

ABSTRACT

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Title: They Call it Assistance. A Study Examining the Effects of Foreign Aid in State Fragility

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Year: 2023

Official Development Assistance (ODA) has been a century long practice that originated in Europe after World War II. While the justification for foreign aid has shifted over the years, it is now largely viewed as a means for economic development. However, some scholars argue that foreign aid can lead to aid dependence, corruption, and declined governance quality. Conversely, other scholars argue that aid has the potential to break poverty cycles and bolster economic development. Given the extensive literature opposing foreign aid, I hypothesized that foreign aid would increase state fragility. To test this hypothesis, I analyzed data from the World Bank, the Fund for Peace, and the Center for Systemic Peace from 2000 to 2015 and 2005 to 2015 to evaluate the effects of foreign aid on state fragility. Surprisingly, the results indicated that foreign aid per capita decreases state fragility, contrary to my hypothesis. Results also showed that high aid volatility, or sudden decreases in aid revenues, increases state fragility. To gain a more comprehensive understanding of the relationship between foreign aid and state fragility, further research using more appropriate statistical tools is needed. Despite the unexpected results, this study underscores the importance of carefully considering the type and amount of aid provided to fragile states to minimize unintended consequences.