \* indicates that the reaction one year later is different at 10 percent from the reaction two years later.

aspect may moderate the competition reaction to the US allocation at time  $t$  or  $t - 1$ . To test this hypothesis, following Fuchs et al. (2015), an indicator of export competition is constructed that varies across donors and recipients.<sup>26</sup> Subsequently, the donor sample is divided into two groups for each recipient: those with low export competition with the United States and those with high export competition.

The results are provided in fig. 4. In cases where commercial competition is low, donors never react to the US allocation. Conversely, when commercial competition is high, donors exhibit a crowding-in effect concerning the US allocation with a two-year lag. In both groups, the significant rightward shift is consistent with the notion that donors readjust their trade-off in favor of competition over time.

#### 4.2.3. Proximity to the United States

Similarly, governments that are geopolitically close to the United States might exhibit reluctance to allocate additional family planning aid to countries experiencing a decrease in US allocation. Such a reaction could be seen as an act of defiance against the United States and may carry political costs. To capture this dynamic, a proxy for geopolitical alignment with the United States is constructed based on the minimum share of UN General Assembly resolutions on which the donor and the United States vote similarly. The donor sample is then divided into two groups based on whether their proxy value is higher or lower than the median. It is important to note that this heterogeneity analysis excludes the EU and the BMGF as donors due to the unavailability of UNGA voting patterns for them.

26 Export data come from COMTRADE. The analysis excludes the BMGF but includes the EU.

The results are presented in [fig. 4](#). Donors with lower geopolitical alignment with the United States do not exhibit significant reactions to the US family planning aid allocation, and their response remains unchanged over time. Conversely, geopolitically aligned donors align their allocation with the US allocation, with an even stronger effect observed with a two-year lag.

#### 4.2.4. Abortion Laws and Aid Effectiveness

If the effectiveness of aid is a determining factor, we would expect to see varying reactions depending on the legal status of abortion in the recipient country. The MCP could be perceived as an anti-abortion policy, leading donors to consider compensating for the decrease in US allocation only in countries where abortion is legalized. In other countries, the consequences may be seen as less concerning, with donor competition and political independence in aid allocation taking precedence. To explore this mechanism, the abortion law index produced by the [Center for Reproductive Rights \(2020\)](#) is utilized, ranging from 1 (total prohibition) to 5 (on request). A dummy variable is constructed, taking a value of 1 when abortion is available on request (score of 5), which applies to 28 percent of recipient countries.

The results are presented in [fig. 4](#). No discernible differences are observed between the reactions of the two groups with a one-year lag, nor any notable shifting over time. However, with a two-year lag, donors tend to crowd in regarding the US allocation in countries where abortion is restricted. A 10 percent decrease in US aid two years prior leads to a 0.8 percent reduction in donor aid at time  $t$  in those recipient countries. Once again, the funding losses primarily stem from the direct impact of the MCP on US allocation.

Furthermore, it is worth considering not only the abortion laws in the recipient country but also those in the donor country. Countries that restrict abortion may have less incentive to step in and compensate for the decrease in US allocation, as they share similar values regarding abortion. Conversely, countries where abortion is available on request may be more inclined to defy the United States. By utilizing the abortion law index from the [Center for Reproductive Rights \(2020\)](#), adjusted based on additional research on abortion legislation, two groups of donors are formed: 8 donor countries where abortion is unrestrictedly available on request (with certain termination time limits) and 17 donor countries with abortion restrictions.<sup>27</sup>

The reactions of both donor groups do not exhibit significant differences. However, a significant shifting to the right is once again observed, indicating that over time, donors readjust their trade-off in favor of competition.

#### 4.2.5. Shifting the Channels

The launch of specific trust funds and reports from the European Commission on commitments made by European countries suggest that donors may change their behavior, not necessarily in terms of the allocated amount, but with regard to the channel through which aid is delivered. In this way, donors can signal their disapproval of the MCP without directly opposing the United States by increasing their budget. If such a signal effect exists, it is expected that the estimate would be negative for aid channeled through multilateral organizations and NGOs, while being positive for aid provided directly to the recipient gov-

27 For example, the [Center for Reproductive Rights \(2020\)](#) categorizes Germany as a country where abortion is available on request. However, a referee has pointed out that abortion is actually illegal but not punishable during the first 12 weeks of pregnancy, provided mandatory counseling is undertaken. Consequently, Germany is classified among countries with abortion restrictions in this analysis. It is important to note that abortion law is not under EU jurisdiction, but since some member states prohibit abortion, the EU is also classified in the group with restrictions. Additionally, based on statements made by Melinda Gates (see for instance <https://wng.org/sift/melinda-gates-abortion-is-not-womens-healthcare-1617422262>), the Bill and Melinda Gates Foundation (BMGF) is also classified in the group with restrictions. Further details and explanations regarding the classification can be found in the [supplementary online appendix \(table S3.4\)](#).

**Table 2.** Reactions through Aid Channeled Bilaterally or Not Bilaterally (2SLS, 1990–2019)

	Bilateral family planning aid		Non-bilateral family planning aid	
	(1)	(2)	(3)	(4)
US FP aid <sub>rt-1</sub>	0.0204 (0.0296)	—	0.0437 (0.0300)	—
US FP aid <sub>rt-2</sub>	—	0.0695 (0.0362)	—	0.0928 (0.0376)
Obs.	74,200	71,550	74,200	71,550
Donor–recipient pair	3,350	3,325	3,350	3,325
K-P <i>F</i> -stat	88.45	82.28	88.45	82.28
Donor-recipient FE	Yes	Yes	Yes	Yes
Donor-year FE	Yes	Yes	Yes	Yes
Controls <sub>rt-1</sub>	Yes	Yes	Yes	Yes

Source: Author’s analysis based on data from IHME (2020).

Note: Each column represents one regression. In columns (1)–(2), the dependent variable is the amount of family planning aid channeled bilaterally from donor  $d$  to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied. In columns (3)–(4), the dependent variable is the amount of family planning (FP) aid channeled multilaterally or through NGOs from donor  $d$  to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied. Controls<sub>rt-1</sub> include GDP per capita in log, population size in log, poverty rate, life expectancy at birth, incidence and prevalence of HIV, fertility rate and its square, adolescent fertility rate, maternal mortality rate, Polity2 index, and the same controls interacted with  $FP_r * shareNGO_r$  where  $shareNGO_r$  is the share of US FP aid channeled by non-US NGOs during Obama terms. Coefficients are reported with standard errors clustered at recipient and donor levels.

ernment. To explore this mechanism, a similar analysis is conducted, focusing first on strictly bilateral aid and then on aid channeled through multilateral agencies and NGOs. The findings reveal no significant differences in reactions based on whether the aid is channeled bilaterally or through other channels (table 2).

#### 4.2.6. Reinstatement and Rescinding

There might be heterogeneity in donor reactions depending on whether the MCP is rescinded or reinstated by the United States. The reinstatement of the MCP brings attention to the consequences of the lack of family planning aid and highlights the importance of aid effectiveness while the rescinding of the MCP brings less attention. Furthermore, there is limited qualitative documentation available regarding how other donors react to the rescinding of the MCP, as it receives less media coverage. Donors may choose to publicize their compensation for US withdrawal but conceal any compensatory actions when the United States provides funding again.

Additionally, if donors decide to establish partnerships with NGOs when the MCP is reinstated, they may be less inclined to discontinue funding projects when the MCP is rescinded. In this case, they would react to the reinstatement of the policy but not to its rescinding. Therefore, it is crucial to differentiate between reactions to turning the policy on or off. Lastly, European donors were more vocal in condemning the reinstatement of the MCP by the Trump administration. It is possible that donors only react to the US allocation when the decrease in aid is perceived as critical. Table 3 presents the estimates for each change in administration. Columns (1)–(2) correspond to the reinstatement in 2000 (Clinton to G. W. Bush), columns (3)–(4) represent the rescinding in 2008 (G. W. Bush to Obama), and columns (5)–(6) depict the reinstatement in 2016 (Obama to Trump). Although the results are no longer statistically significant at the 10 percent level, it appears that reactions to reinstatement are weaker compared to reactions to rescinding, suggesting the presence of the “decency gap” effect to some extent.

#### 4.2.7. Aggregate Coordinated Response

On average, there is no immediate or one-year compensation by donors for a decrease in the US family planning aid allocation. However, there may be a coordinated response at the aggregate level, followed

**Table 3.** Reactions to a Change of Administration: Reinstatement versus Rescinding (2SLS)

	Clinton to G. W. Bush (1993–2008)		G. W. Bush to Obama (2001–2016)		Obama to Trump (2009–2019)	
	(1)	(2)	(3)	(4)	(5)	(6)
US FP aid <sub>rt-1</sub>	-0.00618 (0.0376)	—	0.0781 (0.0565)	—	0.0282 (0.104)	—
US FP aid <sub>rt-2</sub>	—	0.0621 (0.0403)	—	0.0712 (0.0485)	—	0.0320 (0.166)
Obs.	42,400	42,400	42,400	42,400	26,500	26,500
Donor–recipient pair	3,050	3,050	3,050	3,050	2,900	2,900
K-P <i>F</i> -stat	63.16	38.93	28.83	41.10	14.38	5.918
Donor-recipient FE	Yes	Yes	Yes	Yes	Yes	Yes
Donor-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls <sub>rt-1</sub>	Yes	Yes	Yes	Yes	Yes	Yes

Source: Author’s analysis based on data from IHME (2020).

Note: Each column represents one regression. The dependent variable is the amount of family planning aid from donor  $d$  to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied. In columns (1)–(2), the period of analysis is 1993–2008, in columns (3)–(4) the period covers 2001 to 2016. The last two columns cover 2009 to 2019. Controls<sub>rt-1</sub> include GDP per capita in log, population size in log, poverty rate, life expectancy at birth, incidence and prevalence of HIV, fertility rate and its square, adolescent fertility rate, maternal mortality rate, Polity2 index, and the same controls interacted with FP<sub>*r*</sub>\*shareNGO<sub>*r*</sub> where FP<sub>*r*</sub> is the proportionation of years a recipient received family planning (FP) aid when the Mexico City Policy is not active and shareNGO<sub>*r*</sub> is the share of US FP aid channeled by non-US NGOs during Obama terms. Coefficients are reported with standard errors clustered at recipient and donor levels.

by a return to business as usual. In such cases, some donors may increase their contributions to specific recipients, while others may allocate more to other recipients. However, if a donor (denoted as  $d$ ) only increases aid to specific recipients without changing their contributions to others, it can increase the variance in aid distribution, making it challenging to identify clear reactions. To examine this mechanism, non-US donors are collapsed into a single donor category. Additionally, aid from a single donor at the global level is analyzed to understand how donor  $d$  adjusts their global contributions based on the United States’ global allocations. It is important to note that this regression requires excluding year fixed effects to instrument the US allocation, which increases the risk of confounding factors and reduces the causal interpretation of the reaction.

Results in table 4 (columns (1)–(4)) indicate that the absence of a significant reaction, both contemporaneously and with a one-year lag, does not conceal any coordinated aggregate response from other donors through a division of labor. Results in columns (5)–(8), although no longer statistically significant, show a negative correlation between donor budget and the US budget at time  $t$  or  $t - 1$ , while the correlation becomes positive between donor budget at time  $t$  and the US budget at time  $t - 2$  or  $t - 3$ .

#### 4.3. Placebo Tests

To assess the strength of the instrument, I look at changes in administration rather than MCP history. There may be reactions even after an election that does not affect the status of the MCP. As both Presidents G. W. Bush and Obama were reelected, I can run two placebo tests. Redefining the MCP as equal to 1 during their second mandate, I run regressions covering the whole period of their presidencies.<sup>28</sup> As expected, the estimate is not significant (table 5). The IV strategy is not relevant (the K-P *F*-stat is really low and the first-stage estimate is no longer significant) for the Obama terms but remains relevant for the Bush terms.<sup>29</sup> Results are therefore not driven by a change in the US administration alone. As an

28 A better placebo test would have been to look at a false rescinding of the MCP in 1989, when there was a change in president (Reagan to Bush), as the president remained a Republican and the MCP remained active. Unfortunately, data are not available before 1990.

29 This may be partially explained by the fact that the PEPFAR fund to combat HIV and AIDS was launched in 2003 and extended in subsequent aid programs, providing a large aid flow for reproductive health starting 2004/2005.

**Table 4.** Aggregate Coordinated Response and Global Response to US Family Planning Aid (2SLS)

	As one donor				As one recipient			
	(1)	Family planning aid <sub>rt</sub>		(4)	(5)	Family planning aid <sub>dt</sub>		(8)
US FP aid <sub>(r)t</sub>	0.156 (0.130)	—	—	—	-1.130 (0.898)	—	—	—
US FP aid <sub>(r)t-1</sub>	—	0.130 (0.155)	—	—	—	-0.576 (0.610)	—	—
US FP aid <sub>(r)t-2</sub>	—	—	0.468 (0.164)	—	—	—	1.489 (1.002)	—
US FP aid <sub>(r)t-3</sub>	—	—	—	0.443 (0.148)	—	—	—	1.054 (0.831)
Obs.	2,968	2,968	2,862	2,756	700	700	675	650
K-P F-stat	100.9	86.20	80.16	76.69	62.12	121.3	24.78	35.04
Recipient or donor FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	No	No	No	No
Controls <sub>rt-1</sub>	Yes	Yes	Yes	Yes	No	No	No	No
Controls <sub>t-1</sub>	No	No	No	No	Yes	Yes	Yes	Yes

Source: Author's analysis based on data from IHME (2020).

Note: In columns (1)–(4), the dependent variable  $FPA_{rt}$  is the amount of family planning (FP) aid from all non-US donors to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied. In columns (5)–(8), the dependent variable  $FPA_{dt}$  is the amount of FP aid from donor  $d$  at time  $t$  with the inverse hyperbolic sine transformation applied. The variable US FP aid<sub>(r)t</sub> is the amount of FP aid from the United States to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied in columns (1)–(4) and the amount of FP aid from the United States globally at time  $t$  with the inverse hyperbolic sine transformation applied in columns (5)–(8). In columns (1)–(4), an observation is a recipient and a year. In columns (5)–(8), an observation is a donor and a year. Controls<sub>rt-1</sub> include GDP pper capita in log, population size in log, poverty rate, life expectancy at birth, incidence and prevalence of HIV, fertility rate and its square, adolescent fertility rate, maternal mortality rate, Polity2 index, and the same controls interacted with  $FP_r \times \text{shareNGO}_r$  (for columns 1–4) where  $FP_r$  is the proportion of years a recipient received FP aid when the Mexico City Policy is not active and  $\text{shareNGO}_r$  is the share of US FP aid channeled by non-US NGOs during Obama terms.. In columns (5)–(8), controls<sub>t-1</sub> are the average value of the control variable over recipients at time  $t$ . Coefficients are reported with standard errors clustered at recipient level in columns (1)–(4) and robust in columns (5)–(8) (because of too few clusters).

additional placebo test, I also look at the impact of future US disbursements on other donors' current disbursements. As expected, the effect is not significant.<sup>30</sup>

#### 4.4. Robustness Analysis

The robustness of the 2SLS estimates is examined to assess their reliability. The results are presented in table 6, with the baseline estimates displayed in the first column. In each column, the two estimates correspond to two distinct regressions depending on the lag adopted for US FP aid.

To begin, the sensitivity of the results to the definition of the sample of recipients and donors is tested.<sup>31</sup> To rule out the possibility that the results are driven solely by a specific sample of recipients, the analysis is

- 30 Under the assumption that the MCP does not affect other US aid budgets through a balancing effect and the less realistic assumption that Republicans and Democrats use a similar sectoral allocation structure (except for family planning) in relative terms, allocations by other donors to sectors not related to reproductive health could serve as placebo tests. They should not be affected by the US allocation of family planning aid if there is no substitution across sectors from other donors, except to keep the development assistance budget constant. As a consequence, under those specific assumptions, there should be no reactions in other sectors in the short run and some reactions in the long run. Results not shown here suggest that those assumptions are not realistic and that reallocation across sectors may occur.
- 31 I replicate the regressions with US family planning aid lagged by one and two years, while excluding one donor and one recipient at a time. A total of 2,650 additional regressions are performed. The estimates are found to be relatively insensitive to the exclusion of specific donors or recipients, maintaining the same order of magnitude. When using the specification with US FP aid lagged by two years, only 0.3 percent of the regressions yield estimates that are not statistically significant at the 10 percent level. Additionally, 25 percent of the estimates of interest exhibit a significance

**Table 5.** Placebo Tests Using Second Terms and Future Aid

	(1)	(2)	(3)	(4)	(5)
	Bush administration		Obama administration		Future US aid
Panel A: 2SLS estimates—dep. var.: Family planning aid <sub>drt</sub>					
US FP aid <sub>drt-1</sub>	-0.00997 (0.0181)		-0.306 (0.418)		
US FP aid <sub>drt-2</sub>		0.00255 (0.0117)		-0.0183 (0.334)	
US FP aid <sub>drt+1</sub>					0.00724 (0.0302)
Panel B: First-stage estimates—dep. var.: US family planning aid <sub>drt-k</sub>					
FP <sub>r</sub> *shareNGO <sub>r</sub> *placebo <sub>t-2</sub>	-7.204 (1.011)		-0.536 (0.421)		
FP <sub>r</sub> *shareNGO <sub>r</sub> *placebo <sub>t-1</sub>		-6.730 (0.910)		-0.437 (0.501)	
FP <sub>r</sub> *shareNGO <sub>r</sub> *MCP <sub>t+1</sub>					-2.574 (0.252)
Obs.	18,550	15,900	18,550	15,900	71,550
Donor–recipient pair	2,825	2,800	2,825	2,800	3,325
K-P <i>F</i> -stat	54.66	50.77	0.760	1.621	104.7
Donor-recipient FE	Yes	Yes	Yes	Yes	Yes
Donor-year FE	Yes	Yes	Yes	Yes	Yes
Controls <sub>drt-1</sub>	Yes	Yes	Yes	Yes	Yes

Source: Author's analysis based on data from [IHME \(2020\)](#).

Note: In panel A, the dependent variable is the amount of family planning (FP) aid from donor  $d$  to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied. In panel B, the dependent variable is the amount of FP aid from the United States to recipient  $r$  at time  $t-1$  (columns 1 and 3),  $t-2$  (columns 2 and 4) or  $t+1$  (column 5) with the inverse hyperbolic sine transformation applied. The variable US FP aid<sub>drt- $k$</sub>  is the amount of FP aid from the United States to recipient  $r$  at time  $t-k$  with the inverse hyperbolic sine transformation applied, and placebo <sub>$t$</sub>  is a dummy equal to 1 when  $t$  is equal to or greater than 2005 for columns (1)–(2) (Bush administration) and equal to or greater than 2013 for columns (3)–(4) (Obama administration). The variable FP <sub>$r$</sub>  is equal to the share of year the recipient  $r$  has received US FP aid when the Mexico City Policy was not active, shareNGO <sub>$r$</sub>  is the share of US FP aid channeled by non-US NGOs to recipient  $r$  during the Obama term, and MCP <sub>$t$</sub>  is a dummy equal to 1 when the Mexico City Policy is active. The period of analysis is 2001–2008 for columns (1)–(2), 2009–2016 for columns (3)–(4), and 1990–2019 for column 5. Controls<sub>drt-1</sub> include GDP per capita in log, population size in log, poverty rate, life expectancy at birth, incidence and prevalence of HIV, fertility rate and its square, adolescent fertility rate, maternal mortality rate, Polity2 index and the same controls interacted with FP <sub>$r$</sub> \*shareNGO <sub>$r$</sub> . Coefficients are reported with standard errors clustered at recipient and donor levels.

conducted by excluding countries targeted by the PEPFAR fund to combat HIV and AIDS, which received substantial US aid for HIV/AIDS prevention, including contraception. The results are found to be robust (column 2). Column (3) introduces region-year fixed effects into the baseline equation to account for regional-specific changes in family planning needs over time, such as economic crises or the spread of diseases like Zika. It also allows for adjustments related to global or region-specific changes in US foreign policy. With the inclusion of a one-year lag, the reaction becomes significant at the 10 percent level, suggesting readjustments occurring at the regional level first.

In the baseline regressions, flows below \$500,000 are represented by dashes in the IHME database. In these cases, flows are rounded to zero in the baseline regression as the actual amount is unknown. To test the sensitivity of the results, flows below \$500,000 are replaced with a fixed flow of \$500,000. Column (4) investigates the robustness when both US and other donors' aids are replaced. The findings continue to indicate no immediate reaction or reaction with a one-year lag, but a crowding-in effect with a two-year lag.

To explore a broader definition of family planning aid, column (5) examines the entire reproductive and maternal health sector (RMH). As anticipated, the K-P *F*-stat is lower compared to previous

level between 5 percent and 10 percent. In the specification with US FP aid lagged by one year, the estimate is never significant at the 10 percent level.

**Table 6.** Robustness Analysis to Alternative Definition of Family Planning Aid, Alternative Specification, and Different Databases

Database:	IHME (1990–2019)					CRS-OECD (2005–2019)		
	Family planning aid			FP aid500	RMH aid	FP aid	RMH aid	Commitment
Dep. var. <sub>drt</sub> :	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
US FP aid <sub>rt-1</sub>	0.030 (0.035)	0.029 (0.031)	0.060 (0.032)	—	—	-0.022 (0.015)	0.058 (0.042)	—
US FP aid500 <sub>rt-1</sub>	—	—	—	0.020 (0.037)	—	—	—	—
US RMH aid <sub>rt-1</sub>	—	—	—	—	0.073 (0.089)	—	—	—
US commitment <sub>rt-1</sub>	—	—	—	—	—	—	—	-0.004 (0.046)
Obs.	74,200	63,700	74,200	74,200	74,200	24,192	24,192	24,192
K-P <i>F</i> -stat	88.45	80.00	46.11	85.73	11.68	19.79	19.79	6.381
Dep. var. <sub>drt</sub> :	Family planning aid			FP aid500	RMH aid	FP aid	RMH aid	Commitment
US FP aid <sub>rt-2</sub>	0.086 (0.042)	0.072 (0.039)	0.104 (0.041)	—	—	-0.068 (0.044)	0.005 (0.077)	—
US FP aid500 <sub>rt-2</sub>	—	—	—	0.078 (0.044)	—	—	—	—
US RMH aid <sub>rt-2</sub>	—	—	—	—	0.188 (0.107)	—	—	—
US commitment <sub>rt-2</sub>	—	—	—	—	—	—	—	-0.023 (0.120)
Obs.	71,550	61,425	71,550	71,550	71,550	22,176	22,176	22,176
K-P <i>F</i> -stat	82.28	74.81	36.10	78.85	13.32	4.092	4.092	0.465
PEPFAR recipient	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Region-year FE	No	No	Yes	No	No	No	No	No
Controls <sub>rt-1</sub>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Author's analysis based on data from [IHME \(2020\)](#) and [OECD \(2022\)](#).

Note: Each cell represents one regression. In columns (1)–(3), (6), and (8), the dependent variable is the amount of family planning (FP) aid from donor  $d$  to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied (commitment for column 8, disbursement for the others). In column (4), the dependent variable is the amount of FP aid from donor  $d$  to recipient  $r$  at time  $t$ , where flows below \$500,000 are replaced by \$500,000 with the inverse hyperbolic sine transformation applied. In columns (5) and (7), the dependent variable is the amount of reproductive and maternal health (RMH) aid from donor  $d$  to recipient  $r$  at time  $t$  with the inverse hyperbolic sine transformation applied. The variable US FP aid<sub>rt-k</sub> is the amount of FP aid from the United States to recipient  $r$  at time  $t-k$  with the inverse hyperbolic sine transformation applied, US FP aid500<sub>rt-k</sub> is the amount of FP aid from the United States to recipient  $r$  at time  $t-k$  where flows below \$500,000 are replaced by \$500,000 with the inverse hyperbolic sine transformation applied, US RMH aid<sub>rt-k</sub> is the amount of reproductive and maternal health aid from the United States to recipient  $r$  at time  $t-k$  with the inverse hyperbolic sine transformation applied, and US commitment<sub>rt-k</sub> is the commitment of FP aid from the United States to recipient  $r$  at time  $t-k$  with the inverse hyperbolic sine transformation applied. Column 2 excludes countries targeted by the PEPFAR fund launched in 2003. Columns (1)–(5) use the IHME database over 1990–2019, while columns (6)–(8) use the OECD-CRS database over 2005–2019. Controls<sub>rt-1</sub> include GDP pc. in log, population size in log, poverty rate, life expectancy at birth, incidence and prevalence of HIV, fertility rate and its square, adolescent fertility rate, maternal mortality rate, Polity2 index, and the same controls interacted with FP<sub>r</sub>\*shareNGO<sub>r</sub>. All regressions include donor-recipient and donor-year fixed effects. In column (5), recipient region-year fixed effects are included. Coefficients are reported with standard errors clustered at recipient and donor levels.

specifications, but the observed pattern remains the same. This suggests that the MCP may impact not only the allocation of family planning aid but also, due to an imperfect definition of family planning, the allocation of reproductive and maternal health in general. The combination of family planning and maternal health projects implemented by the same agencies could contribute to this outcome.

The sensitivity of the results to the choice of a specific database is further examined using CRS-OECD data from 2005 to 2019 ([OECD 2022](#)). These data cover sectoral aid allocation by the same donors, except for the Bill and Melinda Gates Foundation (BMGF), which is not recorded. The instrument is defined similarly, but the accuracy is affected by the lack of information regarding the origin of NGOs. Column (6) focuses on family planning disbursements alone, while column (7) considers reproductive

health and population policy. For commitments, only family planning is examined in column (8). The K-P *F*-stat is found to be small, indicating weak instruments, and the results are not significantly different from zero at the 10 percent level.<sup>32</sup>

## 5. Conclusion

US foreign policy on family planning has led to significant fluctuations in US funding and rhetoric, which have attracted scrutiny from other donors. Some of these donors have officially expressed their intention to offset reductions in US aid. The study exploits variations resulting from the Mexico City Policy (MCP) to examine how other donors react to US allocations of family planning aid. The findings indicate that there are no immediate or one-year lagged reactions from other donors. However, a phenomenon of crowding-in by donors emerges with a two-year lag. When the MCP is activated, the reduction in family planning aid for the average recipient is primarily driven by the US allocation in the first two years. In the third year of activation, 3 percent of the decrease can be attributed to the response of other donors to the US allocation. The absence of short-term reactions, which remain consistent across different specifications, can be attributed to the moral impact of US policies perceived as anti-abortion, leading to condemnation from numerous European donors. While this effect prompts a substitution effect in the short term from smaller donors, who are more likely to prioritize aid effectiveness, it is not enough to trigger a similar response from larger donors. After two years, the compensatory effect is not significant enough to prevent donors aligning with the US allocation, especially in cases where there is geopolitical proximity to the US or economic competition. The presence of non-restrictive abortion laws in the recipient country helps mitigate the impact. Ultimately, these findings suggest that the reinstatement of the MCP has detrimental consequences, particularly for women in countries where abortion is prohibited or restricted. These countries experience further negative impacts on access to contraception due to funding constraints, without the option of safe abortion. Additionally, the reactions of other donors to US allocations highlight the potential adverse outcomes of relying heavily on a single dominant donor at the global level. If such a donor undergoes significant policy changes, it can result in volatility and substantial funding losses for recipient countries that lack support from other donors, leading to severe repercussions. In 2017, the Trump administration extended the MCP to the fight against HIV/AIDS, where the United States plays an even more dominant role than in family planning aid. However, other donors have not shown as strong a public reaction as they did in the case of family planning aid, indicating a lower likelihood of compensation in the context of HIV/AIDS (which was not examined in this study). If donors are unable to compensate for this reduction, it could have negative implications for global efforts to combat HIV/AIDS. The key message for policymakers in recipient countries is the necessity to reduce dependency on a single dominant donor in each sector and instead seek diversified sources of support.

### Data Availability

The data underlying this article are in the Harvard Dataverse: <https://doi.org/10.7910/DVN/4PWQ9X>.

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32 Furthermore, robustness checks following Christian and Barrett (2022) are presented in the [supplementary online appendix \(table S3.3\)](#). First-difference estimation reveals that donors do not exhibit significant immediate reactions or reactions with a one-year lag. The two-year lag effect is no longer statistically significant at the 10 percent level, but the three-year lag effect is positive and significant at the 5 percent level.

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