

When Security Meets Survival: The Impact of the Houthi Terrorist Designation on Aid to Yemen

Policy Brief

October 2025



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AIDDATA

A Research Lab at William & Mary

Citation

Sritharan, S., Lundgren, M., & A. Nayak. (2025). *When Security Meets Survival: The Impact of the Houthi Terrorist Designation on Aid to Yemen*. Policy Brief. Williamsburg, VA: AidData at William & Mary.

Acknowledgments

This research was conducted by AidData, a research lab at William & Mary, and was made possible with generous support from the International Growth Centre at the London School of Economics. The findings and conclusions of this brief are those of the authors alone and do not necessarily reflect the views of our funders and partners. Sarina Patterson supported this publication's layout, editing, and visuals. The cover image is by Akram Alrasny via Adobe Stock, used under the Standard license, and the cover design is by Sarina Patterson.

In brief

- Globally, terrorist designations often mobilize more aid as donors step in to stabilize fragile states. The designation of *Ansarallah*, a rebel movement also known as the *Houthis*, in Yemen is a striking exception.¹
- The rapid cycle of designation, delisting, and re-designation of the Houthis created volatility that amplified donor hesitation and banking restrictions.
- Humanitarian exemptions existed but were too narrow and unclear to reassure banks or NGOs, leading to costly workarounds and program withdrawals.
- Aid disruptions fell hardest on Houthi-controlled areas, where most Yemenis live, triggering clinic closures, broken nutrition pipelines, and rising household debt.
- Weak state capacity in the South compounded these effects; however, interviews suggest that investing in female civil servants could strengthen long-term bureaucratic stability.

1. Policy motivation

Yemen today faces one of the world's gravest humanitarian emergencies. More than 80 percent of the population lives below the poverty line (UNICEF, 2021), and nearly 20 million people depend on international aid for survival (UNICEF, 2025). The country's health system has collapsed, leaving millions vulnerable to preventable diseases. A cholera epidemic in 2017 surpassed one million suspected cases, and recent reports warn of renewed outbreaks alongside worsening child malnutrition (UN, 2017).

Against this backdrop, shifts in U.S. counterterrorism policy have introduced additional uncertainty into the aid landscape. In January 2021, the Trump administration designated the Houthis as a Foreign Terrorist Organization (FTO). One month later, the Biden administration reversed the designation to safeguard humanitarian flows. Four years on, in January 2025, the Houthis were re-designated as an FTO, citing attacks on shipping in the Red Sea. This cycle of designation, reversal, and re-designation created volatility that amplified donor hesitation and complicated operational planning.

¹ *Ansarallah*, also known as the *Houthis*, is a Zaidi Shi'a political and armed movement that originated in northern Yemen. Since taking control of the capital, Sana'a, in 2014, the group has become the de facto authority in much of northern Yemen, including areas home to the majority of the population.

Figure 1. Timeline of Houthi FTO designations and reversals, 2021-2025



The humanitarian stakes are especially high in northern Yemen, where the Houthis control territory that is home to 70–80 percent of the population. Any disruption to aid pipelines in these areas risks leaving millions without access to food, healthcare, or basic services. The policy dilemma is stark: while designations are intended to advance security objectives by constraining armed groups, they risk exacerbating one of the world’s most severe humanitarian crises.

2. Research overview

Our research investigated a core question: Do terrorist designations advance security goals at the cost of worsening humanitarian outcomes? To address this dilemma, the study tested two competing ideas. One, the strategic aid hypothesis, suggests that designations can trigger more assistance by drawing international attention to fragile states. When governments perceive higher risks of instability or spillover, they may respond with increased aid to reinforce allies, stabilize conditions, and counter extremism.

The other, the chilling effect hypothesis, points to the opposite dynamic. Designations can deter aid by creating regulatory uncertainty, banking restrictions, and reputational risks for donors and NGOs. In this view, even life-saving humanitarian flows may slow or stall as organizations grow more cautious about operating in areas under the control of a designated group.

Figure 2. Competing hypotheses on the impact of terrorist designations on aid

Strategic aid hypothesis (↑)	Chilling effect hypothesis (↓)
Designations raise the profile of fragile states, prompting donors to step in with more aid.	Designations create regulatory, banking, and reputational risks that slow or reduce aid.

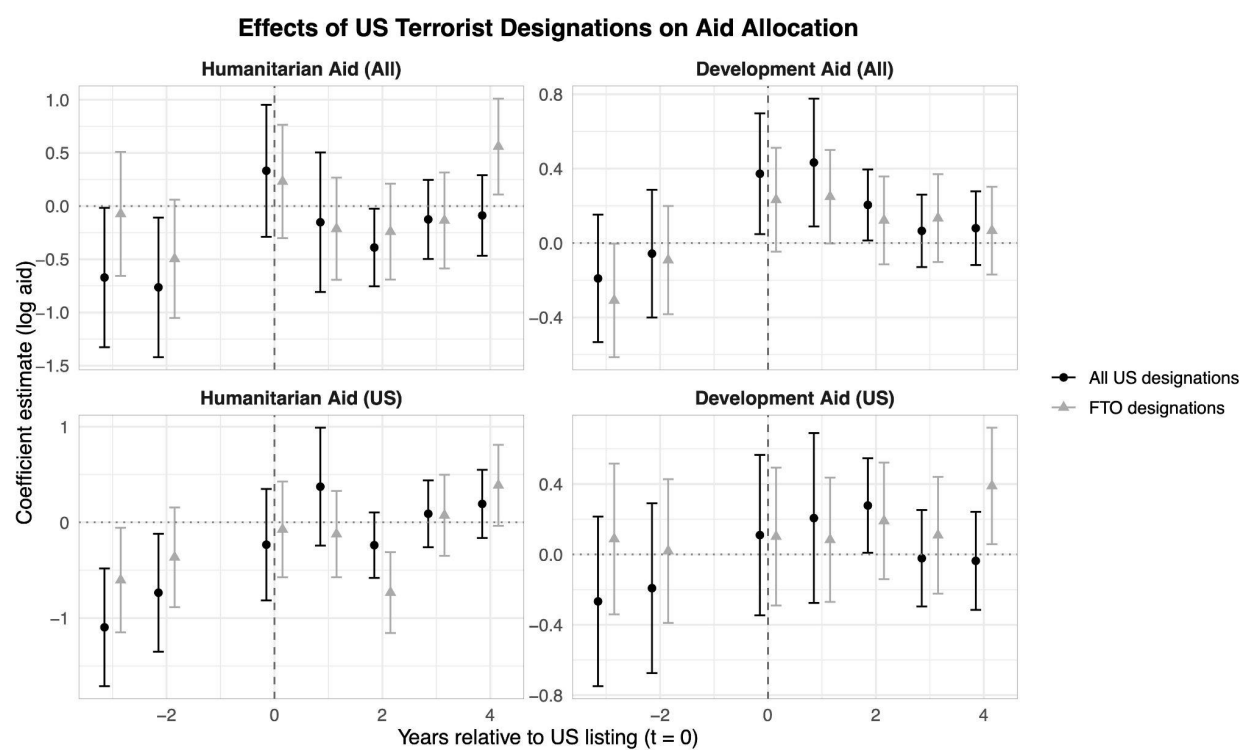
To weigh these competing explanations, the research brought together two types of evidence. A global analysis of aid flows tracked how donors behaved across more than one hundred countries before and after designations since 2001 (Sritharan and Lundgren, 2025). At the same time, Yemen was examined in detail using subnational aid data and interviews with donors, sanctions lawyers, and humanitarian officials. This dual approach made it possible to compare broad global patterns with the unique pressures Yemen faces, where the stakes of disrupted aid are among the highest in the world.

3. Key findings

3.1 Globally, designations often trigger more, not less, aid

A cross-country analysis of over 100 countries since 2001 shows a clear trend: after the U.S. designates a group as a terrorist organization, development aid tends to increase. Donors appear to step in to stabilize fragile states and preserve influence, suggesting that designations heighten the strategic importance of affected countries (see Figure 3).

Figure 3. Estimated changes in humanitarian and development aid before and after U.S. terrorist designations (global sample, 2001-2021)



Source: Sritharan and Lundgren (2025).

Humanitarian aid tells a more nuanced story. While it does not collapse following designations, it exhibits smaller and less consistent changes, particularly for U.S. aid and civil society organizations that face stricter legal restrictions. Institutional donors such as development banks, by contrast, often expand their engagement.

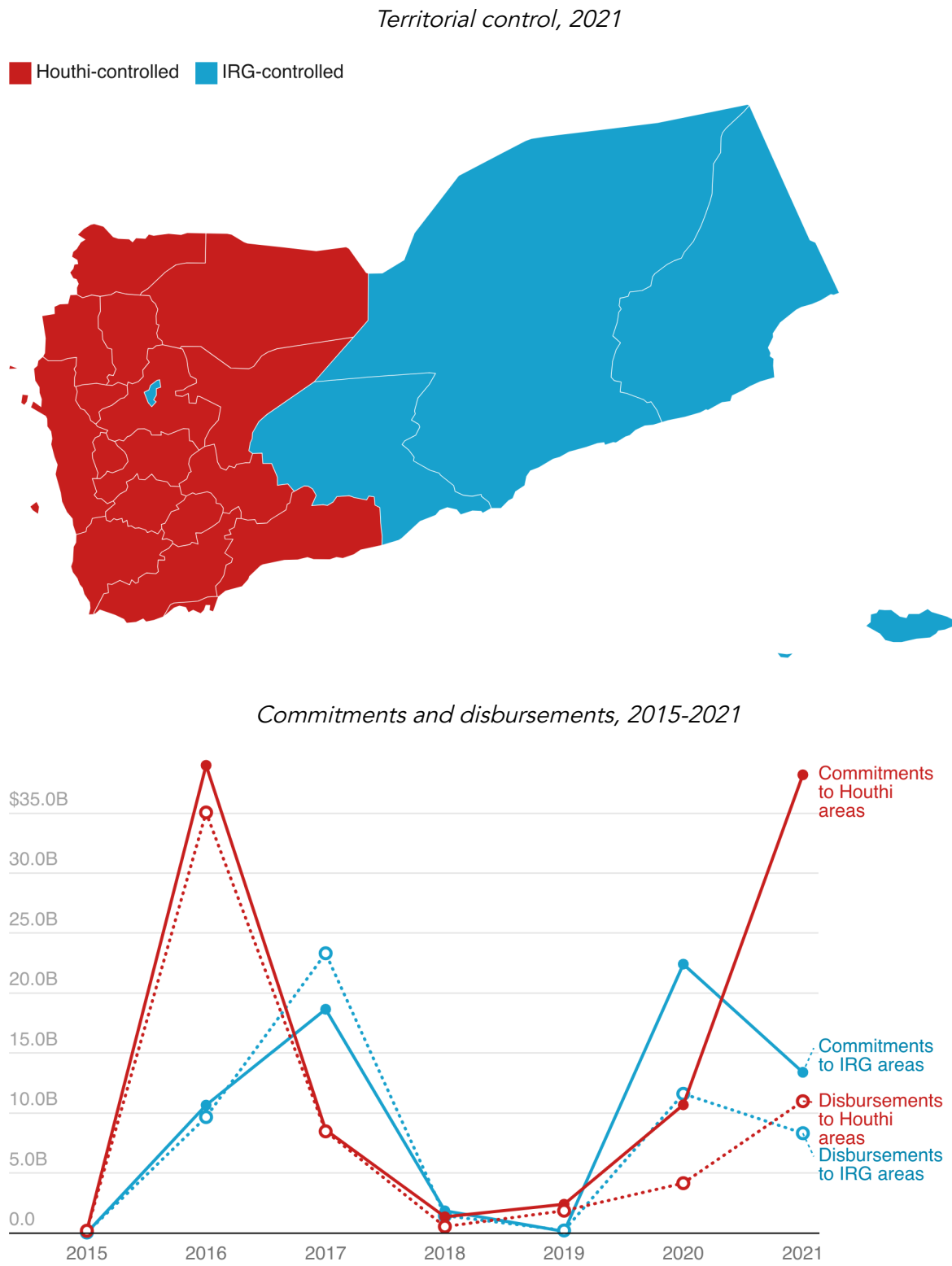
In other words, these global findings favor the strategic aid hypothesis: terrorist designations tend to attract development resources rather than repel them. Evidence for a chilling effect, in which compliance fears curtail humanitarian operations, is weaker and largely confined to U.S.-funded programs.

3.2 In Yemen, anticipation and volatility amplified risk perceptions

Unlike the global pattern, Yemen's repeated cycle of designation (January 2021), delisting (February 2021), and re-designation (January 2025) created unusual uncertainty. Even before the designations took effect, donors and banks scaled back their activities due to fear of non-compliance. A USAID respondent noted that "everyone was very concerned and constantly tracking" the possibility of a renewed designation. A sanctions lawyer described the "chilling effect" of rules that came and went, leaving organizations unsure of what was permitted.

Figure 4 shows how Yemen's territorial divide shaped the flow of aid commitments and disbursements between 2015 and 2021. During the pandemic years, aid to both Houthi- and IRG-controlled areas fell sharply as global funding contracted. From 2020 to 2021, however, aid commitments to Houthi-controlled areas rose again, reflecting donor recognition of high humanitarian need. Yet disbursements to those areas lagged far behind, likely due to the chilling effect of the 2021 terrorist designation, which created banking restrictions and compliance delays. In contrast, commitments to IRG-controlled areas declined over the same period, and actual disbursements remained well below pledged amounts. The larger gap between commitments and delivery in Houthi-controlled areas highlights how legal and operational uncertainty disrupted the translation of funding into on-the-ground assistance.

Figure 4. Territorial divide and uneven aid delivery in Yemen, 2015–2021



Sources: Top visual (ACAPS, 2021); bottom visual (Bomprezzi et al., 2025).

3.3 Compliance complexity discouraged engagement

Humanitarian exemptions existed, but they were narrow and poorly understood. Rules governing what counted as “material support” to terrorist groups were vague, leaving banks and NGOs uncertain about which activities might expose them to liability. As one aid worker explained, “you couldn’t just go open a bank account...in Yemen, where there aren’t that many banks, that’s actually a pretty serious obstacle.” NGOs relocated procurement to the South to mitigate risks, but this led to increased costs and slower delivery.

3.4 Effects across Yemen were uneven

Aid disruptions fell hardest on Houthi-controlled areas, where the majority of Yemen’s population lives. Some large NGOs withdrew entirely, while others shifted procurement and operations to the South. Nutrition pipelines collapsed, and a Swedish official observed that after the 2025 designation, “eleven very large international organizations...closed and moved to the South from one day to the next,” despite the North being home to the greatest needs.

3.5 Humanitarian consequences were immediate

The sudden contraction of aid in the North triggered cascading effects: health referral systems faltered, clinics closed, and families borrowed money simply to afford food. In February 2025, the United Nations temporarily paused all operations in Sa’ada governorate following the detention of UN personnel by Houthi authorities, disrupting assistance across key sectors (UN News, 2025). Around the same time, the World Food Programme suspended malnutrition prevention activities in Houthi-controlled areas due to severe funding shortfalls (Yemen Online, 2025). These setbacks were compounded by the U.S. government’s abrupt aid cuts and the Houthis’ terrorist designation, which forced several international organizations providing nutrition support to malnourished children and pregnant and breastfeeding mothers to suspend operations in northern Yemen (Amnesty International, 2025).

These outcomes were shaped by stark institutional contrasts. When Yemen’s state fractured in the 1990s and again in the current conflict, most experienced civil servants remained in northern institutions. Despite their status as a rebel movement, Houthi ministries often retained greater bureaucratic continuity, making coordination more predictable. By contrast, the Internationally Recognized Government (IRG) in the South leaned heavily on political appointees with limited administrative experience, high turnover, and weaker capacity. This divergence meant that, paradoxically, it was easier for aid actors to plan with northern authorities, yet legally and politically far more difficult to deliver assistance there.

4. Policy implications

The Yemeni case demonstrates that counterterrorism designations have cascading consequences for the humanitarian response, far beyond their initial legal intent. The volatility of repeated designation and delisting cycles amplified donor hesitation, disrupted banking channels, and deepened geographic inequalities in aid delivery. While humanitarian carve-outs exist, they were too narrow and poorly communicated to prevent major disruptions.

Another implication concerns state capacity. In the South, weak bureaucratic structures and high turnover made aid coordination far more difficult than in the North, despite the Houthis' status as a rebel group. Donors could support broader investments in professional training, institutional reforms, and civil service development to enhance governance stability. Within this broader effort, promoting training and education for female civil servants offers a particularly strategic entry point. In southern Yemen, women are far less likely to emigrate permanently, which means that once trained, they are more likely to remain in government service. Supporting women in the bureaucracy would not only expand opportunities for them but also help build a more stable and professional civil service over time.

More broadly, the Yemeni case illustrates how designation policy can unintentionally worsen humanitarian crises and shape long-term governance outcomes. Policymakers should weigh security goals against these broader consequences when deciding whether and how to use terrorist designations.

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