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## The Efficacy of Foreign Aid in Counterterrorism Efforts

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# The Efficacy of Foreign Aid in Counterterrorism Efforts

## Abstract

A literature review investigating the effectiveness of foreign aid in countering terrorism, and donor countries' motivations to allocate foreign aid with the stated goal of combating terrorist insurgencies in recipient nations. In the post-9/11 period, the United States has increasingly invested in counterterrorism efforts, making the assessment and examination of the effectiveness of these efforts all the more important for American policymakers and citizens alike.

## Keywords

counterterrorism, foreign aid, democratization

## Disciplines

American Politics | Political Science | Terrorism Studies

## Comments

Written for PS 103: Introduction to International Relations.

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Intro to International Relations  
Professor Lindsay Reid

**Literature Review:**  
**The Efficacy of Foreign Aid in Counterterrorism Efforts**

**Introduction**

For the past twenty years, the United States, as well as much of the developed world, has been involved in the War on Terror with the stated objective of defeating terrorist groups that threaten domestic security. To this end, the United States has committed to the strategies of direct military intervention in a handful of countries, and indirect foreign aid to the regimes hosting terrorist groups in a much larger set of nations, most of which are in the Middle East, South Asia, and Africa. Since 9/11, the aggregate amount of foreign aid globally has soared: Official Development Assistance (ODA) funds, which are defined by the Organization for Economic Cooperation and Development (hereafter OECD) as aid intended for economic development from Development Assistance Committee (DAC) members, have increased from \$75.8 billion in 2000, before 9/11, to \$145.3 billion in 2019 (OECD 2020).

Because of the large amount of money that is being distributed as foreign aid, it is all the more important to investigate its effectiveness and impact. Therefore, in this literature review I look at the following questions: *What is the primary objective of counterterrorism foreign aid?* And *What determines counterterrorism foreign aid allocation?* Additionally, I ask: *Is foreign aid effective in counterring terrorism?* And *What determines its effectiveness?*

As I approach writing this paper, I am skeptical of claims that foreign aid is an effective counterterrorism tool, simply because we've employed this strategy around the world, and especially in the Middle East, for my entire life, with little long-term success. I am much more inclined to believe international relations theorists who argue that foreign aid is driven more by realpolitik and Machiavellianism—that foreign aid is a tool to increase the donor nation's influence within—and over the regime of—the recipient country. I also expect that foreign aid will not only be ineffective, but will also be harmful for the conflict resolution process.

## Literature Review

### Aid Allocation and the Objective of Aid

In the post-9/11 period, counterterrorism foreign aid dramatically increased around the world, as evidenced by the rise in ODA funding (OECD, 2020). However, on a much more individualized scale, there is little evidence that aid budgets correlate with the aggregate number of terrorist incidents; according to Dreher & Fuchs (2011: 358), “There is no evidence that donors augmented their foreign aid budgets in years with particularly large numbers of attacks or cut aid when terror incidents have begun ebbing.” Furthermore, countries that host terror groups are no more likely than other countries to receive foreign aid. That being said, if host countries do receive foreign aid, it is more likely that they will receive comparatively larger amounts of aid (Dreher & Fuchs 2011: 358).

As counterterrorism aid allocation is not determined by terrorist incidents, it seems unlikely that the primary goal of foreign aid is to effectively counter terrorism; if counterterrorism is, in fact, the objective of foreign aid, then it is likely that aid is being allocated extremely ineffectively. In addition to terrorism not being a determinant, humanitarian need, as indicated by life expectancy, is not related to economic development aid allocation, and it does not affect the amount of aid that is allocated (Buono de Mesquita & Smith 2009: 336).

Instead, many argue that aid allocation is determined by the donor regime’s political rather than humanitarian, developmental, or counterterrorism objectives (Alesina & Dollar 2000). Even democratic states, which disproportionately are the donor parties in the foreign aid equation, utilize aid allocation as a tool for achieving personal and political goals (Aning 2010). These donor regime objectives include shoring up domestic electoral support, especially in the

run-up to elections, and solidifying the domestic economy (Tahir 2017: 114). Not only are these goals accomplished through foreign aid, but also by instigating or expanding diversionary wars (Tahir 2017: 114).

Finally, another explanation for foreign aid allocation is that it is used by donor countries to increase their political, economic, and military influence in the recipient country and the surrounding region. This theory is supported by evidence that aid is often given to countries that are economically and strategically important to the donor, regardless of their actual need for aid (Bueno de Mesquita & Smith 2009: 336).

In many cases, nations that host terrorist groups are unable to militarily defeat their insurgencies. In the absence of foreign aid, the regime then must decide between either prolonging the military conflict, which damages and destabilizes their state, or negotiating with terrorist groups—most regimes choose the latter option as it ensures their continued survival. This option often requires that the regime make a few key policy concessions to the insurgents, likely including increased hostility toward U.S. foreign policy. However, if the United States intervenes on behalf of the regime, either directly or indirectly, the regime's survival is ensured, and there is no incentive to negotiate with insurgents (Bapat, 2011: 22). Thus, U.S. intervention prolongs military conflict and may make eventual resolution less peaceful and more difficult (Bapat 2009: 23). This scenario demonstrates how donor countries use foreign aid to influence recipient regimes and how this affects conflict with terrorist groups.

Interactions between donor and recipient regimes occur within a system of aid-for-policy deals, where both actors politically gain in their respective domestic spheres. According to Bueno de Mesquita & Smith (2009: 310), when foreign aid is allocated, it is allocated in

exchange for policy concessions, making aid-for-policy deals “a rational allocation of resources and effort by both recipients and donors that advance the interests of political elites in each nation.”

For democratic donor regimes, such as the United States, foreign aid is a tool to achieve policy objectives that constituents demand, such as protecting and establishing pro-American regimes around the world, especially in strategically important regimes like the Middle East. Simply put, aid allocation depends on the demands of constituents, as one of the primary goals of democratic regimes is to stay in power, and in democracies this is achieved by winning elections. Autocrats, in contrast, rely on a very small group of supporters to stay in power, and, thus, have much greater latitude in conducting policy. Therefore, autocrats can call the shots on aid to some extent because they can respond to any decrease in aid with the removal of policy concessions, and democratic regimes cannot politically afford to lose policy concessions (Bueno de Mesquita & Smith 2011: 173). Additionally, the power recipients hold over donors—the realization that donors are unlikely to remove aid suddenly—enables recipients to misspend large amounts of aid (Boutton 2014: 742).

Donor countries have increasingly touted the objective of democratization, or the institution of democratic regimes in developing countries and countries that host terrorist groups. However, according to Bueno de Mesquita & Smith (2011: 193), applying the aid-for-policy deals framework, it seems unlikely that this is the actual goal of democratic donor countries because, just like the demands of constituents, democratic regimes prefer “compliant foreign regimes to democratic ones.” With true democratization comes the possibility of an anti-donor (in many cases anti-American) regime being elected, and this possibility can be politically

frightening for the donor regime to the extent that they take action to prevent meaningful democratization from occurring (Bueno de Mesquita & Smith 2009: 193).

Foreign aid is rarely allocated according to counterterrorism or developmental need, and the political survival of both the donor and recipient regimes is the primary catalyst for allocation. That being said, some aid *is* devoted to counterterrorism efforts, though research on its effectiveness is mixed and depends on a number of factors.

### Part 2: Foreign Aid Effectiveness

Some theorists, such as Azam & Thelen (2012), argue that foreign aid is an effective counterterrorism tool, even within the premise of aid-for-policy deals. Furthermore, Azam & Thelen (2012: 2-3) argue that, from an empirical perspective, donor countries generally allocate aid with counterterrorism as their primary objective, and that this has “a significant impact on the number of terrorist attacks produced by recipient countries.” In Africa, economic aid has been observed to be an effective tool against terrorism, as well as other high-level crimes; however, the cost of effective counterterrorism is much higher than what is generally recognized (Baggott 2011).

Others disagree. Tahir (2017: 126) goes so far as to argue that not only does foreign aid fail to reduce domestic conflict in the recipient country, but that “aid causes conflict.” Tahir (2017) attributes this to aid acting as a separate source of income for recipient regimes, making them reliant on a smaller constituency. Thus, the recipient country’s political system moves in the opposite direction of democratization. This position is supported by real-world evidence,



such as the fact that foreign aid expanded—rather than limited—insurgencies in Pakistan during the War on Terror (Nasir et al. 2012).

Taking Pakistan as an example, American foreign aid has been generally ineffective in combating the Taliban, the largest terrorist group based in Pakistan. One reason for this is that only a small portion of allocated aid was ever used for counterterrorism objectives: according to Bueno de Mesquita & Smith (2011: 164), “the United States gave Pakistan \$6.6 billion in military aid to combat the Taliban between 2001 and 2008. Only \$500 million is estimated to have ever reached the army.”

Instead, much of the foreign aid was devoted to expanding Pakistan’s nuclear arsenal and security capabilities in anticipation of a conflict with India, Pakistan’s largest regional rival (Boutton 2014: 741). Pakistan is not alone in this tendency, as, more broadly, recipient countries have no motivation to not invest counterterrorism aid in regional rivalries, and rivalries can be much more politically important for recipient regimes than fighting domestic insurgencies (Boutton 2014: 742). According to Boutton (2014: 742), aid can become a lifeline for autocratic regimes to the extent that “in some cases, the presence of a domestic security threat in a country can be a strategic benefit for a government.”

The consequence of aid being a boon for recipient regimes not just in interstate rivalries but also in eliminating domestic political rivals and consolidating power is that there is little incentive for them to eliminate terrorist groups. Because donor countries give aid as long as the campaign against terrorist groups is ongoing, there is an incentive for recipient countries to draw out the conflict for as long as possible (Bapat May 2011: 2). Put another way, according to Bapat (October 2011: 316), the problem of moral hazard is such that an inefficiency is produced where

“America pays hosts to fight terrorism, even though these states are unlikely to disarm their terrorists.” Compounding the problem of moral hazard is the fact that, as mentioned previously, democratic donor regimes are unlikely to remove aid suddenly (Boutton 2016: 366). This assures recipient regimes that they have a near-blank check in their use of aid funds.

However, foreign aid can be effective in catalyzing economic development in democratic states that have good governance and policy and where aid flows to the regime are held accountable. A prime example of this is the Marshall Plan in the 1940s, as democratic institutions were already established and recipient regimes could not interfere with the distribution of aid by American armed forces (Tahir 2017: 113).

Furthermore, according to Bueno de Mesquita & Smith (2011: 182), aid can be effective if the regime is held to account in how it is spent: “We know that aid works much better in the presence of good governance (just as we know that more often than not it goes to places with bad governance).” Because democratic regimes are held to account by their constituents when receiving aid, their constituents act as a critical oversight, ensuring that aid money is spent on counterterrorism efforts (Boutton 2016: 362).

In contrast, in personalist recipient regimes where there is no party structure supporting the dictator, aid is supremely vital to the survival of the regime. In a personalist state, the dictator is not free to use the military to crush dissent, as to do so would be to allow the military to gain power and become a potential rival. Therefore, to pay off supporters and maintain loyalty, the dictator needs aid as a source of income (Boutton 2016: 362-366). In this scenario, aid is not used for counterterrorism purposes, it props up an autocratic regime and prolongs insurgencies, making foreign aid completely counterproductive. This scenario is reflected in the real world:

according to Boutton (2016: 379), “Higher average US aid levels lead to longer-lasting terrorist campaigns in personalist regimes. Similarly, increasing aid levels to personalist regimes leads to more terrorist attacks—especially anti-US attacks—in a given year.”

One last reason why counterterrorism foreign aid may be ineffective is that it does not address the root cause of terrorism—economic and social inequality (Farooq & Shahzad 2019: 330). Inequality, as well as political corruption, drives radicalization and, eventually, insurgency. Therefore, according to Farooq & Shahzad (2019: 330), any solution to terrorism should “reduce economic and social disparities...” In addition, as economic indicators such as unemployment rate correspond to conflict, counterterrorism should focus on increasing social spending in host countries with the goal of providing better employment opportunities across the socio-economic hierarchy (Iyengar et al. 2011).

### **Discussion/Conclusion**

Counterterrorism foreign aid has been largely ineffective in combating insurgencies around the world because of the problem of moral hazard and the mis-incentivization of prolonging conflict rather than resolving it. However, aid has been successful in preventing terrorist takeovers of states, as it has prevented recipient regimes from negotiating with insurgency groups (Bapat May 2011: 2). This suggests that the objective of counterterrorism aid is primarily to influence recipient countries to become more accommodating toward the foreign policy objectives of donor nations, rather than to eliminate international terrorist threats. Finally, in determining the allocation of aid within the international system, government and regime type of both the recipient and donor nations is critical in determining the motivations of both actors in the aid-for-policy equation.

This paper does not provide many solutions, though there is a fair amount of existing research on the subject (Boutton 2016; Bueno de Mesquita & Smith 2011; Farooq & Shahzad 2019; Iyengar et al. 2011). Deprivation Theory, which identifies economic deprivation as the primary catalyst for the emergence of terrorism (Tahir 2017: 115), is one area of research not investigated in this paper, but connecting the theory to possible solutions may be an important topic for future research.

Additionally, another area that could be a potential target for future investigation is Selectorate Theory, which is described and advocated for by Bueno de Mesquita & Smith; this theory could be much expanded upon, especially in regard to the War on Terror. Selectorate Theory gets to the heart of the counterterrorism problem in an analytical and comprehensive way and further research could develop it into a compelling position.

For my entire life, the United States has constantly been at war, primarily as a part of the ongoing War on Terror. Determining the efficacy of various counterterrorism strategies is paramount both to understanding the U.S. effort to succeed in the conflict and to holding American politicians accountable. American foreign policy ultimately comes down to the voters, as they determine the leadership of the regime and the nation's policy agenda. As such, the electorate must be educated on the effectiveness of foreign policy strategies. Tens of thousands of lives in the Middle East, South Asia, and Africa are in the hands of American voters, making the assessment of American counterterrorism policy all the more important.

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