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The Determinants of U.S. foreign aid allocation to Sub-Saharan Africa in the pre-terror and post-terror security environments

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THE DETERMINANTS OF U.S. FOREIGN AID ALLOCATION TO SUB-SAHARAN
AFRICA IN THE PRE-TERROR AND POST-TERROR SECURITY
ENVIRONMENTS

by

Brendan Mark Morris

Bachelor of Arts
Saint Joseph's University
2006

A thesis submitted in partial fulfillment of
the requirements for the

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College of Liberal Arts**

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THE GRADUATE COLLEGE

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ABSTRACT

U.S. FOREIGN AID IN AN AGE OF TERROR

by

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Foreign aid has become a growing importance of U.S. foreign policy in the last few years. As the U.S. is committing more aid towards the developing world, questions over the purpose of this expansion of aid have emerged. While the traditional perspectives on the purpose of foreign aid of either serving the strategic interests of the donor or the development interest of the recipients are given as potential reasoning behind this allocation of aid, the impact of the U.S.'s involvement in the War on Terror may have more of a significant impact on the U.S.'s current foreign aid allocation. Foreign aid allocated to Sub-Saharan Africa (SSA) may have felt the greatest impact from the War on Terror, as the region has now been recognized for its geostrategic importance to the U.S. due to its high risk of instability and state failure. Looking at the potential determinants of U.S. foreign aid before and after the start of the War on Terror, this study asks whether this new security environment has had any profound effect on U.S. aid allocation to SSA. A multivariate panel regression with a partial fixed effects model is employed to identify the determinants of U.S. aid during these time periods. Differences in aid allocation that have been found between these two time periods suggest that the War on Terror has had a significant, yet limited, effect on U.S. foreign aid SSA.

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TABLE OF CONTENTS

ABSTRACT	iii
ACKNOWLEDEMENTS.....	iv
LIST OF TABLES	vii
CHAPTER 1 INTRODUCTION	1
The War on Terror and Terrorism in Sub-Saharan Africa	3
Counterterrorism through Foreign Aid.....	5
Methodology of the Study	8
CHAPTER 2 THEORETICAL PERSPECTIVES ON U.S. Foreign AID TO SUB- SAHARAN AFRICA.....	13
Theoretical Perspectives on Foreign Aid	15
The Strategic Interest Perspective on Foreign Aid.....	18
The Development Interest Perspective on Foreign Aid	23
Potential Effect of the War on Terror on Foreign Aid	29
CHAPTER 3 METHODOLOGY	39
Conceptionalization of Hypotheses and Operationalization of Variables.....	41
Perspective 1: Strategic Interest of the U.S.	41
Perspective 2: Development Interest of the SSA states	45
War on Terror Hypotheses	49
Final Model of Analysis on U.S. Foreign Aid Allocation to SSA	53
CHAPTER 4 FINDINGS	57
Results of U.S. Foreign Aid to Sub-Saharan Africa before the War on Terror	59
The U.S.'s Strategic Interest.....	60
The Development Interests of the SSA States.....	61
Pre-Effect of the War on Terror	63
Results of U.S. Foreign Aid to Sub-Saharan Africa after the Start of the War on Terror.....	64
The U.S.'s Strategic Interest.....	65
The Development Interests of the SSA States.....	66
Post-Effect of the War on Terror.....	67
CHAPTER 5 CONCLUSION.....	70
Implications of the Findings on U.S. Foreign Aid to Sub-Saharan Africa	71
Other Potential Explanations of Changes in U.S. Foreign Aid to Sub-Saharan Africa	75
Going Forward	76
APPENDIX 1 DATA	78

APPENDIX 2 COMPLETE STATISTICAL RESULTS	80
APPENDIX 3 SUPPLEMENTAL DATA	87
REFERENCES	88
VITA	95

LIST OF TABLES

TABLE 1	Terrorism in Sub-Saharan Africa (1992-2007).....	6
TABLE 2	State Failure in Sub-Saharan Africa (1991-2007)	35
TABLE 3	Summary Statistics of Primary Variables	55
TABLE 4	Correlation Matrixes of Primary Variables.....	56
TABLE 5	Regression Results of Primary Model	58
TABLE 6	Regression Results of Additional Variables	59

CHAPTER 1

INTRODUCTION

Since the implementation of the Marshall Plan after the end of the Second World War, foreign aid¹ has been an important part of the United States's foreign policy (Lancaster, 1999: 83). This importance has grown within the last eight years, with U.S. foreign aid allocation reaching its highest levels since the 1960s, nearly double the amount allocated in the previous decade. The impact of the U.S.'s involvement in the War on Terror may have a significant impact on the U.S.'s current foreign aid allocation. Foreign aid allocated to Sub-Saharan Africa (SSA) may have felt the greatest impact from the War on Terror, with the region now being recognized for its strategic importance in protecting U.S. national security (Kraxberger, 2005). The threats which U.S. faces in the War on Terror have increased the U.S.'s focus on the dangers from failing and failed states, a political symptom which has plagued many SSA states since their independence. Foreign aid to SSA may have increased significantly to support development and to prevent terrorist groups from establishing bases to conduct operations within the region. Because foreign aid that has been allocated to SSA in the past has been allocated to further the strategic interests of the U.S. more than promoting the development of the recipients, it is important to ask how the U.S.'s foreign aid allocation to this region has been affected by the War on Terror.

Questioning the impact of the War on Terror on U.S. foreign aid allocation to SSA is important for understanding the role foreign aid plays for the U.S. as well as the

¹ The term "foreign aid," or simply "aid," in this study will refer to Official Development Assistance (ODA) specified in the OECD statistical records.

U.S.'s foreign policy towards SSA. To undertake this task, this study will attempt to identify and compare the most significant determinants of the U.S.'s foreign aid allocation to SSA in the periods before and after the start of the War on Terror. The reasons why the U.S. allocates aid to SSA is especially interesting, as the region has traditionally been of little importance to the U.S.'s strategic interest and the last four decades of foreign aid to the region has not produced significant development results to permit the continuing of its allocation.

The traditional perspectives on foreign aid explain aid allocation either around the donors' egotistical interests or the donors' altruistic concerns towards the recipients. According to these perspectives, the U.S. would either provide foreign aid to SSA in the hope of gaining some form of benefit to its economic, political, or security interests, or it would provide aid to the region based upon a sense of moral obligation to promote poverty alleviation. By introducing the potential effect that the War on Terror has on the U.S.'s foreign aid decisions to SSA in addition to these perspectives, one may develop a more refined understanding of the purpose of U.S. foreign aid in this new security environment. SSA contains many factors which makes it highly susceptible to the spread of terrorist movements (Cilliers, 2003). These factors include close proximity of the Middle East to the volatile Horn of Africa territory, the rise of Islamic terrorist groups connected to al Qaeda in parts of the region, a history of terrorist attacks targeted against SSA regimes and the U.S., and the potential for individuals to be recruited in the region to carry out attacks against the U.S. Reviewing these factors, one may see the dangers of terrorism within the region and the reasons why the U.S. would wish to focus on preventing and containing these dangers.

The War on Terror and Terrorism in Sub-Saharan Africa

The attacks on September 11, 2001 have been “widely interpreted to demonstrate beyond dispute that conflict and unrest in one part of the world could spill over and destroy the lives of thousands on the other side of the globe” (Abrahamsen, 2004: 678). Since the 9/11 attacks, the U.S. has been engaged in a global conflict against transnational terrorist organizations and states which sponsor and support such groups. Described as a “battle of arms and a battle of ideas,” the War on Terror under U.S. leadership has focused on several strategic goals, including: advancing effective democracies as the long-term antidote to the ideology of terrorism; preventing attacks by terrorist networks; denying weapons of mass destruction (WMD) to rogue states and terrorist allies who seek to use them; denying terrorists the support and sanctuary of rogue states; denying terrorists control of any nation they would use as a base and launching pad for terror; and laying the foundations and building the institutions and structures needed to help ensure ultimate success in defeating terrorism. (National Strategy for Combating Terrorism, 2006:1).

The strategy laid out above shows a focus for the U.S. in the War on Terror on not only engaging terrorist threats, but also developing regions to prevent terrorist groups from emerging in an area. Democracy in this strategy is listed as the long-term solution to preventing terrorism groups from arising. Earlier strategies for the U.S. during the beginning of the War on Terror list preventing weak states to fail as a critical strategy in preventing terrorism as well (U.S. National Security Strategy, 2002). Though the U.S. has a primary target in the War on Terror with al Qaeda, terrorist groups, especially radical Islamic groups, in many developing countries have been noted for their potential threat to

U.S. interests (Rabasa, 2009). SSA has been particularly recognized as a major battlefield in the War on Terror for the U.S. due to its weak states and connections to terrorism.

Reviewing SSA's connections with the terrorism, it is not a surprise that the U.S. has focused on the region's importance to U.S. national security. As SSA contains territories with close proximity to the Middle East, the U.S. would have several reasons to be concerned with the spread of terrorist movements into the region. With porous borders throughout the region and cultural and religious ties between some of the SSA states and terrorist hotbeds such as Saudi Arabia and Yemen, the U.S. has labeled part of SSA, the Horn of Africa, as a frontline in the War on Terror (Lyman and Morrison, 2004). The focus on the threat within the Horn of Africa can be seen with the U.S. conducting military operations throughout the region, training SSA states in counterterrorism as well as carrying out its own attacks against suspected terrorist targets. The establishment of African Command (AFRICOM) to serve as a regional military command for the U.S.'s operations in SSA is more evidence to the growing importance of the region in the battle against terrorism and signs that the U.S. may also be interested in using SSA as a base for its operations against threats within the Middle East.

The existence of acting terrorist organizations throughout the region is another important factor to consider in regards to potential terrorist threats in SSA. Groups in the region, such as al-Ittihad al-Islami (AIAI) and al-Shabaab based in Somalia, al-Qaeda in the Islamic Maghreb (AQIM) in Algeria and Mauritania, the Lord's Resistance Army (LRA) in northern Uganda, and the People Against Gangsterism and Drugs (PAGAD) in South Africa, have conducted terrorist attacks against multiple targets. Of these particular groups, al-Shabaab and AQIM are both listed under the U.S. State Department's Foreign

Terrorist Organization list (U.S. Department of State, 2010) with both groups having perceived links to al Qaeda. While it has been argued that these groups and other terrorist groups in SSA are focused on regional targets and politics and not the U.S. (Piombo, 2007; Berschinski, 2007), previous attacks against the U.S. in the region represent key factors that could increase U.S. interest in SSA security.

Table 1 below lists the number of terrorist attacks and casualties from attacks in SSA from 1991-2007. Of these attacks, the dual bombings of American embassies in Kenya and Tanzania in 1998 and the hotel bombing and the attempt to shoot down an Israeli airplane in Mombasa, Kenya in 2002 shows the existence of terrorist cells that are focused on attacking the U.S. and its allies. The fact that the perpetrators of the embassy attacks have connections to al Qaeda makes the potential threat of terrorism against the U.S. in the region even greater. Other links to al Qaeda, such as states providing safe havens for al Qaeda's top leaders (such as Sudan for Osama bin Laden in the 1990s), financial support for the organization through illicit trade (such as al Qaeda's connections to conflict diamonds in Sierra Leone; see Farah, 2002), and potential recruiting networks for al Qaeda within the region show the potential for SSA to be the next battlefield in the War on Terror.

Counterterrorism through Foreign Aid

While terrorism should be an obvious concern for the U.S. in regard to its foreign aid to SSA, it is important to look at the leading factors within the region that would influence the spread of terrorism and how the U.S. could use foreign aid to prevent this threat from spreading further. The threat of terrorism in SSA is based around "problems of poverty, limited infrastructure, poor education and health services, frequently slow and

Table 1

Terrorism in SSA (1992-2007)		
Year	Num. of Terror Attacks	Num. Of Casualities from Terror Attacks
1991	272	2,131
1992	571	3,989
1993	<i>Missing Data</i>	
1994	438	4,835
1995	237	2,097
1996	216	3,105
1997	278	3,566
1998	90	6,035
1999	139	1,679
2000	146	1,322
2001	118	1,465
2002	84	579
2003	70	568
2004	39	500
2005	53	667
2006	127	1,325
2007	2,464	303

Source: Global Terrorism Database, 2009

sometimes volatile rates of economic growth, low levels of investment and high unemployment rates, and, in a number of cases, ethnic, religious, class, and regional cleavages and weak and corrupt governments” (Lancaster and Van Dusen, 2005: 1-2). As a USAID report notes, “these circumstances entrench poverty, nurture injustice, and fuel anger and alienation,” potentially leading individuals to violence and terrorism (USAID, 2002).

As the U.S. has identified development as one of its three pillars of national security(U.S. National Security Strategy, 2002), along with defense and diplomacy,

expanding development through increasing foreign aid to prevent states from failing may be considered to be a plausible strategy for the U.S. towards SSA. Development can help alleviate the threat of terrorism by providing support to economic, social, technical, and political dimensions of SSA states. By providing support to build up democratic institutions, improving access to education and healthcare, and taking effective measures against some of the region's biggest epidemics, such as the spread of HIV/AIDS, U.S. foreign aid can build up the SSA's states capabilities to improve security and prevent the rise of international terrorism in the region from occurring.

Foreign aid may, however, have negative effects to the region. Since 1960, the U.S. has allocated over US\$80 billion² (OECD, 2010) in foreign aid to SSA. This foreign aid has been viewed by some to have produced few positive results in the area of development and has kept weak states and corrupt leaders in existence (Van de Wall, 2001; Moyo, 2009). A major problem with the foreign aid that has been allocated to SSA in the past, especially during the Cold War, is that the foreign aid was allocated more on the interests of the U.S. than the interests of the SSA recipient states. Foreign aid allocated during this time has been described as having nothing to do with the region itself (Congressional Research Service, 2008: 12), as the U.S. ignored the realities of SSA's political and economic situation (Kraxberger, 2005). The disregard of the realities of the SSA states and provision of aid to corrupt regimes contributed to the weakening or failure of many states.

Studies of U.S. foreign aid allocation during the Cold War have observed that the U.S.'s strategic interests have a greater impact on allocation decisions than the

² Constant 2008 US\$

development interests of the recipients (Griffin and Enos, 1970; McKinlay and Little, 1977; Schraeder, Hook, and Taylor, 1998). The end of the Cold War has been viewed as an opportunity for U.S. foreign aid to focus on the economic and political development of SSA and not follow just the strategic interest of the U.S. (Clough, 1992; Van de Walle, 2001). If the U.S. is focused on preventing terrorism, then the U.S.'s allocation of aid should be influenced by factors related to the prevention of the emergence of failing and failed states and the development needs of the recipients. If the U.S.'s economic interests are found as the major determinants of its foreign aid, then one may assume that the U.S. is still not focusing on the dangers of instability within the region and is still following the traditional practices of its aid allocation.

Methodology of the Study

In order to find whether the War on Terror has had an effect on U.S. foreign aid allocation, this study will examine the major determinants of U.S. foreign aid since the end of the Cold War and how they have changed since the start of the War on Terror. To test the main hypothesis that the War on Terror has had a profound effect on U.S. foreign aid allocation to SSA, this study will test the identified determinants of U.S. foreign aid before and after the start of the War on Terror. The time periods for the two analyses are 1992-2000 and 2002-2008. As the War on Terror has been described as an important change in U.S. foreign policy (U.S. National Security Strategy, 2002), significant changes in the determinants of foreign aid between the two time periods would generally support the hypothesis that the War on Terror has influenced U.S. foreign aid allocation.

To test these determinants, this study will employ a partial fixed effects³ multivariate cross-sectional time-series regression model using panel corrected standard errors which will test for the significance of specific determinant variables in determining U.S. foreign aid allocation levels for the SSA states.⁴

To test the main hypothesis that the War on Terror on U.S. has influenced U.S. foreign aid allocation, this study will test several sub-hypotheses on foreign aid allocation based on perspectives which explain U.S. foreign aid to this region. These perspectives emphasize the strategic economic interest of the U.S. and the development interest of the recipient SSA states as the leading explanations of foreign aid allocation. Testing hypotheses based around these perspectives and comparing their results between the time periods before and after the start of the War on Terror, this study will attempt to find any adverse changes in the purpose behind U.S. aid. To further test the potential effect of the War on Terror, several additional hypotheses based around specific interests for the U.S. in the War on Terror will be included to see if they have any effect on U.S. aid allocation. Only a select few of these hypotheses will be tested to keep a parsimonious model, with

³ The partial fixed effects method employed in this study consists of finding specific cases in the data that may have a strong influence on the analysis and include these cases as dummy variables in the model to control for their effect. Influential cases are identified by comparing the summed residuals of the cases to five times the mean value of the dependent variable, with any cases with a higher value than this threshold being included as dummy variables in the model.

⁴ The SAA states include: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo (Zaire), Republic of Congo, Cote d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

additional hypotheses being tested in separate models. The primary model for this study will test the following hypotheses:

- 1) The U.S. provides more foreign aid to SSA states that have stronger trade relationships with the U.S.
- 2) The U.S. provides more foreign aid to SSA states with greater economic needs.
- 3) The U.S. provides more foreign aid to SSA states with higher levels of freedom.
- 4) The U.S. provides more foreign aid to SSA states that are at risk of failing.

The first hypothesis bases U.S. foreign aid levels off of the strategic economic interests of the U.S. More specifically, aid levels are based on the goal of increasing trade with the region. Finding support for this hypothesis in the two time periods would show the lack of effect of the War on Terror in influencing the U.S.'s aid allocation towards helping develop the region and, instead, having the U.S. follow its traditional purposes of foreign aid.

The second hypothesis is that the U.S.'s foreign aid allocation is based on the economic and development needs of the recipients. Finding that the U.S. is providing foreign aid to the region on the basis of need would show not only the U.S. has not continued to follow traditional practices of foreign aid allocation which occurred during the Cold War, but any difference between the two time frames would suggest the War on Terror had an impact on the U.S.'s view towards the region.

According to the third hypothesis, the level of democracy and human rights performance of a recipient state are major influences on U.S. foreign aid. According to the beliefs of U.S. policymakers, democracy and freedom are necessary components of

development (USAID, 2002). The War on Terror may have negative effects on the preference for democracy though, as the focus on failing states and states that are engaged against terrorist movements may require the U.S. to provide aid to more repressive regimes. A change of focus on democracy and human rights protection before and after the War on Terror will show the effect of the War on Terror, as well as the U.S.'s true priorities in this new security environment.

The final hypothesis is specific to the War on Terror. According to this hypothesis, preventing the threat of terrorism in SSA is an important determinant of U.S. foreign aid allocation. Testing whether the risk of a recipient state failing has any effect on U.S. foreign aid allocation will help illuminate the effect of the War on Terror on aid allocation. Scholars have pointed to how U.S. policy has reflected little regard for the stability of SSA states (Kraxberger, 2005). Finding that U.S. foreign aid allocation is affected by the potential for states to fail since the start of the War on Terror would suggest that preventing terrorism has become a goal pursued through foreign aid.

The results from this study show interesting findings regarding how the U.S. has applied its foreign aid to SSA. A lack of focus from the U.S. regarding its strategic economic interests towards SSA can be seen before and after the War on Terror. The U.S. appears not focus on democracy and the protection of human rights in the region with its foreign aid as well. The results do show a significant change in focus of U.S. aid after the start on the War on Terror, with a stronger focus on poorer states and states which have been susceptible to instability and failure. These results would indicate that the War on Terror has had some kind of an effect on U.S. aid allocation to SSA.

The focus of this study will add to the literature on foreign aid, as the effect of the War on Terror on foreign aid has only begun to be addressed by scholars (see Moss, Roodman, and Standley, 2006; Fleck and Kilby, 2008). Looking at SSA only and using the U.S.'s main concern towards the region, i.e. state failure, this study will be able to test whether the U.S. is actually following its own national security policy. Going forward, this study shall first provide a review of the literature on the theoretical purposes of foreign aid as well as a brief history of U.S. foreign aid practices towards the SSA. Following this initial review, the study will then develop the model of analysis and explain the conceptualization and the operationalization of the hypotheses which will be tested. Following the analysis of the data, this study will explain the results and shed light on any irregularities in the data. The conclusion of this study will review the results on the analysis and discuss the implications which the War on Terror has on U.S. foreign aid and U.S. foreign policy towards SSA.

CHAPTER 2

THEORETICAL PERSPECTIVES ON UNITED STATES FOREIGN AID TO SUB-SAHARAN AFRICA

In order to test whether the War on Terror has had a profound effect on U.S. foreign aid allocation to SSA, it is important for this study to review the different theoretical perspectives on foreign aid found in the literature explain the purpose of aid allocation. By examining the different rationales behind the allocation of foreign aid, as well as the relationship which the U.S. shares with SSA in regards to aid, this study will present the theoretical foundations from which the study's hypotheses can be derived. As it is impossible for this study to unearth and explain the purposes of the U.S.'s foreign aid allocation in their entirety, this review of the literature will examine what appear to be considered the most important purposes of giving aid.

The main body of scholarly literature on foreign aid can be divided into three groups: allocation studies, aid effectiveness studies, and foreign aid organizational studies. The allocation studies on aid, which is the basis for this study, are some of the more traditional studies on foreign aid. This type of study offers important insight into what type of concerns and interest aid donors have in deciding to whom to provide aid to and how much aid to give. There are different forms of allocation studies, including exploratory studies that test allocation trends against theoretical allocation interests (Dollar and Alesina, 2000; Feeny and McGillivray, 2002; Tuman and Ayoub, 2004); studies that test whether donors are paying attention to specific concerns, such as human rights (Alesina and Weder, 2002; Neumayer, 2003; Lebovic and Voeten, 2009) or rewarding recipients for support of a donor's foreign policy (Dudley and Montmarquett,

1976; Kuziemko and Werker, 2006); and studies which test allocation levels against estimated levels based off of recipients' development needs (Trumbull and Wall, 1994). These types of studies help hold donors accountable, as they can test whether donors' allocation practices match their stated policies on foreign aid.

Effectiveness studies of foreign aid tend to overlook the possible purposes of why donors provide aid and assume that the foreign aid has been allocated primarily for the development purposes of the recipient states.⁵ Studies of this kind have included looking into how foreign aid has affected democracy (Knack, 2001; 2004), corruption (Tavares, 2003), and economic growth (Burnside and Dollar, 2000) in recipient states. These types of studies not only show if foreign aid is actually working in creating development, but also help hold recipients accountable by testing whether foreign aid has any adverse effects on the recipients.

A similar focus is found in the final type of study on foreign aid, which looks at the organization of foreign aid and donor aid agencies with the objective of making foreign aid more effective in promoting sustainable development. Studies of this type focus on the lack of positive results from foreign aid and promote positive reform by providing quantitative models of hypothetical allocation designs and qualitative evidence of the positive and negative aspects of foreign aid allocation and organization (Tendler, 1975; Lancaster and Van Dusen, 2005; Brainard, 2006; Lancaster, 2008).

⁵ The differences in the focus and perspectives between the allocation and effectiveness studies can be seen with who is undertaking them. Allocation studies, which look at the purpose of foreign aid in the context of international relations, tend to be traditionally undertaken by political scientists. Effectiveness studies, which overlook the foreign aid's role in international relations, have been dominated mostly by economists (Brainard, 2006: 5; Lancaster, 1999: 6).

These different types of studies each offer insight into what the primary purpose for foreign aid is. By revealing the hidden interests of donors through their allocation tendencies, as well as the politics behind foreign aid, the literature shows a complex debate on foreign aid's role in international relations. In an attempt to significantly add to this debate, this study will try to answer how the U.S. has used its aid in the War on Terror by testing different determinants of aid that focus on the threat of global terrorist groups and failing states. Turning now to the theoretical perspectives on foreign aid, this study will try to build the foundations for the hypotheses which will be tested.

Theoretical Perspectives on Foreign Aid

Theories on foreign aid allocation have been distinguished in previous studies by the issue of who foreign aid is supposed to serve, either the donor of the aid or the recipient states. Questioning whether donors give out aid based on egotistical or altruistic purposes has filled the literature on foreign aid (Griffin and Enos, 1970; Abbott, 1973; Dollar and Alesina, 2000; Feeny and McGillivray, 2002; Simon and McGillivray, 2002). These studies have pointed to two theoretical perspectives that explain the allocation of aid through the basic premise of who the aid is suppose to serve, the donor or the recipients.

The first theoretical perspective, the “donor strategic interest” perspective, follows the theoretical framework of the neorealist view of international relations. According to this perspective, donors only allocate foreign aid to benefit their own national interests. These interests can include deterring national security threats, creating beneficial economic relations between the donor and recipient, and achieving positive

political gains from the recipient (Black, 1968). Following this perspective, hypotheses are shaped around the interests the U.S. can gain from SSA.

The second perspective, the “development interest of the recipients” perspective, follows the idealist view of international relations. According to this perspective, foreign aid is allocated mainly to serve the interests of the recipients. Following this line of thinking, donors’ allocation patterns would be influenced by the humanitarian concerns the donors have towards the developing states (Lumsdaine, 1993). Deriving hypotheses from this perspective, this study will be able to test whether the recipients’ development needs influence U.S. foreign aid allocation. As the donor community has also pushed for more accountability and evidence of positive results in regards to development from foreign aid allocations (Monterrey Consensus, 2002; Dollar and Alesina, 2000), testing whether recipients with desirable types of governments and economic policies that promote the efficient use of foreign aid receive more aid than states who do not hold these qualities will shed more light on the significance of this perspective in explaining the priorities of the U.S. foreign aid.

An additional potential factor on recent foreign aid allocation that needs to be considered is how foreign aid has been impacted by the War on Terror. The potential effect from the War on Terror may have a strong influence on the strength of these perspectives explaining U.S. aid allocation. Several recent studies have begun to look at how the current focus on international terrorism has affected foreign aid allocation and the U.S.’s relationship with SSA (Moss, Roodman, and Standley, 2005; Fleck and Kilby, 2008; Azam and Thelen, 2009; Van de Walle, 2009). This potential factor on foreign aid follows the neorealist view, similar to the strategic interest perspective, where the U.S.

would allocate foreign aid in its strategic interest of preventing the expansion of terrorism in the region.

Using foreign aid to prevent the expansion of terrorism in SSA may also be considered to be in line with the development interest perspective as well, as the U.S. may attempt to prevent the expansion of terrorism by aiding in the economic development of the region and preventing unstable states from failing. If the War on Terror has affected the foreign aid decisions of the U.S., one would expect factors related to the threat of terrorism, such as the level of instability in a state, previous terrorist attacks within a state, and any cooperation from a recipient with the U.S.'s counterterrorism operations in the region, attracting more aid to a recipient. Hypotheses can be derived from these potential factors which may indicate a direct effect of the War on Terror on U.S. aid. Hypotheses related to non-direct links to terrorism, such as the size of Muslim populations in recipient states, can also be included under this study to find any overarching policy against Islamic terrorism has been enacted by the U.S.

It is important to review the two perspectives on foreign aid allocation in greater detail and provide some conceptualization of the different factors of U.S. foreign aid. The sections below will discuss the strategic interest perspective and the development interest perspective through their theoretical assumptions as well as their relation to the observations of U.S. foreign aid allocation and the U.S.'s relationship with SSA. A discussion of the conceptualization of the different aspects of the War on Terror will also follow.

The Strategic Interest Perspective on Foreign Aid

The strategic interest perspective on foreign aid identifies aid as a tool of statecraft for a donor to use to achieve its foreign policy objectives. This perspective has been adopted by scholars of foreign aid (Black, 1968; Griffin and Enos, 1970; Lancaster, 1999) and is generally the most accepted purpose of aid found in the literature (McKinlay and Little, 1977; Schraeder, Hook, and Taylor, 1998; Alesina and Weder, 2002; Lebovic and Voeten, 2009). One of the assumptions of the neorealist theory in which this perspective is based off of maintains “that states are rational actors characterized by a decision-making process leading to choices based on maximizing the national interest” (Dougherty and Pfaltzgraff, 1997: 58). According to this assumption, donors would use foreign aid in a strategic manner that would benefit their own national interest by providing aid to specific recipient states. The basis of aid allocation under this perspective places an emphasis on how aid can benefit the donor foremost, rejecting the claim that donors would allocate aid simply out of any humanitarian concern towards recipient states (Griffin and Enos, 1970).

Following the rationales that have been given for the allocation of aid, consisting of defense, economic, political, and humanitarian concerns (Black, 1968: 15-20), aid allocation under this perspective may be considered a function of reciprocity. This is seen with the view of foreign aid serving as a payment to recipient states for providing some type of economic, security, or political return to the donor state. Even the giving of aid based on humanitarian concerns may be interpreted as giving the donor some type of gratitude from recipient states, thereby increasing the donor’s “soft power” (Dudley and Montmarquette, 1976; Arvin and Barillas, 2002).

In regards to U.S. foreign aid under this perspective, U.S. aid has been noted to have “developed from a temporary post-war measure for the relief and reconstruction of war-torn economies into an extremely sophisticated and permanent instrument of American foreign policy” (Abbott, 1973: 2). On record, the purpose of U.S. foreign aid is explained in the “U.S. Foreign Assistance Act of 1961” with: “AN ACT to promote the foreign policy, security, and general welfare of the United States by assisting peoples of the world in their efforts towards economic development and internal and external security, and for other purposes” (2003: 18). According to the Act, U.S. foreign aid is mainly intended to serve the interests of the U.S. by aiding recipients with their own internal development. This policy appears to have foreign aid benefit the U.S.’s national interest indirectly by aiding the interests of the recipients; a relationship which does not fit into the strategic interest perspective. The realities of its aid allocation point to other intentions than just development though. A stark example of this is U.S. foreign aid that is allocated the Middle East, where concerns over development and democracy are overlooked for more strategic interests that benefit the U.S. directly (Cronin and Ghani, 2006: 203).

In order for the strategic interest perspective to be applicable to U.S. foreign aid to SSA, the SSA states would need to contain some form of valuable return the U.S. may gain from its aid. What exactly is in the U.S.’s strategic interest that can be gained from SSA is not altogether clear. It has been noted by some scholars that one of the oldest and most enduring purposes of the U.S. foreign aid has been to counter security threats (Cronin and Ghani, 2006). This potential purpose of aid has been used to explain the

U.S.'s aid allocation to SSA during the Cold War, where the U.S. attempted to contain the expansion of communism by providing aid to client states (Moyo, 2009: 23).

The expansion of communism is no longer considered to be a major threat to the U.S.'s national security though, and aid to SSA has outlived the Cold War (Schraeder, Hook, and Taylor, 1998: 294). SSA has been noted to contain many threats, including humanitarian crises from war, famine, and disease, which may have a potentially detrimental impact on the U.S. (Lancaster and Van Dusen, 2005; Brainard, 2006). Even though it has been argued that the U.S. has traditionally neglected these threats (Kraxberger, 2005), an attempt by the U.S. to alleviate these potential threats through allocating its foreign aid would only succeed by promoting the development of the region. Again, this would mean that the U.S. would only benefit indirectly, which does not fit into the strategic interest perspective.

There may be other strategic interests which the U.S. may wish to seek by allocating aid towards SSA. These could include buying favor within a recipient state to establish military bases, gaining political cooperation with the U.S.'s foreign policy, and establishing economic trade relations with the region which may benefit the U.S. (Lancaster, 1999: 75-6).⁶ Having access to a state for the purpose of having U.S. military bases is important to the U.S.'s ability to remain as the world's mightiest military power. Allocation studies have even found this interest to be a significant determinant in the U.S.'s aid allocation (Schraeder, Hook, and Taylor, 1998). With SSA's proximity to the Middle East, this interest is even greater in the War on Terror (Schraeder, 2006). The

⁶ Aid may also serve less strategic interests as well, such as giving more power to the U.S.'s ambassadors within a recipient country or as a symbolic policy to be announced during visits from high profile by leaders (Lancaster, 1999).

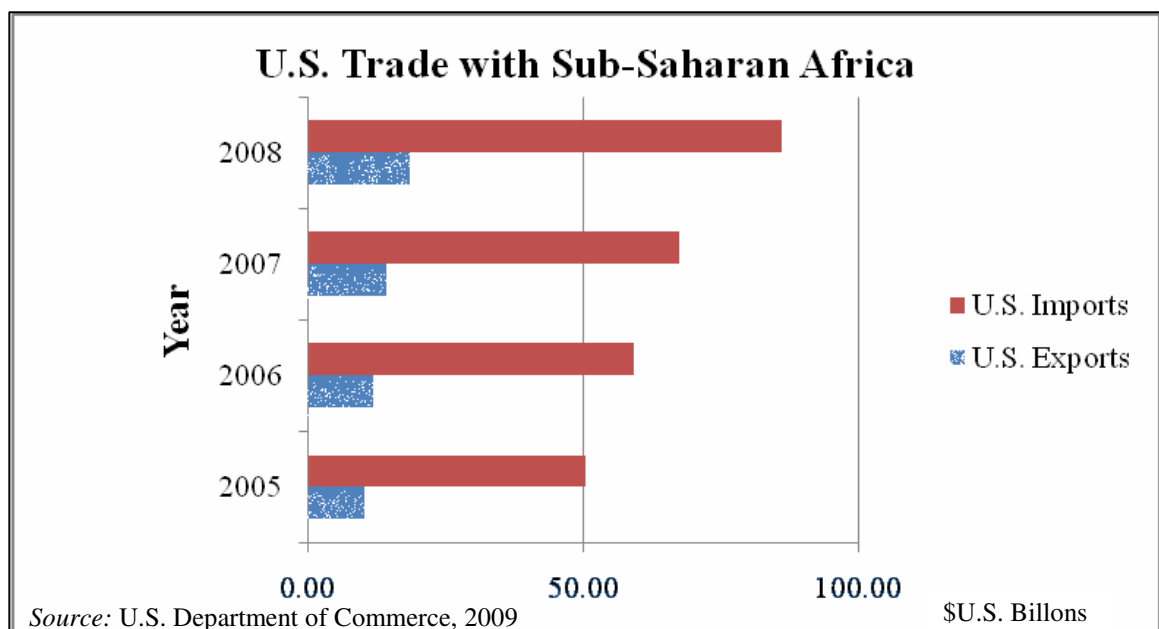
creation of AFRICOM to serve as the U.S.'s newest regional military command is testament to this belief. This type of determinant is unfortunately limited in this study, as the U.S. has been unable to establish a base due to SSA states' apprehensiveness towards AFRICOM's actual purpose and effect on the region (Bah and Aning, 2007).⁷

Economic interests are another strategic interest which the U.S. may wish to pursue through its aid allocation. Some studies have looked at the effect that economic interests have had on U.S. aid allocations (McKinlay and Little, 1977). Increased trade to the region was a major policy issue for the U.S. towards SSA after the end of the Cold War. The U.S. has implemented a trade relationship with the region through the African Growth and Opportunity Act (AGOA), signed into law in May of 2000. The act states the U.S.'s interest, as "sub-Saharan Africa represents a region of enormous economic potential and of enduring political significance to the United States" (Trade and Development Act, 2000: 3). Under AGOA, the U.S. has developed trade policies that allow for a beneficial trade relationship to exist between the U.S. and SSA. Trade from AGOA has seen a high level of disproportionality between U.S. exports and imports to the region, with the U.S. importing roughly five times the value of goods compared to the amount it has exported to the region (U.S. Department of Commerce, 2009; see Figure 1). While this trend appears to benefit SSA more than the U.S., it is important to see what exactly the U.S. has been importing from the region.

⁷ The U.S. has been given access to Camp Lemonnier in Djibouti for its Combined Joint Task Force Horn Africa (CJTF-HOA) operations.

According to the AGOA statistics, over 90% of the imports brought in from AGOA program were from petroleum products (U.S. Department of Commerce, 2009: 2). Providing aid to the region to develop the oil producing capacity appears to be a major interest which the U.S could pursue through aid. Obtaining oil from SSA has gained a lot of attention in the U.S., where oil from SSA has been viewed as a suitable substitute to an uneasy supply from the Middle East (Volman, 2003).

Figure 1



There may be a problem with the U.S. using aid to increase their access to trade with SSA, however. The AGOA act has the stated goal of reforming SSA economies to market-oriented systems that would promote growth and reduce the dependency on

foreign aid (AGOA, 2009). As giving foreign aid lost a lot of support in Congress after the end of the Cold War, increased trade to the SSA was intended to be a substitute for aid. If the U.S. is following these intentions through AGOA, then aid should have decreased to states that have established trade relations with the U.S. While hypotheses can be tested on the effect of the U.S.'s trade with SSA and SSA oil exporting to the U.S., the analysis will need to take into account this potential discrepancy in the analysis.

The Development Interest Perspective on Foreign Aid

The development interest theoretical perspective on foreign aid follows the belief that foreign aid is allocated with the purpose to serve the interests of the recipients in regards to their needs for sustainable development. The criteria of foreign aid from the OECD states that foreign aid (ODA) is for developmental purposes that serve the development of the recipient state only (OECD, 2008). These restrictions place heavy emphasis on humanitarian concern and the recipients' needs as the major influence behind aid allocation. This view towards the purpose of foreign aid can be compared to a state's use of social and economic welfare programs as safety nets for their poorest members of the society (Noel and Therien, 1995). Following this perspective on the purpose of aid, one would expect to see higher levels of aid going to those who need help the most rather than to states which have relatively better off populations.

Though scholars have traditionally rejected the humanitarian concerns of donors influencing aid allocation (McKinlay and Little, 1977; Feeny and McGillivray, 2002: 11), allocation studies have found some evidence that humanitarianism does have some effect

on foreign aid.⁸ Some idealist scholars have pointed to qualitative evidence that suggests that the strategic national interest of donors cannot explain aid allocation alone and that humanitarian intentions still remain a viable influence on foreign aid allocation.

Lumsdaine points to the lack of support for increasing foreign aid from “Cold Warriors,” or national security centered congressional members and policymakers, and the desire to increase aid within more liberal minded politicians as evidence that aid is not primarily allocated in the interests of the donor (1993: 31). Supporters of this perspective have pointed to the use of moral reasoning, as well as national interests, from political leaders when discussing the allocation of aid (Riddell, 1987: 62). This can be seen with President George W. Bush in his arguments for aid to Africa:

America’s approach to Africa stems from both our *ideals* and our *interests* [italics added]. We believe that every human life is precious. We believe that our brothers and sisters in Africa have dignity and value because they bear the mark of our Creator. We believe our spirit is renewed when we help African children and families live and thrive. Africa is also increasingly vital to our strategic interests. We have seen that conditions on the other side of the world can have a direct impact on our own security. We know that if Africa were to continue on the old path of decline, it would be more likely to produce failed states, foster ideologies of radicalism, and spread violence across borders. (Woolley and Peters, 2010)

⁸ Different aspects of allocation studies have lead to finding evidence of humanitarianism in aid allocation. These include the time period which aid allocation is studied, with studies focusing on aid allocation after the Cold War finding more evidence of donors focusing less on their own strategic interests (McGillivray, 2005), and the focus on specific donors, such as studies looking at Japanese foreign aid allocation that have found evidence of humanitarianism (Tuman and Ayoub, 2004). Studies focusing on the U.S. foreign aid have found little evidence of the U.S. explicitly focusing on the development of the recipients (Schraeder, Hook, and Taylor, 1998; Alesina and Weder, 2002). Note, Schraeder’s study find evidence that the U.S. provide more aid on average to worse off economic states, but explain this result as an unintentional consequence of the U.S.’s ignorance in providing more aid to strategic states, such as Zaire, that were highly unstable and are plagued by low economic growth (1998: 310-311).

This type of argument on the duality over the purpose of aid shows the false dichotomy the debate on foreign aid presents with aid as either being allocated for only the donor's interests or the recipients' needs (Riddell, 1987). Other evidence shows this belief as well, as the U.S.'s stated policy directives in regards to aid represent two separate purposes from its foreign assistance institutions. The U.S. State Department (DOS) and its foreign assistance organization, USAID, both post mission statements that represent almost contradictory purposes of its foreign aid. The DOS mission for foreign aid reads: "To create a more secure, democratic, and prosperous world for the benefit of the American people and the international community;" compared with USAID's mission: "to provide economic, development, and humanitarian assistance around the world in support of the foreign policy goals of the U.S." (Lancaster and van Dusen, 2005: 7-8). The DOS mission for aid represents an idealist view where aid benefits not only the U.S., but the also the "international community." USAID, on the other hand, explains aid in terms of pure national interest. These two beliefs from organizations heavily involved in aid allocation clearly show the confusion over the true purpose of foreign aid within U.S. foreign policy, allowing for the belief that foreign aid can be allocated around altruistic beliefs and not solely for the national interest of the donor.⁹

It is easier to accept that U.S. foreign aid to SSA has some altruistic purposes than to accept that aid to other regions of the world, such as the Middle East, which contain

⁹ The difference within these mission statements of who foreign aid is suppose is intended to serve is interesting, as the idealist and realist/neorealist views held by the DOS and USAID appear to contrary to their core purposes. The DOS statement is clearly idealist, though the concern of the DOS is achieving U.S. foreign policy and not with the betterment of the "international community." USAID holds on to a more realist focus in their mission statement, but operate in a more idealist environment of aiding the least developed nations of the world.

considerable economic and security interests to the U.S. SSA's low human development indicator (HDI) ratings on a whole compared to the rest of the world indicate the vital need for assistance (see Figures 3 and 4). With this profound need of assistance for development, donors, such as the U.S., may feel more incline to provide foreign aid towards this region based around altruistic concerns rather than their own self-interest.

The figures below indicate SSA has been consistently below the average human development level for the entire world and can be seen as being the least developed of all of the developing regions. Western powers have traditionally felt some sort of responsibility towards ensuring the development of SSA, with some of this responsibility based around guilt felt over slavery and colonialism (Van de Walle, 2001: 191). This feeling of responsibility towards the region can be seen with on average twenty-five percent of foreign aid from OECD DAC members going to the region since 1960 (OECD, 2010). SSA also represents a region that has played little strategic interest to the U.S. (Kraxberger, 2005), traditionally being viewed as in Europe's sphere of influence. While the independence of the SSA states after the Second World War brought some attention to the region, SSA has continually been overlooked by the U.S. compared to its interest in other regions of the world. This low level of importance would theoretically mean that the aid provided by the U.S. to SSA would be based off more altruistic concerns than any egotistical interest the U.S. would have towards the region.

Figure 2

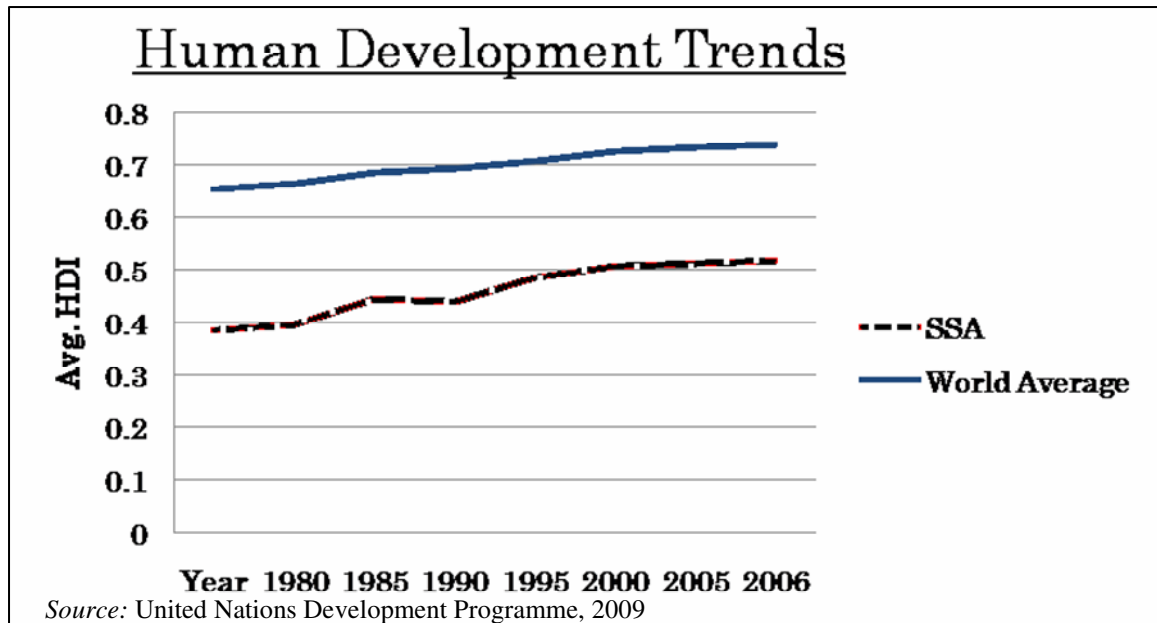
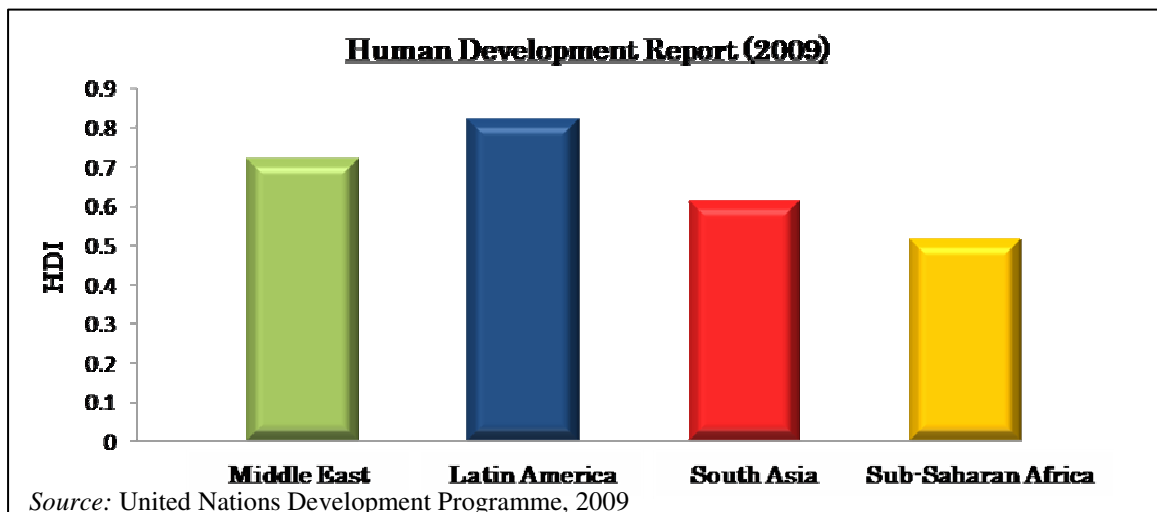


Figure 3



U.S. foreign aid going to the SSA has been viewed as being driven by non-humanitarian concerns, however, especially during the Cold War (Moyo, 2009). Continued foreign aid to corrupt and tyrannical leaders, such as Mobutu in Zaire and Doe

in Liberia, to shore up support against communist movements, represents some of the key examples of the problems with the development interest perspective. Though some scholars have argued that the Cold War had little effect on aid allocation to the region (Van de Walle, 2001: 196), studies have shown that the U.S. has not taken much concern in achieving effective development in regards to democracy and human rights (Alesina and Weder, 2002; Lebovic and Voeten, 2009).¹⁰

If the U.S.'s foreign aid went through a "moral descent" during the Cold War (Eberstadt, 1988), then it is important to see how aid has changed since the Cold War ended. As foreign aid declined after the end of the Cold War, it is reasonable to believe that the little aid that went to SSA was for development purposes for the recipients. Since SSA held a low strategic interest towards the U.S.'s global interests after the Cold War (Kraxberger, 2005), there would appear to be little interests that the U.S. would seek from the allocation of its aid to the region. A sense of foreign aid's failures in creating development also emerged at this time, with a string of reforms revolving around accountability of the recipients. According to the Monterrey Consensus on reforming foreign assistance, the international donors would now be committed to promoting "sound policies, good governance at all levels and the rule of law" (Monterrey Consensus, 2002: 5).

Much of this new type of thinking towards foreign aid and international development has come after the publication of the well-cited Burnside and Dollar (2000) article, which found positive development results within recipients when foreign aid was

¹⁰ Neumayer finds evidence of civil and political rights having some influence on bilateral aid allocation, but the focus on human rights is not consistent enough to be a significant consideration for foreign aid donors (2003).

allocated into a “good policy environment.” This good policy environment includes sound fiscal, monetary, and trade policies that caused foreign aid to be used in a responsible manner that did not allow the aid to be squandered through corruption. A push for more democracy in the region was included in these calls for reform, as it was viewed by western donors, especially the U.S., that democracy would be the answer to the development problems of SSA (Moyo, 2009).

Allocation studies looking at the period at the end of the Cold War have found donors paying more attention to governance and other development criteria (Dollar and Alesina, 2000; Berthélemy and Tichit, 2004; McGillivray, 2005). Studies that focus on U.S. allocation specifically, though, have found the U.S. not paying attention to the quality of governments in regards to human and political rights (Lebovic and Voeten, 2009). While the actual quality of governance has been overlooked by the U.S., some studies have found that the U.S. does favor democracies with its allocation (Alesina and Weder, 2002). Dollar and Alesina (2000) have found, controlling for aid to Israel and Egypt, that the U.S.’s aid is targeted towards poverty, democracy, and openness. This type of finding supports the perspective that the U.S. would allocate its aid to support the SSA states’ interests. Deriving hypotheses based around the donors’ preference towards sound economic policies and level of democracy and political rights, along with hypotheses that test the level of need within recipients, this study will be able to test whether the U.S. has any altruistic concerns towards the region.

Potential Effect of the War on Terror on Foreign Aid

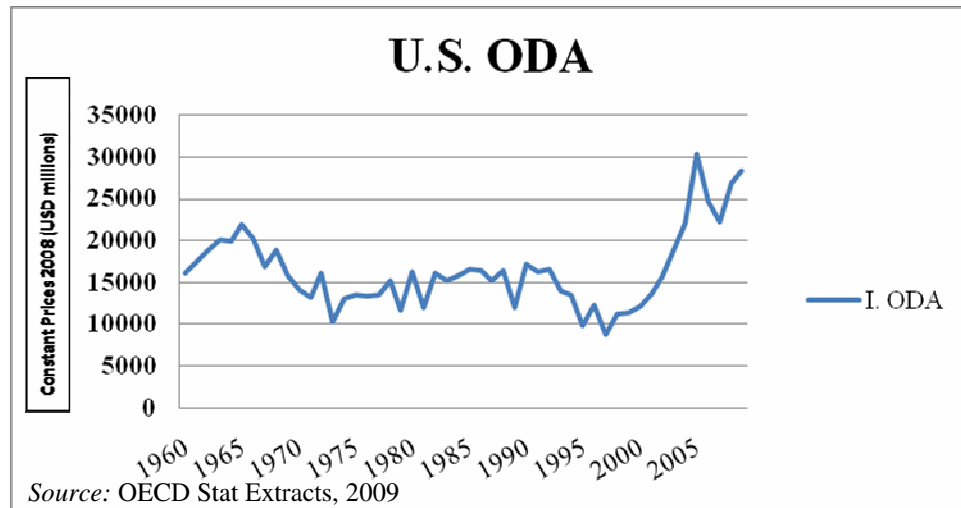
As this study's focus is on the effect of the War on Terror, it is important to review the different aspects of the War on Terror to understand how this new security environment may have affected U.S. foreign aid. Following the strategic interest perspective on foreign aid, one may view the potential effects of the War on Terror influencing U.S. aid to be allocated in a manner that promotes the U.S. national security interest of preventing terrorist groups from expanding in the region. This potential use of foreign aid is similar to the foreign aid allocated during the Cold War, where the U.S. provided aid as a tool of containment against communism (Korb, 2008). The War on Terror may have caused the U.S. focus on the development of the recipient states more as well, as the development of the recipients through the use of foreign aid may be required for the U.S. to prevent the threat of global terrorist movements from strengthening (Lancaster and Van Dusen, 2005; Korb, 2008).

Scholars have looked at how certain political environments have affected foreign aid in the past (McKinlay and Little, 1977; Clough, 1992; Brainard, 2006; Fleck and Kilby, 2008; Azam and Thelen, 2009). As scholars like these have looked at how foreign aid has been affected either by the Cold War, the post-Cold War, or the War on Terror, one can argue that the security environment which foreign aid is allocated in has an effect on how aid is allocated and deserves deeper analysis into its actual effect on aid allocation practices.

Figure 4 shows the total U.S. foreign aid allocation from 1960-2008. Reviewing the U.S.'s foreign aid trend since the 1960's, one can see the fluctuations in aid allocation with each change in security environment with the Cold War, post-Cold War, and the

War on Terror. While aid dropped during the latter stages of the Cold War, U.S. foreign aid reaches its lowest point during the post-Cold War period. This is a time the U.S. faced little threat from rival powers, limiting the use of foreign aid as a strategic tool of U.S. foreign policy. The War on Terror, starting in 2001, shows the beginning rise of U.S. aid to its highest point, clearly representing an effect the latest security environment has had on U.S. aid allocation.

Figure 4



The international security environments have also have had an impact on the U.S.'s relationship towards SSA as well. During the Cold War, U.S. interest with SSA was viewed to be limited towards the U.S.'s desire to contain communism (Schraeder, Hook, and Taylor, 1998; Korb, 2008: 27). This security interest of the U.S. has also been

found to influence other donors' aid allocation to the region.¹¹ This focus on communism has had an effect on the threat which the U.S. faces today, as the U.S. ignored the realities of the region's economic and political circumstances. This neglect allowed for aid to be wasted on corrupt dictators, leading to complete state failures throughout the region (Van de Walle, 2001; Kraxberger, 2005).

The post-Cold War period saw a significant change in the U.S.'s relationship with SSA. For starters, the decline of aid and a beginning focus on aid effectiveness saw the U.S. dropping old policies of supporting corrupt regimes in the region (Radelet, 2003). While the focus on the use of foreign aid changed, the U.S.'s neglect of the region still remained due to the lack of strategic importance in which the region had towards the U.S. This neglect culminated with the U.S. withholding any type of military assistance to prevent some of the worst crises the region and the world have ever seen. The lack of effort to stop the genocide in Rwanda is the greatest example of this neglect (Copson, 2007:4).¹²

The War on Terror has greatly affected the U.S.'s relationship with SSA. Some scholars have seen similarities in the U.S.'s relationship with SSA during the War on Terror with their relationship during the Cold War (Schraeder, 2006: 198-199), as SSA has been viewed to be potentially used by the U.S. as a battleground for proxy wars and

¹¹ Tuman and Ayoub (2004) find Japanese ODA to 35 SSA states to be partly influenced by U.S. security interests, indicating pressure from the U.S. on other donors to follow U.S. security concerns.

¹² The U.S.'s failure to establish peace and security in Somalia during the early 1990's, culminating with the death of 18 U.S. soldiers and over 1,000 Somali deaths during an operation on 3-4 October, 1993, has been argued as the leading cause of the U.S.'s reluctance to send peacekeeping forces to SSA. Besides Rwanda, the U.S.'s reluctance to send in peacekeepers can be seen with Liberia in 2003 and into Darfur from 2003-2009.

where foreign aid to the region is allocated based off of the U.S.'s interests only. The War on Terror, though, requires the U.S. to pay attention to the political and economic conditions, to prevent states from failing (USAID, 2002).

After the terrorist attacks on September 11, 2001, U.S. foreign policy has been clearly shaped by the threat of international terrorism (Dollar, 2008). With the 9/11 attacks, policymakers saw failed states as being a greater threat to the U.S. than the traditional conquering powers from previous decades (U.S. National Security Strategy, 2002). What can be considered a failed state and how do these types of states threaten U.S. national security? Different views on state failure offer various criteria of what constitutes a failed state. Failed states can be described in basic terms as being “unable to control their borders, their economy has deteriorated, they are involved in bitter violent struggles, there is no evidence of functioning infrastructure, and their political institutions lack any form of legitimacy” (Howard, 2010: 10). Various criteria of what constitutes a failed state exist in the literature. According to Rotberg, failed states are states whose governments have loss legitimacy within their publics, where they are overtaken by internal violence and cannot provide the political goods, such as education and security, to their citizens (2003). Other views on what constitutes a failed state look at the existence of a political disturbance within a state as evidence of failure. According to the Political Instability Task Force (PITF), failed states are states that have experienced an adverse regime change, an ethnic or revolutionary war, or a genocide or pocide (PITF, 2010).

While the cause of failure for states is not universal, the characteristics of a failed state appear to exist in some form throughout all failed states. These characteristics

include violence, corruption, and humanitarian suffering. While the existence of these characteristics does not cause failure and strong stable states may suffer from some these characteristics momentarily, failed states exhibit these characteristics in a profound and destructive manner. Violence in failed states can consist of insurgent movements against the ruling regime, violence across ethnic lines over the control of resources, and violence from the government used to control and repress its citizens (Rotberg, 2003: 5).

Corruption is another visible characteristic of failed states, as it replaces the legitimate functions of the government with predatory practices which regimes to hold on to power (Bates, 2008).¹³ Humanitarian suffering within failed states is also prevalent, caused from violence or the breakdown of infrastructure and institutions, where disease and hunger overtake parts of the society.

The threat of failed states towards the U.S. comes from this political phenomenon's causal link "to increased and widespread humanitarian suffering, regional instability, and transnational threats of international organized crime and terrorism" (Milliken, 2003: 12). The ability of terrorist groups to take advantage of the chaos within failed states can be seen as a major threat for the U.S. Failed states allow for terrorist groups to establish bases, freely cross between borders, prepare for attacks by carrying out illicit operations through organized crime such as drug smuggling to raise funds, and recruit followers from the desperate populations which surround them.

SSA clearly contains states which are at risk of failing or have already failed. States such as Somalia, the Democratic Republic of Congo, Sudan, and Sierra Leone have been described as either failed or even collapsed, as with the case of Somalia where

¹³ Bates indicates corruption as leading cause of failure as well.

any evidence of the state has completely disappeared (Rotberg, 2003). A number of other states have experienced some form of political disturbance, which the PITF indicates as evidence of total or partial state failure. Table 2 lists the number of political disturbances in SSA from 1991-2007 listed in the PITF datasets. Evidence of terrorist groups such as al Qaeda operating in these failed states, with these groups establishing bases, setting up regional terrorist operations, and profiting from illicit trade operations, exemplifies the threat of terrorism the U.S. would wish to contain.

Table 2

State Failure in SSA (1991-2007)			
Adverse Regime Change	Ethnic Wars	Revolutionary Wars	Genocide & Pocide
73	138	60	28
<i>Source: Marshall et al, 2009</i>			

The U.S. recognition of the region as a being a central location to the threat of terrorism is a sign of the effect of the War on Terror on the U.S.'s policy towards the SSA. With terrorist groups tied to al Qaeda operating out of the Sahel region and the Horn of Africa, some analysts view the probability of international terrorism emerging in the region as only a matter of time (Cilliers, 2003). Though some view the threat from terrorism in SSA as being misleading (Piombo, 2007; Berschinski, 2007; Bah and Aning,

2008),¹⁴ the U.S. has launched several counterterrorism policies and programs within the region that provide counterterrorism training and support to SSA states. Some of these programs include the Pan-Sahel Initiative (PSI) and its successor, the Trans-Sahara Counterterrorism Partnership (TSCTP), which has the mission of “enhancing the indigenous capacity of governments in the Pan-Sahel (Mauritania, Mali, Chad, Niger, Nigeria, and Senegal) to confront the challenge posed by terrorist organizations in the region” by focusing on counterterrorism, democratic governance, and military assistance from the U.S. (AFRICOM, 2009). Another regional security program is the Operation Enduring Freedom Trans Sahara (OEF-TS), which includes ten African states (Algeria, Burkina Faso, Morocco, Tunisia, Mauritania, Mali, Chad, Niger, Nigeria, and Senegal). OEF-TS supports the TSCTP program by focusing on overall security and cooperation rather than solely on counterterrorism (AFRICOM, 2009).

The U.S.’s own military action in the region is another sign of how important the threat of terrorism in the SSA is to the U.S. The establishment of AFRICOM, which is self-described as a “new type of command” that understands the relationships between security, development, diplomacy and prosperity in creating security in Africa or the region (AFRICOM, 2009), is testament to how serious the U.S.’s focus on SSA is.¹⁵ The

¹⁴ This belief that the threat of terrorism in SSA is overstated is based around the fact that most terrorist groups in the region are focused on regional targets and are not globally orientated. Also, the belief that failed states would benefit terrorist groups has been argued to be exaggerated, as terrorist groups would have just as hard of a time establishing itself in the chaos of a failed state as legitimate governments would.

¹⁵ Skepticism does exist towards the U.S.’s actual interest in AFRICOM (Bah and Aning, 2007). AFRICOM’s predecessors, most notably the African Crisis Response Initiative (ACRI) and its successor the Africa Contingency Training Assistance (ACOTA), ultimately lost policymakers’ interest as a reliable security policy. The U.S.’s unwillingness to send troops to stop African crises since the debacle of its operation in Somalia in 1993 may be a testament to the U.S.’s disregard towards achieving true security in

U.S. carrying out operations against terrorist targets in Somalia and supporting the removal of the Islamic Courts from power in Somalia by Ethiopian forces are more signs that the U.S. is taking a heavier interest in the security situation in SSA since the beginning of the War on Terror.

To face the threat of failing states, the U.S. has developed a new interest in achieving sustainable development in SSA as well. Through this interest, the U.S. has established a new independent development institution, the Millennium Challenge Corporation (MCC), which will oversee new development funds that are allocated through the Millennium Challenge Account (MCA). Relying on a competitive selection processes for recipients to participate in as well as more accountability on recipients through country-led solutions and implementation, the MCC is providing for a development aid strategy that prevents previous detrimental aid allocation practices from occurring. A stronger focus on one of SSA gravest problems, HIV/AIDS, through the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) is also a sign that the U.S. is embracing one of the biggest threats to stability in the region (Neilson, 2005).

Testing the effect of the War on Terror will require this study to look at context of this security environment, specifically the threat from failing states and Islamic terrorism (Lyman and Morrison. 2004), and how the allocation of foreign aid to SSA can protect U.S. national security. Seeing whether the U.S. is providing aid to help prevent state failure as well as deterring terrorist threats from arising will require testing foreign aid

the region. While the U.S. has engaged SSA more directly through some of its counter-terrorism programs, it is still unknown how the U.S. will react to future crises in the region.

determinants that measure the risk of failure as well as the SSA states role in the War on Terror; either as cooperating partners or states at risk of terrorism.

The perspectives on foreign aid allocation each offer a different view into the most influential factor in determining a donor's foreign aid allocation. By looking at whether the U.S. follows its own strategic interest, the development interest of the SSA states, and if the U.S. is being affected by the specific threat of terrorism in the region, this study will be able to offer some insight into how the U.S. views foreign aid as well as its relationship with SSA. The following chapter will explain how these three perspectives will be tested by breaking down the methodology and operationalization of the different hypotheses.

CHAPTER 3

METHODOLOGY

The methodology for this study on the effect of the War on Terror on the U.S.'s foreign aid allocation on SSA will be a multivariate panel regression that will test several hypothesized determinants of U.S. foreign aid to SSA before and after the start of the War on Terror to see if any change in purpose of U.S. aid occurred after the start of this new security environment. According to the perspectives on foreign aid allocation described in the previous chapter, the U.S.'s strategic interest towards SSA and the U.S.'s concern towards the development of the recipient states stand as potential explanations for the U.S.'s aid allocation to the region. From these two perspectives, several hypotheses can be derived that explain the different aspects of U.S. foreign aid under each perspective. Also, this study will include additional hypotheses that are based off of specific interests connected to the War on Terror to see if this security environment has had any specific effect on U.S. foreign aid to the region.

Before hypotheses derived from these perspectives can be tested, a discussion of the methodology is required. The methodology for this study on U.S. foreign aid allocation will consist of a multivariate panel regression that tests potential determinants of the actual amount of foreign aid allocated to the SSA states. The study assumes that specific cases in the data have a higher influential effect on U.S. foreign aid than the rest of the data. To control for these effects, this study will employ a partial fixed effects model that will include the most significant cases as dummy variables in each analysis. These cases will be selected by finding the summed residuals and residual variance ratios of all the cases and including any case whose summed residuals rated five times higher

than the mean value of the dependent variable in the analysis. Several allocation studies have relied on using panel data (Berthelemy and Tichit, 2004; Trumball and Wall, 1994; Collier and Dollar, 2002; Feyzioglu, Swaroop, and Zhu, 1998), and the method of using panel corrected standard errors with fixed effects have been noted for its superiority in time-series models over other methods (Beck and Katz, 1995; 1996).

The panel analysis for this study consists of the SSA states¹⁶ over the time period of 1992-2008. While this study is testing for the effect of the War on Terror on U.S. foreign aid allocation, it is important to split the analysis between the start of the War on Terror (2001). The first period comprises the time period from 1992 to 2000 and the second comprises the time period from 2002 to 2008. The year 2001 will not be included in the analysis, as the start of the War on Terror occurred over half way through the year. Aid allocated during this year cannot be determined to be allocated before or after the attacks, limiting the ability of seeing a true effect from the War on Terror. Running separate analyses is important, as any significant change in determinant variables between the two time periods would show an important effect which the War on Terror may have on U.S. foreign aid.

¹⁶ SAA states included in this study include: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Democratic Republic of Congo (Zaire), Republic of Congo, Cote d'Ivoire, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea- Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. Due to lack of data for some of the states, Comoros, Djibouti, Eritrea, Liberia, Sao Tome & Principe, and Somalia are not included in the analysis. Guinea, Namibia, and Sierra Leone also suffer from serious missing data problems in the dataset.

Conceptionalization of Hypotheses and Operationalization of Variables

Reviewing the two perspectives on purpose of foreign aid allocation and the additional interests connected to the War on Terror, each of these views and interests contain several aspects in which the U.S. may consider when allocating its foreign aid to SSA. From these different perspectives and potential interests, several hypotheses may be derived that each measure separate interests on which the U.S. may focus when deciding on its foreign aid allocation. While several hypotheses will be discussed in the following sections, only a selected number of hypotheses from each perspective will be included in the final analysis in an attempt to keep the model parsimonious. The following sections will now describe the potential hypotheses and the operationalization of their variables.

Perspective 1: Strategic Interest of the U.S.

According to the strategic interest perspective, the U.S.'s foreign aid allocation is affected mainly by the interests the U.S. would have towards SSA. As these interests may comprise of political and economic interests, such as access to new trade markets, access to natural resources such as oil, cooperation with U.S. foreign policy from the recipient state, and other benefits which would be potential reciprocates from the allocation of aid, the hypotheses that are derived from this perspective each must express these interests in some fashion.

Economic interest hypotheses have been used before, as trade relations between the U.S. and many SSA states have been established since the end of the Cold War. Hypotheses which look at the U.S.'s interest in oil from SSA have also been used, as growing interest within U.S. policymakers towards increasing its reliance of oil from the region has been noted in the literature (Sebunya, 2001; Volman, 2003; Ndumbe, 2004).

Other potential economic variables, such as the total amount of foreign direct investment (FDI) from the U.S. in SSA states, may potentially reveal the amount of interest the U.S. has in the region.¹⁷ Using a trade variable that measures the total amount of trading (importing and exporting) between the U.S. and the individual SSA states and an oil exporting variable that shows which states have exported oil to the U.S., this analysis will be able to test hypotheses pertaining to the economic interest the U.S. would have towards SSA.¹⁸

Though economic hypotheses are relatively easy to conceptualize, strategic political interest variables are not so easy. Previous studies on U.S. aid allocation have relied on United Nation Security Council (UNSC) rotating membership votes (Kuziemko and Werker, 2006), access for military bases (Schraeder, 2006), and ideological similarities with the U.S. (Schraeder, Hook, and Taylor, 1998) as interests on which the U.S. would focus. While studies have relied on these potential hypotheses and variables before, many of these variables do not fit into this study's model due to the timeframe in which the study covers, post-Cold War, as well as the sole regional focus on SSA. It is difficult to address causality with votes in the UNSC, as it cannot be seen whether the SSA member states are voting because they are getting aid from the U.S. or they are truly voting in their own best interest (Kuziemko and Werker, 2006). The access to African military bases in recent years is difficult to use, as the U.S. has access to only one base in

¹⁷ A U.S. FDI variable was tested in separate trials. The results produced similar results to the total U.S. trade variable, so it was decided to be not included in the analysis.

¹⁸ There are potential theoretical problems with these two variables. For the trade variable, the increase of trade between the U.S. and SSA was to act as a supplement and replacement for aid to the region. Also, oil exporting countries have been found to benefit from the increase in trade the most (Moyo, 2009), potentially creating problems of autocorrelation between the variables.

SSA, Camp Lemonier in Djibouti, and has found extreme difficulty in establishing a base for AFRICOM (Bah and Aning, 2008). Measuring ideologies similar to the U.S. is also futile, as this variable does not resonate in a post-Cold War foreign policy environment.

A strategic political interest that can be included involves the size and support of the recipient states military. Analysts of U.S. foreign aid allocation have identified security as being the biggest strategic interest of the U.S. when allocating its foreign aid (Cronin and Ghani, 2006: 195). The size of a recipient's armed forces and its military expenditures as a percentage of its GNP is a security variable that has been used in allocation studies that focus on aid given out during the Cold War (Schraeder, Hook, and Taylor, 1998).¹⁹ Testing the size of military expenditures in a recipient state supports the interest for the U.S. of wanting strong military relationships with the recipient. According to the hypothesis, strong military states would receive larger amounts of aid in an attempt to maintain a strong military alliance between the U.S. and the recipients. Other studies have used a similar variable along a power-politics rational, where states with higher military expenditures are viewed as more stable politically (McKinlay and Little, 1977).²⁰ Hypotheses under this rational suggest the U.S. would wish to maintain stability in regions by supporting stronger states through foreign aid. Though these types of hypotheses have been used before in determining foreign aid allocation, its validity in this model is not very high so its presence in this study's model cannot be fully justified. In an

¹⁹ Schraeder, Hook, and Taylor do not find this variable to be significant for their analysis on U.S. foreign aid.

²⁰ McKinlay and Little find power capabilities with security connotations, such as military strength, are critical determinants of the donor's absolute commitment, or support, to the recipient states.

attempt for a parsimonious model, a strategic political variable will not be included in the analysis.

The strategic interest hypotheses that will to be tested in the analysis include:

H1) The U.S. provides more foreign aid to SSA states that have stronger trade relationships with the U.S.

H2) The U.S. provides more foreign aid to SSA states which export oil to the U.S.

These two hypotheses provide the main economic interests in which the U.S. would have towards SSA. If these hypotheses were found to be correct, then one would expect the U.S. to base a significant part of its allocation off of how much a recipient state trades with the U.S. and whether a SSA state exports oil to the U.S. Operationalizing variables for these hypotheses will require measuring the amount of economic activity of a recipient state through trade and oil exporting. For the first hypothesis, H1, a *Total U.S. Trade/GDP* variable is created that measures the total economic value of trade between the U.S. and a recipient state, importing and exporting, in constant 2005 US dollars, represented as a ratio of the total trade compared to recipient's GDP. This manner of operationalization will show how important trade with the U.S. is and control for differences in size of economies between the different SSA states. If this hypothesis is found to be correct, the results in the analysis should show a positive relationship between the allocated foreign aid and the trade variable.

The second hypothesis, pertaining to the importance of oil exports the U.S., can be operationalized in two manners. The first manner of operationalization involves creating a dummy variable that codes a recipient state that exports oil to the U.S. with a

value of (1) and a non-exporting recipient as a zero, labeled as *Oil Exporting dummy* in the analysis. The second manner of operationalization involves measuring the amount of oil²¹ exported to the U.S. by recipient states in a year and creating a natural log of this amount.²² This variable, labeled as *Log of Oil Exports to U.S.*, will show the difference in the amount of oil exported and its affect on U.S. foreign aid allocation. For this hypothesis to be correct, the results from the analysis should show a positive relationship between the oil variables and the amount of foreign aid allocated.

These variables are reliable and have a high validity in measuring the level of economic interest the U.S. should have towards the region. The variables in these two hypotheses may have a problem due to their high level of correlation between trade with the U.S. and oil exports to the U.S. As these two hypotheses may present methodological problems when they are both included in the model, only one hypothesis, H1, will be included in the main model for analysis. The second hypothesis will be included in an alternative model in the Appendix.

Perspective 2: Development Interest of the SSA states

According to the development interest perspective, the U.S.'s foreign aid allocation is based on the economic and humanitarian needs of the recipient states. This perspective also emphasizes the level of economic and political policy soundness within recipient states in order to insure that economic development really will be fostered through the allocation of foreign aid. This perspective takes on the idealist viewpoint that

²¹ Measured in thousands of barrels.

²² A natural log of oil exports is used to limit the influence of extreme values of oil exports from the different oil exporting states.

foreign aid should be used to benefit the recipients directly through developing their societies. Following this perspective, several hypotheses can be conceptualized about whether the U.S. is influenced by the level of poverty, freedom, and economic openness within the recipient states.

Finding variables to test development needs and economic and political ratings is not difficult, as international financial institutions (IFI), such as the World Bank (WB) and the International Monetary Fund (IMF), collect different kinds of data and make them easily available. The World Development Indicators (WDI), which provides economic, political, humanitarian, and civil society data, is an excellent source for data collection for variables under this perspective. Poverty and humanitarian conditions can be measured as the real GDP per capita of a recipient state. Other variables that measure specific conditions, such as literacy and daily caloric intake, do exist, but are unfortunately plagued by missing annual data for SSA.²³ Luckily, GDP per capita is typically highly correlated with these other measures and is available for most SSA states for the time periods covered. Its customary use in allocation studies speaks for its reliability and validity as a multipurpose variable (Berthe'lemy and Tichit, 2004; McKinlay and Little, 1977; Lebovic and Voeten, 2009; Tuman and Ayoub, 2004).

Measures of economic policy and governance are also important variables that the U.S. has focused on since the end of the Cold War (Van de Walle, 2004: 6). Measures of democracy and civil liberties can be found through Freedom House's Freedom in the World Reports. These annual reports rate the level of political rights and protection of

²³ Due to considerable variation of these variables between the panel years of the dataset, mean substitution to fill in the missing data across the entire time periods is not a suitable option.

civil liberties within a state on a scale of one to seven, with the measures being inverted with a score of one representing “free” and a score of seven representing “not free.”

Freedom House’s wide use in studies points to its reliability and validity to the analysis (Berthe’lemy and Tichit, 2004; Alesina and Dollar, 2000; Tuman and Ayoub, 2004).

Besides political ratings, economic ratings are also important to this perspective. A push for more sound economic policy has been suggested as a potential solution to SSA’s poor economic conditions (Burnside and Dollar, 2002; Collier and Dollar, 2002). While economic policy ratings exist through the WDI, they are fairly recent and do not cover enough years to be effective in this analysis. Instead, a measure of trade as a percentage of a recipient’s GDP should show how open a recipient’s economic market is, which may be considered to be a sign of sound economic policy (Moyo, 2009). Theoretically, a state with a high portion of trade would have a more open and market-friendly economy.

The hypotheses that can be derived under the development interest perspective include:

H3) The U.S. provides more foreign aid to SSA states with higher levels of economic need.

H4) The U.S. provides more foreign aid to SSA states with higher levels of freedom.

H5) The U.S. provides more foreign aid to SSA states with higher levels of trade openness.

Each of these hypotheses explains the development interest of the SSA states by showing the basic premises of the recipients’ needs, level of freedom, and economic openness.

The need hypothesis, H3, explains the U.S. foreign aid as going to states which are

considered to be worse off economically through the variable *GDP per capita*. If this hypothesis were found to be correct, then one would find an inverse relationship between GDP per capita and the foreign aid allocated to the region.

The next hypothesis, H4, states that the level of freedom determines the amount of foreign aid a recipient receives, with freer states receiving higher amounts of aid. The *F.H. average score* variable is operationalized by using an average score a recipient state receives from Freedom House's Political Rights and Civil Liberties surveys. As Freedom House scores freer states with lower scores, one would expect to find an inverse relationship between the amount of foreign aid going to SSA states and their Freedom House score if this hypothesis was found to be correct.

The final hypothesis under this perspective, H5, states that U.S. foreign aid is determined by the level of openness which SSA states have towards international trade. The *Total Trade/GDP* variable is operationalized by taking the total amount of trade of the recipient as a percentage of the recipient's GDP. For this hypothesis to be correct, then one would need to find a positive relationship between foreign aid allocated and the trade openness variable.

The hypotheses under this perspective accurately test the underlying aspects of the development interests of the recipient states. Their variables are valid and are reliable in measuring recipients' needs, level of freedom, and trade openness. While the trade openness hypothesis represents an important interest that deserves to be tested in its effect on U.S. foreign aid, its multicollinearity with the trade hypothesis from the strategic interest perspective, H1, has the potential to cause methodological problems within the analysis. To avoid any problems in the analysis, this hypothesis, H5, will not

be included in the analysis. This hypothesis will be tested in an additional model in the Appendix.

War on Terror Hypotheses

As this study focuses on the effect of the War on Terror, additional hypotheses which are based around specific interests for the U.S. in the War on Terror need to be tested. As the U.S. would wish to prevent the rise of global terrorist threats from emerging in SSA, its foreign aid may be allocated around specific interests connected to the threat of terrorism. These interests include the level of stability within a recipient state, previous terrorist attacks in recipient states, any cooperation between recipient states and the U.S.'s counterterrorism operations, and the size of Muslim populations within recipients that are susceptible to supporting terrorist movements. As the threat from international terrorism, with a special focus on Islamic terrorism, has dictated U.S. foreign policy since the 9/11 attacks (Dollar, 2008), one should expect this influence to spread to U.S.'s foreign aid allocation decisions. Looking at the period of 2001 through 2008, any significant findings of the hypotheses derived from this perspective will reveal any important impact which the War on Terror has on U.S. foreign aid.

The hypotheses that can be tested under this perspective include:

H6: The U.S. provides more foreign aid to SSA states that are at risk of failing.

H7: The U.S. provides more foreign aid to SSA states that have been experienced terrorist attacks.

H8: The U.S. provides more foreign aid to SSA states which have cooperated with the U.S.'s counterterrorism operations.

H9: The U.S. provides more foreign aid to SSA states with large Muslim populations.

Each of these hypotheses represents an important interest which the U.S. may focus on in its foreign aid allocation during the War on Terror.

The first hypothesis, H6, represents the biggest threat the U.S. views from the region in regards to the spread of terrorism (U.S. National Security Strategy, 2002). The threat of failed and failing states has brought much attention to national security experts, and measuring how foreign aid has been impacted by this threat is important to show the effect the War on Terror has had on the U.S.'s foreign aid allocation. Measuring whether a state can be considered to be failing or failed is a difficult task. Some scholars prefer to use the capability of state's governments in providing basic services (Rotberg, 2004), while others rely on a violent disruption in the political stability of a state (PITF, 2010). Neither of these types of measurement accurately portrays state failure completely (Howard, 2010), which questions the validity and reliability of any variable that would be used to measure the level of instability.

The measures from the Political Instability Task Force (PITF) datasets (Marshall et al, 2009) do appear to present a more valid and reliable measure of instability. The fact the PITF is funded by the Central Intelligence Agency (CIA) indicates its validity, as the U.S. government is relying on these measures in its own intelligence analyses. The PITF measures instability in a state by recording whether a state experiences a revolutionary war, an ethnic war, an adverse or disruptive regime transition, or genocides and /or politicides during a given year.²⁴ Using the data from the PITF's annual datasets, the *State Failure dummy* variable is operationalized by coding a recipient state that has

²⁴ The PITF datasets list whether a state experiences a political disruption as a one in the year which the disruption occurred. The PITF datasets do not list years in which no instability event occurred.

experienced one of these political disruptions in given year as a (1). Any SSA state that did not experience one of these disruptions in a given year would be coded as a zero. If this hypothesis was proven to be correct, then one would expect to find a positive relationship between the state instability dummy variable and the allocated foreign aid.

The second hypothesis, H7, looks at the direct experience which recipient states have had with terrorist attacks. Measuring the number of terrorist attacks which have occurred within a recipient state is an important indicator of the level of threat of terrorism is within the region.²⁵ The *Num. of Terrorist Attacks* variable is operationalized by a simple count of the number of terrorist attacks inside a recipient state during the selected years, recorded in the Global Terrorism Database (GTD). For this hypothesis to be correct, one would expect to find a positive relationship between the number of attacks and foreign aid that has been allocated.

The third hypothesis, H8, looks at the cooperation which the SSA states have with any of the U.S.'s counterterrorism operations in the region. Since the beginning of the War on Terror, the U.S. has started several regional security programs to build up the capacity of the SSA states to combat against terrorist threats. These regional programs include the Pan-Sahel Initiative (PSI), the Trans-Sahara Counterterrorism Partnership, Operation Enduring Freedom Trans Sahara (TSCPT), the Combined Joint Task Force-Horn of Africa (CJTF-HOA), and other counterterrorism programs.²⁶ The

²⁵ An additional variable, measuring the number of casualties from terrorist expressed as a ratio per 100,000 individuals of a recipient's population was tested in separate trials. Results produced were insignificant, and not included in the final model.

²⁶ States which were part of the "Coalition of the Willing" in the Iraq War were also included in this variable.

operationalization of the *Cooperation with U.S. Counterterrorism dummy* variable for this hypothesis consists of developing a dummy variable that codes a recipient state's cooperation with any of these operations as a (1), zero otherwise. Taking part in the U.S.'s security operations would appear to create good standing between a recipient and the U.S., and rewarding this cooperation with higher amounts of foreign aid may be a reasonable notion for the U.S. This line of thinking shows the validity of the variable being tested in this hypothesis. For this hypothesis to be correct, one should see a positive relationship between the cooperation dummy variable and the allocated foreign aid.

The final hypothesis, H9, asserts that the size of the Muslim population within a SSA state affects the amount of foreign aid being allocated to the state, with recipient states with large Muslim populations receiving larger amounts of foreign aid.²⁷ This hypothesis is an explicit reference towards the focus on Islamic terrorism by the U.S., rather than general terrorist groups. The giving of extra foreign aid to states with large Muslim populations can have several rationalizations. First, the U.S. may want to win support from Muslim communities through aid to increase its soft power against the threat of terrorism (Radlet, 2003; Nye, 2003). Second, the U.S. may want to provide more aid to these states with large Muslim populations to help these states' governments build up their capacity in handling potential Islamic terrorist threats that may emerge. Some recent studies have relied on this variable in testing U.S. foreign aid allocation during the War on Terror (Moss, Roodman, and Standley, 2005), providing some validity towards

²⁷ The Muslim population variable has no threshold to constitute a large size population. The measure is a simple percentage of the Muslim population within each recipient state.

its use.²⁸ The operationalization of the *%Muslim* variable for this hypothesis is the size of a recipient state's Muslim population as a percentage of its total population. If this hypothesis is proven to be valid, one would expect to see a positive relationship between the size of the Muslim population and the amount of foreign aid allocated.

Each of these hypothesis provide important insight into the potential threat of terrorism the U.S. views to be in SSA and how the U.S. may allocate foreign aid in an attempt to contain this threat. While the validity of these variables may be strong, their inclusion in the model together may create potential methodological problems. To avoid problems of multicollinearity, and to keep to a more parsimonious model, this study will rely on only the state failure hypothesis, H6, in the final model. The other hypotheses will be included as additional models presented in the Appendix.

Final Model of Analysis on U.S. Foreign Aid Allocation to SSA

The final model of analysis for this study on U.S. foreign aid allocation to SSA will test the following hypotheses:

H1) The U.S. provides more foreign aid to SSA states that have stronger trade relationships with the U.S.

H3) The U.S. provides more foreign aid to SSA states with greater economic needs.

H4) The U.S. provides more foreign aid to SSA states with higher levels of freedom.

²⁸ Moss only finds significance with this variable when measuring all of the U.S. foreign aid allocation and not controlling for aid going to Iraq and Afghanistan. Moss does test SSA separately, but does not include this variable. Fleck and Kilby (2008) discuss the use of a Muslim population variable, but do not find any significant findings.

H6) The U.S. provides more foreign aid to SSA states that are at risk of failing.

These four hypotheses provide a strong representation of the three perspectives on U.S. foreign aid. To control for the effect in which previous allocation amounts have in determining foreign aid amounts and to control for autocorrelation in the model, this model will also include a lagged dependent variable, labeled as *ODA/GDP_lagged one year*, as one of the independent variables.²⁹

To test each of these hypotheses, each of their corresponding variables will be tested for significance in determining the dependent variable of U.S. foreign aid to the SSA states (referred to as *ODA/GDP* in the analysis). This dependent variable consists of the total amount of net disbursements³⁰ from official development assistance the U.S. has allocated to a recipient SSA state in a given year. To control for the differences in population and geography, the dependent variable is shown as a ratio of foreign aid to a recipient's annual GDP. To show causality of the independent variables in determining the dependent variable, it is important to lag each independent variable by one year (Feeny and McGillivray, 2002). It is also important to control for inflation. To do this, the U.S. net disbursements have been adjusted by the U.S.'s consumer price index (CPI) (2005 constant dollars) (Dollar and Alesina, 2000). All other economic variables, including the recipients' GDP in the dependent variable, have been adjusted by each of the recipients' own CPI (2005 constant dollars).

²⁹ Each additional hypothesis will be run in separate analyses, with each hypothesis replacing only one of the primary hypotheses listed above with the other primary hypotheses remaining in the model.

³⁰ Recorded in USD millions (constant dollars 2005=1).

Tables 3 and 4 show the summary statistics of the variables included in the primary model as well as a correlation matrix. These statistics are split between the two separate time periods.³¹ The following chapter will now present the results of the panel analyses from the models presented above. Running the analyses on the two separate time periods, one can clearly see a change in purpose of U.S. foreign aid to SSA after the start of the War on Terror. The start of this security environment also showed the U.S. having a specific focus on certain interest in the War on Terror. This focus has been limited to the threat of failing states though, and not other specific interests under the War on Terror.

Table 3

Summary Statistics of Variables 1992-2000

	N	Mean	Standard Deviation
ODA/GDP	333	1,883.64	25,267.94
Total U.S. Trade/GDP	346	0.06	0.1
GDP per capita	346	561.57	1,053.08
F.H. average score	430	4.63	1.61
State Failure dummy	432	0.29	0.45
ODA/GDP_lagged one year	331	65,395.98	1,114,729

Summary Statistics of Variables 2002-2008

	N	Mean	Standard Deviation
ODA/GDP	280	0.01	0.02
Total U.S. Trade/GDP	279	0.07	0.11
GDP per capita	279	1,496.64	2,644.19
F.H. average score	336	4.22	1.59
State Failure dummy	336	0.16	0.37
ODA/GDP_lagged one year	278	0.01	0.03

³¹ Note, the mean value for the dependent variable in the first period, 1992-2000, is extremely high. While this value should be less than 1.0, certain SSA states which suffered from high levels of inflation during this period have inflated the mean value of the dependent variable. A separate trial which excluded these high inflation states produced similar results to the analysis with these states included.

Table 4

Correlation of ODA GDP and Independent Variables 1992-2000					
	<i>Total U.S. Trade GDP</i>	<i>GDP per capita</i>	<i>F.H. average score</i>	<i>State Failure dummy</i>	<i>ODA GDP_lagged one year</i>
ODA GDP	.04	-.04	.04	.01	.97***
Total U.S. Trade GDP		.20***	.15**	.06	-.00
GDP per capita			-.33***	-.17**	-.03
F.H. average score				.38***	.03
State Failure dummy					-.03
Correlation of ODA GDP and Independent Variables 2002-2008					
	<i>Total U.S. Trade GDP</i>	<i>GDP per capita</i>	<i>F.H. average score</i>	<i>State Failure dummy</i>	<i>ODA GDP_lagged one year</i>
ODA GDP	-.17**	-.22***	.20***	.31***	-.11*
Total U.S. Trade GDP		.23***	.16**	-.05	-.15**
GDP per capita			-.12**	-.18**	-.20***
F.H. average score				.44***	.18**
State Failure dummy					.22***

*=.significant .10; **=.05; ***=.001

CHAPTER4

FINDINGS

The results of the analyses shall tell us whether the War on Terror has or has not had an effect on U.S. foreign aid allocation to SSA by showing us any changes in the selected variables between the two models before and after the start of the War on Terror. These results will also aid our attempt in trying to explain U.S. foreign aid allocation around the perspectives of foreign aid either being allocated to serve the strategic interest of the U.S. or the development interests of the recipient states. In regards to the applicability of these perspectives, our findings indicate that the U.S. has not followed its own strategic interest based around the economic interest variables during both time periods. These results indicate SSA does not hold strategic economic interest to the U.S. at this time. The findings also indicate that the U.S.'s focus on the development interests of the recipients is not a complete explanation of U.S. foreign aid to SSA, as the regression analyses produced mixed results in regards to the economic need variable and the political and economic capability variables. While the economic need variable appears to have an effect on U.S. aid, other development variables measuring good economic and political policies did not turn out. This would suggest that while the U.S. has been at times focused on the level of development need in SSA, it has not been concerned with how capable the recipient states are in using the aid efficiently.

With respect to the effect of the War on Terror on foreign aid, our findings show several changes in U.S. foreign aid allocation to the region after the start of this new international security environment. A difference between significant allocation trends with states at risk of failure can be clearly seen between the two time periods. This

observation can be confirmed with two separate variables that measure instability. Other variables tied to the War on Terror either did not come out as significant indicators or did not change between the two time periods. These results would suggest a limited effect the threat of terrorism in SSA has on U.S. foreign aid to the region. The results of the primary models for this study are listed in Table 5, with alternative models with the additional variables presented in Table 6 with their complete results listed in the Appendix.³² The findings from these models will be discussed in detail below.

Table 5

Partial Fixed Effects Results of Primary Model		
Dependent Variable: ODA/GDP	1992-2000	2002-2008
Total U.S. Trade/GDP	-54713.42** (23018.67)	-0.02*** (0.01)
GDP per capita	0.90** (0.33)	-0.00** (0.00)
F.H. average score	48.15 (109.06)	0.001* (0.00)
State Failure dummy	-416.35** (179.80)	0.01*** (0.00)
ODA/GDP _lagged one year	0.02*** (0.00)	0.26 (0.17)
N	323	275
Adjusted R ²	0.96	0.36
*=significant at .10; **=.05; ***=.001		

³² The partial fixed effects models for both time periods includes dummy variables for SSA states that were perceived to have a high amount of influence on the model. The regression analysis for the first time period includes dummy variables for Angola, Burundi, Republic of Congo, the Democratic Republic of Congo, Gabon, Nigeria, Senegal, Seychelles, and Uganda. The second time period includes dummy variables for Burundi, Democratic Republic of Congo, Côte d'Ivoire, Ethiopia, and Sudan. The coefficients, standard errors, and significance levels for the state dummy variables can be found in the complete models listed in the appendix.

Results of U.S. Foreign Aid to Sub-Saharan Arica before the War on Terror

The regression results from the model consisting of the period before the start of the War on Terror, 1992-2000, present an interesting picture of how U.S. foreign aid was allocated to SSA after the end of the Cold War. The results of this model indicate that the U.S. did not follow its economic interest, providing less aid on average to SSA states that engaged in trade with the U.S. The SSA states' development interests do not appear to offer a clear explanation of U.S. foreign aid to region either, as the desired economic and political indicators did not produce the hypothesized results. Instead, the results indicate that the U.S. focused on providing more aid on average to relatively better-off states compared to the poorest states in the region. The expected results of the U.S. not focusing on states at risk of failing were also confirmed in the model. A more in depth discussion of the results of the variables is provided below.

Table 6

Partial Fixed Effects Results of Additional Variables in Separate Regression Models		
Dependent Variable: ODA/GDP	1992-2000	2002-2008
Oil Exporting dummy	-668.001** (294.57)	-0.004* (0.002)
Log of Oil Exports to U.S.	-425.25** (163.51)	-0.00* (0.00)
Total Trade/GDP	-25.64* (13.65)	-0.00** (0.00)
%Muslim	-0.00** (0.00)	-10.03** (3.75)
Num. of Terrorist Attacks	9.19 (26.31)	0.00 (0.00)
Cooperation with U.S. Counterterrorism dummy	-0.001 (0.002)

*=significant at .10; **=.05; ***=.001

The U.S.'s Strategic Interest

According to the hypotheses under the U.S.'s strategic interest perspective, the U.S. should provide more foreign aid on average to SSA states that offered some kind of strategic economic interest. The variable that was relied on in the primary models to test the actuality of this perspective is the Total U.S. Trade/GDP variable. For this variable's hypothesis to be accepted, one would need to see a significant positive result from the regression analysis. The coefficient for U.S. Trade/GDP is negative and significant at the .05 level. This result suggests that the U.S. provided less aid on average to SSA states which engaged in high levels of trade with the U.S. These results are not surprising, as increased trade with the region has been considered to act as an alternative to aid to the region (AGOA, 2009).

Other strategic interest variables that were run in separate regression analyses also show a similar relationship with foreign aid. The coefficients for the Oil Exporting dummy variable and the Log of Oil Exports to the U.S. variable both produced significant results with negative values. These results show that the U.S. provided less foreign aid on average to states which exported oil to the U.S. These results also indicate that the U.S. was not using its foreign aid to help develop potential oil resources on a major scale. It will be necessary to compare these findings with the findings from the models after the start of the War on Terror to see if the U.S.'s insecurity about the Middle East affected its level of focus on African oil. From these results, however, one must reject the individual hypotheses for the strategic interest variables during this period as well as reject the strategic interest perspective in explaining U.S. foreign aid to SSA before the start of the War on Terror. The results from all of the strategic interest perspective are not consistent

with this perspective on foreign aid. These results are more consistent with humanitarian views on the purpose of foreign aid though.

The Development Interests of the SSA States

According to the development interest perspective explaining U.S. foreign aid allocation, the U.S. is to allocate aid to the SSA states based around their need for development as well as their capability for using such aid efficiently. The results from this first model indicate that the U.S. was not influenced heavily by the determinants of the recipients' development interests during this time period. The variables that were included in the primary models for this perspective are the GDP per capita variable, measuring economic and development need, and the Freedom House average score variable, measuring the level of democracy and the protection of human rights. The results for these two variables indicate a wrong type of relationship in regards to the recipients' need and no significant relationship between U.S. foreign aid allocation and a concern for democracy and human rights.

If the development need hypothesis is to be accepted, one would expect to see the U.S. providing more aid to SSA states with lower GDP per capita values. As the coefficient for this variable received a positive score with significance at the .05 level, it can clearly be seen that the U.S. followed the exact opposite path during this time period.³³ While the development need hypothesis that was presented must be rejected in this model, these particular results do not invalidate the development interest perspective. Since this analysis only focuses on SSA, no states included in the analysis can be viewed

³³ An alternative variable measuring real GDP per capita squared was tested in a separate analysis to test for non-linearity in the GDP per capita variable. The results from the GDP per capita squared variable were non-significant and not included in the final model.

as not needing development assistance. The results from this variable may have to do with the U.S. not wanting to allocate its foreign aid to weak and instable states which would most likely waste the aid away through corruption.

The other variables measuring the capability of using foreign aid efficiently should have matched up with the GDP per capita findings if our explanation of the GDP variable is accurate. The Freedom House variable, which hypothesizes that democratic states which protect human rights would use aid more efficiently and receive more foreign aid on average, has produced positive results with no significance. One would need to see negative results with significance if the hypothesis is to be accepted.³⁴ This study must reject this variable's hypothesis, as the Freedom House's scores had no influence on U.S. foreign aid allocation during this time. An explanation for these results may be simply that the U.S. is not concerned with how recipient states are governed or the amount of freedom once other influences in the model have been taken into account. This explanation would go against the stated desires of U.S. policymakers (Korb, 2008), but matches similar findings on U.S. aid allocation (Neumayer, 2003; Lebovic and Voeten, 2009).³⁵

The final variable measuring the capability of recipient states to use foreign aid efficiently was the Total Trade/GDP variable. This variable, measuring how open a recipient state is to foreign trade and the soundness of its economic policy, produced

³⁴ Again, Freedom House scores are inverted with more democratic states with higher civil liberties receiving lower scores.

³⁵ The SSA state dummy variables included the partial fixed effects model may have an effect on this variable. A panel regression model that includes no state dummy variables (not included in this study) produced significant results with negative values. A full fixed effects model (also not included) produced non-significant results with a negative value.

similar results compared to the other trade variables found under the strategic interest perspective. The negative significant results for this variable cause one to reject the hypothesis that the U.S. would provide more aid on average to states with more open economies and sound economic policies. Its negative results, along with the other trade variables, may indicate that international trade in SSA was little priority for the U.S. during this time period. Its wrongly hypothesized results, along with the results of the other development interest variables, also cause one to question the applicability of the recipients' development interest as a major influence on U.S. foreign aid allocation before the start of the War on Terror.

Pre-Effect of the War on Terror

In order to see a more direct effect of the War on Terror on U.S. foreign aid, one must first see how variables specifically tied to the threat of international terrorism influenced U.S. aid to SSA before the start of the War on Terror. The coefficient for the State Failure dummy variable, measuring the presence of political instability within a recipient state, received negative significant results, indicating the U.S. was not providing more aid on average to states at risk of failure. These results may give life to the development interest perspective, as the U.S. may have not wanted to allocate money to an unstable country. The results for the coefficient for the GDP per capita variable's results matchup with the State Failure variable's results, as they both indicate the U.S. did not provide more foreign aid on average to states that experienced high political and economic instability. This confirms that the U.S. had no interest in failing states before the start of the War on Terror. If the War on Terror is to have an actual effect on U.S. foreign aid, one should expect to see these two results to be reversed in the next model.

Other variables tied to the War on Terror also produced the expected results of not having any positive influence on U.S. foreign aid during this time. The Muslim population coefficient received negative significant results, indicating that the U.S. on average allocated more money to SSA states with smaller Muslim populations. The Number of Terrorist Attacks variable did not receive significance in the model, indicating that it was not a major focus of the U.S.³⁶ As with the State Failure variable and GDP per capita variable, this study expects these results to change in the model if the War on Terror had an overarching effect on U.S. foreign aid.

The most telling variable results from this first model can be clearly seen as the lagged dependent variable of ODA/GDP. This variable received the highest significance, at the .001 level, indicating the previous year's allocation amount affects the next year's amount. The adjusted R^2 value of .96 provides even greater evidence of this determinant's influence, as its inclusion allows the model to explain nearly 100% of U.S. foreign aid allocation to SSA from 1992-2000. These results are not particularly surprising, as many have found the best predictor of any government allocated budget to be the previous year's amount allocated (Griffin and Enos, 1970: 315).

Results of U.S. Foreign Aid to SSA after the Start of the War on Terror

The findings from the second model, consisting of the years 2002-2008, show interesting results in respect to the U.S.'s changing priorities towards SSA during the War on Terror. As the War on Terror is assumed to have such a major impact on U.S.

³⁶ These results are interesting though, as some of the biggest terrorist attacks conducted against the U.S. abroad occurred in SSA during this time period.

foreign policy, this study hypothesizes that any significant changes in U.S. foreign aid allocation practices after 2001 are the result of the War on Terror influencing U.S. foreign aid. The most significant changes in U.S. foreign aid to the region can be seen with more aid on average being allocated to states which are at risk of failing. This change can be seen in the State Failure variable and the GDP per capita variable. Other changes include significant results for the Freedom House variable, yet in the wrong direction, and the lack of influence from the lagged dependent variable on the model. The other variables tied to the effect of the War on Terror hypothesis did not turnout, suggesting a limited effect of the War on Terror. Going through the perspectives once more in this new time period, one shall see if the purpose of U.S. foreign aid changed after the start of the War on Terror.

The U.S.'s Strategic Interest

The variables under the strategic interest perspective did not change from their results in the earlier model. The coefficient for the Total U.S. Trade/GDP remained significant, at a higher level than the previous model, and remained negative. Again, the U.S. is providing more aid on average to states that did not take part in a lot of trade with the U.S. The oil variables also remained significant, but with lower levels, and were negative as well. These results and the results from the previous period indicate that the U.S.'s strategic interest has not had an influential effect on U.S. foreign aid to SSA. The start of the War on Terror has not had an effect on the U.S.'s economic focus towards SSA, as the U.S. is not looking towards what it can gain from SSA through the allocation of its foreign aid.

The Development Interest of the SSA States

The variables measuring the development interest of the recipient states present some interesting results in the second model. The coefficient for the GDP per capita variable remained significant, but changed its direction. During this timeframe under the War on Terror, the U.S. provided more aid on average to states that had a greater economic and development need. This drastic change in focus by the U.S. may be understood as an effect of the War on Terror, causing U.S. policymakers to focus on states with the worst economic conditions in the hope of preventing these states from failing and falling into chaos.

The variables measuring the recipients' capability of using aid efficiently received some interesting results from the analysis. As the coefficient for the Total Trade/GDP variable did not drastically change, though it did increase in significance, this study can reject the notion that the U.S. focuses on sound economic policies of the recipients when allocating foreign aid to the region. The Freedom House score variable produced an interesting result, as this variable received a positive score with significance at the .1 level. These results indicate that the U.S. provided more foreign aid on average to states that were less democratic and violated the human rights of their citizens. These results again go against the hypothesis that the U.S. focused on democracy and protecting human rights with its foreign aid. These findings may be tied to the new focus on state failure and instability, as the majority of states which experienced some form of instability have poor Freedom House scores.³⁷

³⁷ Only two states with Freedom House ratings of "free" were recorded to experience instability in the State Failure variable (South Africa and Mali).

Reviewing the results from all of the variables under the development interest perspective, this perspective can be accepted as explaining U.S. foreign aid allocation to SSA based around the premise of the U.S. providing its foreign aid to the neediest SSA states. This acceptance is supported by the results of the GDP per capita variable. This perspective cannot be accepted based around the premise of the U.S. providing its foreign aid to states that have the best political and economic policies to use the aid efficiently. The negative results of the Total Trade/GDP variable and the focus on undemocratic states in the U.S.'s aid allocation forces one to reject this part of the perspective.

Post-Effect of the War on Terror

The variables tied to the War on Terror show some significant changes in their results compared to the previous model. The most significant changes can be seen in the State Failure variable. The coefficient for this variable received the highest level of significance and is positive. These results indicate that the U.S. provided more aid on average to states which experienced some form of a political instability, opposite of the previous model focusing on before the War on Terror. These results suggest that the War on Terror has had an effect on U.S. foreign aid, as the need to prevent states from failing by ensuring their development was identified as one of the pillars of U.S. national security under the War on Terror (U.S. National Security Strategy, 2002).

The other variables tied to the War on Terror did not change in their results from the previous model. The coefficient for the Muslim population variable remained negative, indicating that the U.S. provided less aid on average to states with large Muslim populations. This result goes against the belief that the U.S. would allocate its foreign aid in an attempt to increase its soft power and image in the Muslim world. As it does not

make sense that the U.S. would intentionally provide less aid to larger Muslim populations, other explanations probably exist to explain these results. A likely explanation for this result is that many of the Muslim-majority countries, such as Senegal, Mali, Chad and Niger, are former French colonies and in France's sphere of influence.³⁸

The coefficient for the Number of Terrorist Attacks variable is not significant in this model, indicating no change from the previous time period. These results may tell us that the U.S. does not view terrorism within SSA as much as a threat as it views terrorism in other regions, such as the Middle East. The U.S. may also focus on dealing with this kind of threat through its military assistance rather than its development assistance. Improving SSA states' counterterrorism capability through military assistance is highly plausible and deserves further investigation to see if terrorism has an effect on this form of aid. Another variable tied to regional security is the Cooperation with U.S. Counterterrorism variable. This variable also produced non-significant results, indicating that the U.S. did not provide more foreign aid as a reward to the states that took part in these counterterrorism operations. As some of these programs were tied to military training, these states may have had an increase in the amount of military assistance allocated to them.

A final change that can be seen between the results of the two models is the loss of significance for the lagged dependent variable in the period after the start of the War on Terror. As this variable earned the highest level of significance in the first model, its

³⁸ Another plausible explanation of this pattern of U.S. aid allocation is the fact that many SSA states with large Muslim populations are not included in the analysis due to missing data. These include Comoros, Djibouti, Eritrea, Guinea, Liberia, Sierra Leone, Somalia, and Sudan.

non-significant status in the second model indicates that the U.S. did not follow previous years' foreign aid allocations in determining aid levels. The much smaller adjusted R^2 for this model reveals this missing influence. If the U.S. has not been following previous years' foreign aid allocation amounts, then foreign aid to the SSA states would have varied greatly year to year for an unknown reason. These results beg the question even more of what actually influences U.S. foreign aid allocation to SSA during the War on Terror.

Reviewing the results of the different variables in the model covering the period of 2002-2008, one can clearly see the effect that the War on Terror has had on U.S. foreign aid allocation to SSA. As the U.S. has shifted its focus to states at risk of failing and provided more aid to the neediest states, there is evidence that the War on Terror has influenced U.S. foreign aid in a profound manner.

CHAPTER 5

CONCLUSION

The results of our analysis presented some interesting explanations of U.S. foreign aid to SSA. Reviewing the differences between the two time periods, one can clearly see a change in focus for the U.S. in regards to states at risk of failure after the start of the War on Terror. This fact can be seen with the U.S. providing more aid on average to states with lower economic wealth as well as to states that have experienced some form of political instability. The results provide mixed support for the perspectives that have been used to explain U.S. foreign aid. The results do not show any evidence that U.S. economic interests or the development interests of the SSA states influenced US foreign aid levels across the entire time period. The lack of concern the U.S. has shown about the recipients' political and economic capability to use foreign aid efficiently also causes us to question if the U.S. is truly motivated by the development interests of the recipient states. The fact that a change in focus for the U.S. occurred between the start of the War on Terror does not prove the War on Terror actually had an effect on U.S. foreign aid to the region either, as other potential explanations may exist. This concluding chapter will review the results of this analysis and look at the possible implications which these findings may have for U.S. foreign aid to SSA. Other explanations of the results will also be reviewed to assess if the War on Terror has had an actual effect on U.S. foreign aid.

Implications of the Findings on U.S. Foreign Aid to SSA

The findings on the determinants of U.S. foreign aid to SSA before and after the start of the War on Terror tell us many things about that on which the U.S. has and has not focused on when considering its aid allocation towards the region. The results of the analysis reveal much about the actual purposes of U.S. foreign aid as well as the U.S.'s foreign policy towards SSA. This study can find no evidence that the U.S., before the start of the War on Terror, provided foreign aid on the basis of advancing U.S. economic interests in the region. The results show that the relationships between the oil and trade variables and foreign aid levels are just the opposite of those hypothesized. These results remain the same in the period after the start of the War on Terror. With both sets of results, one cannot accept the argument that the U.S.'s economic interests influence its foreign aid to the region.

While the U.S.'s economic interests do not appear to have a positive impact on aid levels to SSA countries, one cannot all together reject the strategic interest perspective as an explanation of U.S. foreign aid. Because this study did not include a strategic political variable in the model, one cannot know if the U.S. bases its foreign aid on specific political interests it may have towards SSA. U.S. political interest variables for SSA are not easily conceptualized. While political interest has been easier conceptualized during periods such as the Cold War, with variables measuring such things as alliances, the post-Cold War period does not offer many visible interests the U.S. would have towards SSA. Some studies have relied on the level of military assistance given to a SSA state from the U.S. an indicator of the level of U.S. interest in a state (Kilby and Fleck, 2008). The validity of this variable is questionable though. While

SSA has been viewed to not have a strategic value towards the U.S. in the past (Kraxberger, 2005; Schraeder, 2006), the U.S. may reevaluate its view of SSA in the coming years as the threat of international terrorism continues. This reevaluation may also be the result of the U.S.'s unease with China's growing level of influence in the region.

Based on the analysis, the variables associated with the development interest perspective do not go very far in explaining the U.S.'s aid allocation to SSA. While the coefficient for the economic need variable is negative and significant in the period after the start of the War on Terror, as hypothesized, it is positive and significant in the previous time period. Moreover, the results reveal that the level of democracy as measured by Freedom House and trade openness do not have the hypothesized relationships with aid levels. The GDP per capita variable performs as expected in the analysis, but these results may be explained by the U.S.'s concern about potential state failure in the region. This concern is probably driven more by the U.S.'s strategic interest to ensure its own national security by preventing terrorism than the development interest of the recipients. Trade openness may also fail to influence aid levels due to the small role that the SSA states play in the international trade market. As SSA becomes more involved in the international markets, this interest may change in the coming years.

The findings concerning the level of democracy as measured by Freedom House have important implications. The U.S.'s lack of concern with democracy and human rights is contrary to the U.S.'s own foreign aid policies and national security interests. While the period before the War on Terror shows no pattern between aid allocation and the level of freedom in the recipient states, the second period shows a pattern of more aid

going to nondemocratic states with high levels of human rights violations. These particular results are especially problematic, as encouraging the spread of democracy in the world became one of the pillars of U.S. national security in 2006 (U.S. National Security Strategy, 2006).³⁹ This disregard for democracy and human rights creates the appearance of U.S. hypocrisy. These results do have some logic behind them though. As failing states tend to be less democratic than more stable states, one should not be surprised to find the U.S. overlooking democracy with their main focus on instability in the region.

The most important finding of this study is the observed changes in the determinants of foreign aid allocation to SSA countries after the start of the War on Terror. There are good reasons to attribute these changes to the U.S.'s focus in the War on Terror on the threat of global terrorism in failed states. The emphasis on providing more aid on average to the poorest states as well as providing more aid to states which experienced some form of political instability match the change of focus in U.S. national security towards failing states in 2002. These results provide support for the assertion that the U.S. followed its national security policy directives by providing more aid to states at risk of failing. The other variables tied to the War on Terror did not perform as hypothesized, indicating the limited effect of the War on Terror on U.S. foreign aid. As the U.S.'s struggle against terrorism in the region is based around both development and security, one may speculate that the U.S. may base its military assistance to SSA around these other variables and this study advocates further investigation of the issue.

³⁹ Democracy actually replaced development as a pillar of U.S. national security in 2006 after development's founding as one of the three pillars of security in 2002. This change towards a focus on democracy may be the result of the U.S. justifying the continuing of its operations in Iraq and Afghanistan.

The biggest implication of the potential effect of the War on Terror on U.S. foreign aid may be the chaos which it has caused in fueling the transformation of U.S. aid during this period (Lancaster, 2008). After the start of the War on Terror and the reevaluation of foreign aid as a tool to fight the threat of terrorism, the Bush administration initiated the reorganization of the U.S.'s foreign aid institutions in the attempt to promote more effective development. This reorganization can be seen with the placing of USAID under the control of the State Department and the establishment of independent development organizations, such as the Millennium Challenge Corporation. While the intention of the Bush administration may have been to produce more development, its actions have left the U.S.'s aid structure in a disorganized state with many policy questions still to be answered.

Our findings may reflect some of this chaos, as the lagged dependent variable, representing the previous amount of foreign aid given to a recipient, lost its significance as an indicator of U.S. aid in period after the start of the War on Terror. See the table provided in Appendix 3. As the table in the Appendix shows, the percent of change in the amount of aid allocated to the SSA states from year to year jumped sporadically with many of the SSA states. Some examples include: Guinea-Bissau's aid levels dropping significantly from 2003-2004, then increasing to over 1,000% of the previous year's amount allocated in 2005; Central African Republic's aid level increasing over 3,700% of the previous year's amount allocated in 2004; and São Tomé and Príncipe's aid level increased over 3,000% of the previous year's amount allocated in 2004.⁴⁰

⁴⁰ There are potential explanations for these specific cases. In 2003, Guinea-Bissau and Central African Republic both experienced a coup. The significant drop in aid at this time may have been used to serve as a punishment towards the new regimes. The reestablishment of elections in both states coincides

As the previous amount of aid was not used as at least a starting basis for each year's aid levels, these aid levels are varying wildly year to year. This high level of variation between years may indicate the U.S. is relying on multiple indicators, the majority unknown to this study, when determining aid allocation levels. This may point to the lack of a universal equation for the U.S. to go by to determine foreign aid levels. As this study has no data to validate this claim, it is recommended for further study of this issue.

Other Potential Explanations of Changes in U.S. Foreign Aid to SSA

While this study has assumed the changes in U.S. foreign aid allocation to SSA between the time periods 1992-2000 and 2002-2008 have been the result of the War on Terror influencing U.S. aid practices, other potential explanations may exist for this change. The most obvious of these potential alternative explanations is the differences between the two administrations which held power during these time periods. With President Clinton in office during the first time period and President Bush in office during the second time period, these two administrations policies towards the use of foreign aid and SSA may offer better explanations to the change in focus than the effect of the War on Terror. These two Presidents have been described as holding different views towards international relations, with Clinton being described as an idealist and Bush as a realist (Schrader, 2006), indicating that the U.S. would provide aid based on the development interest of the recipients during the first time period and based on its strategic interest during the second period. Our findings do not support these

with the increase of aid. São Tomé and Príncipe did not suffer from any type of state failure during its large aid increase. The state does have a developing oil industry though, which the U.S. may wish to take advantage of.

expectations. In fact, the findings are nearly the opposite of what one would expect had Clinton been pursuing an idealist agenda and Bush a realist agenda.

The change in aid allocation may also be the result of these different administrations holding on to a specific level of interest towards the region. While Clinton presented some early attention to SSA and promised to help with development during SSA's "renaissance" (French, 1998), the Clinton administration eventually showed little action towards the region (Tucker, 1999). President Bush, on the other hand, has been described as focusing on SSA and its development, based off of his religious views and a sense of moral duty (Associated Press, 2008).

Another alternative explanation for the change in U.S. aid allocation to SSA may be the renewed international focus on SSA's lack of development from celebrities and politicians. From Bono to Tony Blair, more individuals have focused on the problems of SSA since the start of the millennium. The U.S.'s new effort against HIV/AIDS in the region may be explained by this new phenomenon, as the focus on the disease has been part of an international effort to reduce the amount of damage which the AIDS has had on the region.

Going Forward

The alternative explanations described above may provide some insight into changes in U.S. aid allocation after 2001, but the focus on failing states in the U.S.'s national security policy during the War on Terror and the corresponding aid allocation pattern during this period should not be ignored. Many questions remain unanswered regarding the War on Terror's effect on U.S. aid. If the War on Terror has affected U.S.

foreign aid, how long will the focus on failing states remain for the U.S.? Will the War on Terror turn into the new Cold War, and if so, will Cold War tendencies for foreign aid allocation to the region be repeated? Will the U.S. continue to focus much of its aid budget on SSA, or will other regions take on more importance for U.S. aid allocation? How will the Obama administration apply foreign aid to the region? As the U.S. is facing future budget restraints due to its growing deficit, how will foreign aid be affected if budgets are cut?

As the answers to these questions remain unknown, study of the U.S.'s foreign aid practices must continue. Important studies on how U.S. foreign aid has been affected by the War on Terror must be undertaken, as well as studies on whether the U.S. is actually preventing states from failing through its foreign aid.

APPENDIX 1

DATA

Summary Statistics of all Variables

Summary Statistics of Variables 1992-2000			
	N	Mean	Standard. Deviation
ODA/GDP	333	1883.64	25267.94
Total U.S. Trade/GDP	346	0.06	0.10
GDP per capita	346	561.57	1053.08
F.H. average score	430	4.63	1.61
State Failure dummy	432	0.29	0.45
ODA/GDP_lagged one year	331	65395.98	1114729
Oil Exporting dummy	384	0.18	0.38
Log of Oil Exports to U.S.	432	1.34	3.28
Total Trade/GDP	405	70.62	38.30
%Muslim	432	30.89	34.18
Num. of Terrorist Attacks	385	5.82	19.75
Summary Statistics of Variables 2002-2008			
	N	Mean	Standard. Deviation
ODA/GDP	280	0.01	0.02
Total U.S. Trade/GDP	279	0.07	0.11
GDP per capita	279	1496.64	2644.19
F.H. average score	336	4.22	1.59
State Failure dummy	336	0.16	0.37
ODA/GDP_lagged one year	278	0.01	0.03
Oil Exporting dummy	336	0.24	0.43
Log of Oil Exports to U.S.	336	1.18	3.12
Total Trade/GDP	315	80.68	40.95
%Muslim	336	30.89	34.19
Num. of Terrorist Attacks	336	2.36	10.3
Cooperation with U.S. Counterterrorism dummy	336	0.26	0.44

79

Correlation of ODA/GDP and Independent Variables 1992-2000											
	Total U.S. Trade/GDP	GDP per capita	F.H. average score	State Failure dummy	ODA/GDP_lagged one year	Oil Exporting dummy	Log of Oil Exports to U.S.	Total Trade/GDP	%Muslim	Num. of Terrorist Attacks	Cooperation with U.S. Counterterrorism dummy
	.04	-.04	.04	.01	.97***	.00	-.03	-.03	-.05	.02	...
ODA/GDP											
Total U.S. Trade/GDP		.20***	.15**	.06	-.00	.55***	.68***	.53***	-.24***	.03	...
GDP per capita			-.33***	-.17**	-.03	.12**	.12**	.35***	-.25***	.04	...
F.H. average score				.38***	.03	.12**	.17***	-.11**	.27***	.07	...
State Failure dummy					-.03	-.00	.02	-.24***	.18***	.34***	...
ODA/GDP_lagged one year						-.02	-.03	-.04	-.03	.01	...
Oil Exporting dummy							.95***	.10***	-.21***	-.01	...
Log of Oil Exports to U.S.								.23***	-.18***	-.00	...
Total Trade/GDP									-.17***	-.15**	...
%Muslim										-.02	...
Correlation of ODA/GDP and Independent Variables 2002-2008											
	Total U.S. Trade/GDP	GDP per capita	F.H. average score	State Failure dummy	ODA/GDP_lagged one year	Oil Exporting dummy	Log of Oil Exports to U.S.	Total Trade/GDP	%Muslim	Num. of Terrorist Attacks	Cooperation with U.S. Counterterrorism dummy
	-.17**	-.22***	.20***	.31***	-.11*	-.08	-.11*	-.28***	-.05	.14**	-.02
ODA/GDP											
Total U.S. Trade/GDP		.23***	.16**	-.05	-.15**	.50***	.62***	.54***	-.22***	.07	-.12**
GDP per capita			-.12**	-.18**	-.20***	.21***	.23***	.44***	-.30***	-.12**	.02
F.H. average score				.44***	.18**	.19***	.23***	-.05	.19***	.18***	-.06
State Failure dummy					.22***	.07	.05	-.22***	.11**	.32***	.03
ODA/GDP_lagged one year						-.11*	-.12**	-.23***	-.08	.09	-.03
Oil Exporting dummy							.95***	.20***	-.15**	.04	-.15**
Log of Oil Exports to U.S.								.23***	-.18***	-.00	-.12**
Total Trade/GDP									-.19***	-.13**	-.01
%Muslim										.11**	.37***
Num. of Terrorist Attacks											.18**

***Significant .01; **Significant .05; *Significant .10

APPENDIX 2

COMPLETE STATISTICAL RESULTS

Complete Primary Partial Fixed Effects Models Results

Full Primary Models

Partial Fixed Effects Model		Partial Fixed Effects Model	
Dependent Variable: ODA/GDP	1992-2000	Dependent Variable: ODA/GDP	2002-2008
Total U.S. Trade/GDP	-54713.42** (23018.67)	Total U.S. Trade/GDP	-0.019*** (0.01)
GDP per capita	0.900** (0.33)	GDP per capita	-0.000** (0.00)
F.H. average score	43.146 (109.06)	F.H. average score	0.001* (0.00)
State Failure dummy	-416.347** (179.80)	State Failure dummy	0.007*** (0.00)
ODA/GDP_lagged one year	0.022*** (0.00)	ODA/GDP_lagged one year	0.260 (0.17)
Angola dummy	40726.73** (14760.12)	Burundi dummy	0.257** (0.01)
Burundi dummy	-217.56 (242.69)	Dem. Rep. Congo dummy	0.034 (0.04)
Rep. Congo dummy	10138.28** (4439.83)	Côte d'Ivoire dummy	-0.013*** (0.004)
Dem. Rep. Congo dummy	-1056.44 (1255.01)	Ethiopia dummy	0.016** (0.01)
Gabon dummy	11921.12** (5421.03)	Sudan dummy	-0.01* (0.003)
Nigeria dummy	10046.12** (4549.23)	N	275
Senegal dummy	-537.5093* (294.49)	Adjusted R ²	0.36
Seychelles dummy	-5196.42** (1671.52)	*=significant at .10; **=.05; ***=.001	
Uganda dummy	-499.63* (265.00)		
N	323		
Adjusted R ²	0.96		

*=significant at .10; **=.05; ***=.001

Alternative Models Results with Additional Variables

Oil Exporter dummy Variable Models

Partial Fixed Effects Model		Partial Fixed Effects Model	
Dependent Variable: ODA/GDP	1992-2000	Dependent Variable: ODA/GDP	2002-2008
Oil Exporter dummy	-668.001** (294.57)	Oil Exporter dummy	-0.004* (0.002)
GDP per capita	0.10** (0.05)	GDP per capita	-0.000** (0.00)
F.H. average score	46.67 (28.93)	F.H. average score	0.001* (0.00)
State Failure dummy	-111.22** (42.41)	State Failure dummy	0.004** (0.002)
ODA/GDP_lagged one year	0.04*** (0.01)	ODA/GDP_lagged one year	0.26 (0.18)
Angola dummy	6909.29 (4606.359)	Burundi dummy	0.03** (0.01)
Dem. Rep. Congo dummy	-2576.96 (3082.04)	Dem. Rep. Congo dummy	0.04 (0.04)
N	287	Ethiopia dummy	0.02** (0.01)
Adjusted R ²	0.29	N	275
		Adjusted R ²	0.36

*=significant at .10; **=.05; ***=.001

*=significant at .10; **=.05; ***=.001

Log of Oil Exports Variable Models

Partial Fixed Effects Model		Partial Fixed Effects Model	
Dependent Variable: ODA/GDP	1992-2000	Dependent Variable: ODA/GDP	2002-2008
Log of Oil Exports	-425.25** (163.51)	Log of Oil Exports	-0.00* (0.00)
GDP per capita	0.42** (0.21)	GDP per capita	-0.00** (0.00)
F.H. average score	69.30 (104.88)	F.H. average score	0.001 (0.00)
State Failure dummy	-144.98 (159.02)	State Failure dummy	0.01** (0.002)
ODA/GDP_lagged one year	0.02*** (0.00)	ODA/GDP_lagged one year	0.26 (0.18)
Angola dummy	21314.96* (11115.79)	Burundi dummy	0.03** (0.01)
Burundi dummy	-437.65* (262.23)	Dem. Rep. Congo dummy	0.04 (0.04)
Dem. Rep. Congo dummy	-53.44 (1759.59)	Côte d'Ivoire dummy	-0.01** (0.003)
Mali dummy	-318.39 (240.28)	Ethiopia dummy	0.02** (0.01)
Rwanda dummy	-483.26* (265.07)	N	275
Senegal dummy	-457.77** (219.14)	Adjusted R ²	0.36
Sudan dummy	-486.99 (306.24)		
N	323		
Adjusted R ²	0.95		

*=significant at .10; **=.05; ***=.001

*=significant at .10; **=.05; ***=.001

Total Trade/GDP Variable Models

Partial Fixed Effects Model		Partial Fixed Effects Model	
Dependent Variable: ODA/GDP	1992-2000	Dependent Variable: ODA/GDP	2002-2008
Total Trade/GDP	-25.64* (13.65)	Total Trade/GDP	-0.00** (0.00)
GDP per capita	0.25* (0.15)	GDP per capita	-0.000** (0.00)
F.H. average score	-153.50 (116.54)	F.H. average score	0.001* (0.001)
State Failure dummy	-196.38 (216.22)	State Failure dummy	0.01** (0.002)
ODA/GDP_lagged one year	0.022*** (0.00)	ODA/GDP_lagged one year	0.26 (0.17)
Angola dummy	22177.43* (12329.17)	Burundi dummy	0.03** (0.01)
Burundi dummy	-363.42 (298.29)	Dem. Rep. Congo dummy	0.03 (0.04)
Dem. Rep. Congo dummy	-2465.61* (1430.91)	Côte d'Ivoire dummy	-0.01*** (0.003)
Mali dummy	-390.48 (252.99)	Sudan dummy	-0.01* (0.003)
Senegal dummy	-143.99 (183.57)	N	270
Sudan dummy	-653.55 (459.22)	Adjusted R ²	0.36
Uganda dummy	-650.31* (351.35)		
N	321		
Adjusted R ²	0.95		

*=significant at .10; **=.05; ***=.001

*=significant at .10; **=.05; ***=.001

Total Number of Terror Attacks Variable Models

Partial Fixed Effects Model		Partial Fixed Effects Model	
Dependent Variable: ODA/GDP	1992-2000	Dependent Variable: ODA/GDP	2002-2008
Total U.S. Trade/GDP	-42223.73** (19890.25)	Total U.S. Trade/GDP	-0.02*** (0.01)
GDP per capita	0.75** (0.37)	GDP per capita	-0.000** (0.00)
F.H. average score	16.68 (106.96)	F.H. average score	0.002** (0.001)
Total Num. of Terror Attacks	9.19 (26.31)	Total Num. of Terror Attacks	0.00 (0.00)
ODA/GDP_lagged one year	0.02*** (0.00)	ODA/GDP_lagged one year	0.26 (0.18)
Angola dummy	35601.22** (14537.40)	Burundi dummy	0.03** (0.01)
Burundi dummy	-696.31 (629.55)	Cameroon	-0.01*** (0.01)
Gabon dummy	9200.07* (4782.23)	Dem. Rep. Congo dummy	0.04 (0.04)
Nigeria dummy	7187.65** (3561.79)	Côte d'Ivoire dummy	-0.1*** (0.003)
Seychelles dummy	-4325.69** (1997.32)	Togo	-0.01*** (0.0030)
N	288	N	275
Adjusted R ²	0.95	Adjusted R ²	0.36
*=significant at .10; **=.05; ***=.001		*=significant at .10; **=.05; ***=.001	

% Muslim Variable Models

Partial Fixed Effects Model		Partial Fixed Effects Model	
Dependent Variable: ODA/GDP	1992-2000	Dependent Variable: ODA/GDP	2002-2008
Total U.S. Trade/GDP	-54887.61** (22942.56)	Total U.S. Trade/GDP	-0.03*** (0.01)
GDP per capita	0.83** (0.32)	GDP per capita	-0.000** (0.00)
F.H. average score	45.92 (113.78)	F.H. average score	0.002** (0.001)
% Muslim	-10.03** (3.75)	% Muslim	-0.00 (0.00)
ODA/GDP_lagged one year	0.02*** (0.00)	ODA/GDP_lagged one year	0.22 (0.19)
Angola dummy	40201.18** (14649.72)	Burkina Faso dummy	-0.01** (0.004)
Rep. Congo dummy	9924.34** (4394.55)	Burundi dummy	0.03** (0.01)
Dem. Rep. Congo dummy	-1550.37 (1167.54)	Cameroon dummy	-0.02*** (0.01)
Gabon dummy	12046.36** (5459.39)	Dem. Rep. Congo dummy	0.04 (0.04)
Nigeria dummy	10404.48** (4625.02)	Côte d'Ivoire dummy	-0.01*** (0.004)
Seychelles dummy	-5010.52** (1691.96)	Ethiopia dummy	0.01* (0.01)
N	323	Swaziland dummy	-0.01** (0.004)
Adjusted R ²	0.96	Togo dummy	-0.01*** (0.004)
		N	275
		Adjusted R ²	0.37

*=significant at .10; **=.05; ***=.001

*=significant at .10; **=.05; ***=.001

Cooperation with U.S. Counterterrorism Variable Model

Partial Fixed Effects Model	
Dependent Variable: ODA/GDP	2002-2008
Total U.S. Trade/GDP	-0.02*** (0.01)
GDP per capita	-0.000** (0.00)
F.H. average score	0.002** (0.001)
Coop. with U.S. Counterterrorism	-0.001 (0.002)
ODA/GDP_lagged one year	0.24 (0.18)
Burundi dummy	0.03** (0.01)
Burkina Faso dummy	-0.01*** (0.004)
Dem. Rep. Congo dummy	0.04 (0.04)
Côte d'Ivoire dummy	-0.01** (0.003)
Ethiopia dummy	0.02* (0.01)
Swaziland dummy	-0.01** (0.003)
Togo dummy	-0.01*** (0.003)
N	275
Adjusted R²	0.37

*=significant at .10; **=.05; ***=.001

APPENDIX 3

SUPPLEMENTAL DATA

Percent of Change in U.S. Annual Foreign Aid to Sub-Saharan Africa

Country Name	2003	2004	2005	2006	2007	2008	Country Name	2003	2004	2005	2006	2007	2008
Angola	48%	-19%	-43%	-50%	24%	12%	Liberia	105%	248%	-13%	6%	20%	179%
Benin	42%	-12%	-10%	-14%	29%	42%	Madagascar	6%	-3%	105%	-22%	13%	30%
Botswana	-39%	63%	-12%	42%	86%	437%	Malawi	0%	-2%	3%	17%	27%	15%
Burkina Faso	-11%	28%	18%	12%	2%	-8%	Mali	16%	-17%	29%	18%	-15%	2%
Burundi	137%	-8%	29%	-12%	-43%	21%	Mauritania	415%	-59%	88%	-37%	-14%	161%
Cameroon	32%	5%	-17%	2%	133%	-45%	Mauritius	9%	60%	181%	-44%	-25%	-31%
Cape Verde	15%	22%	88%	-40%	3%	248%	Mozambique	-13%	-17%	-20%	32%	45%	53%
Central African Republic	-61%	3734%	51%	24%	-10%	93%	Namibia	75%	21%	-13%	81%	20%	25%
Chad	16%	511%	33%	-37%	65%	41%	Niger	1%	23%	56%	8%	39%	15%
Comoros	105%	-100%	...	-66%	209%	38%	Nigeria	33%	25%	-15%	721%	-69%	57%
Congo, Dem. Rep.	1710%	-86%	-22%	503%	-84%	54%	Rwanda	16%	-2%	17%	40%	20%	34%
Congo, Rep.	-18%	-92%	4352%	-38%	10%	-97%	Sao Tome and Principe	-56%	2912%	-84%	239%	-49%	-5%
Cote d'Ivoire	21%	-48%	-23%	34%	23%	149%	Senegal	33%	6%	-7%	-13%	7%	90%
Djibouti	47%	53%	27%	39%	3%	-13%	Seychelles	105%	-100%	0%	1035%	31%	-93%
Equatorial Guinea	194%	-87%	555%	-67%	-49%	-65%	Serra Leone	-14%	-47%	-25%	-1%	2%	-22%
Eritrea	109%	6%	54%	-95%	-75%	120%	Sierra Leone	-2%	-3%	20%	166%	-37%	329%
Ethiopia	271%	-27%	56%	-46%	21%	127%	South Africa	21%	-8%	28%	24%	66%	73%
Gabon	57%	-15%	-36%	-35%	-4%	-53%	Sudan	50%	121%	108%	0%	-1%	24%
Gambia, The	38%	-13%	-36%	141%	-63%	653%	Swaziland	-657%	29%	41%	14%	93%	159%
Ghana	25%	-2%	-14%	6%	6%	17%	Tanzania	-10%	22%	8%	34%	41%	54%
Guinea	-5%	10%	-5%	-17%	-27%	82%	Togo	-15%	-34%	-13%	-29%	275%	-58%
Guinea-Bissau	-35%	-95%	1197%	314%	17%	-89%	Uganda	63%	23%	14%	11%	26%	22%
Kenya	11%	30%	12%	90%	18%	40%	Zambia	35%	32%	40%	189%	-45%	42%
Lesotho	-55%	53%	-29%	23%	519%	-27%	Zimbabwe	-24%	-11%	41%	-10%	293%	66%

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