



## **Foreign aid, state stabilisation and counter-insurgency**

*Based on Crisis States Programme Working Paper no.28: Luis Eduardo Fajardo, 'From the Alliance for Progress to the Plan Colombia: a retrospective look at US aid to Colombia'. This is intended to provide a summary of the principal findings, and an indication of the implications these may have for debates over policy.*

This paper presents a history-based perspective on the present controversy surrounding US financial assistance to Colombia through a discussion on how the US government implemented its Colombian aid programme during the Alliance for Progress (AFP) initiative of the 1960s. The study adds to previous accounts on the political and economic history of Colombia in that period, mainly through the description and analysis of recently declassified US government documents. It presents a case study that seems to confirm theoretical assumptions on the difficulties of imposing conditionality measures on aid recipient countries. Finally, it presents some elements of comparison between the AFP and the present US aid initiative known as Plan Colombia. The general premise of the study is that previous attempts at stabilising beleaguered Colombian state organisations through large foreign aid packages left largely unsatisfactory results. The Colombian experience with the AFP reveals many of the shortfalls of a counter-insurgency strategy based primarily on the promise of large-scale US aid, and suggests some of the difficulties to be faced in the future by a strategy of institutional strengthening based on Plan Colombia

- **Tendency towards discrepancy between pretensions for change and reality of aid**

A problem that a foreign aid package may display is a discrepancy between the aid pledged, and the radical transformations that are being demanded as a condition. In practice, this leads to a limiting of the effectiveness of conditionality, with large foreign aid measures being pressured to provide increasing financial aid with a limited ability to impose political, economic or social change. In fact, programmes with less ambitious conditions attached may be more likely to be perceived as successful. Hence, Plan Colombia did not seek to bring about a complete transformation of the country into a modern society, only expecting to keep it from complete collapse. Nevertheless, local politicians may continue to use the promise of social reform as a means of building support for such a foreign aid strategy, even when most of the resources provided are actually aimed at those aspects of highest priority to the interests of the foreign aid provider, or of local politicians.

- **Foreign aid packages tied to the political interests of the aid giver**

It is common for economic aid to be deployed to further the political interests of the foreign aid provider. Aid packages are linked to attempts at 'winning hearts and minds', increasing local support for the foreign power. The latter might recognise that poor economic and social conditions are part of the cause of violence, and hence a security risk to themselves. However, there is a tendency for aid to be shifted away from social commitments, towards bolstering those political forces, or pursuing campaigns, that fit in directly with the political interests of the foreign power, especially supporting friendly regimes regardless of their disposition towards democratic reform. As a result, foreign aid may not be sufficient to prevent widespread popular disenchantment in a local political establishment perceived as not delivering earlier promises of widespread reform.

- **Success of aid package highly dependent upon those involved**

Successful implementation of an aid package is dependent upon the commitment and abilities of individual political leaders, both local and foreign. Particularly when a programme is introduced, and acceptance built, by a charismatic and popular leadership, a change of regime can lead to the derailing of the development initiatives. There are also problems attached to those charged with implementation. Existing diplomatic personnel may be ill-prepared for dealing with economic and social policies and problems; and a lack of local political will, combined with political instability and cynicism about the motives of the foreign aid provider, may lead to a lack of local commitment to the full implementation of the reform strategy.

- **Tendency for loans and aid to become diverted towards political ends**

The line between political and development loans can become blurred. There is a tendency towards the provision of loans not tied to specific development or social projects, but simply aimed at bolstering the economy and preventing devaluation and politically-costly readjustment measures. This leads to aid being used to solve short-term political problems rather than promoting long-term social reform. Because of this, loans continue to be made despite doubts about the quality of local government, and despite loans being spent in a dubious fashion.

- **Tendency for aid packages to strengthen local elites**

With the shift from project specific, to more general structural adjustment loans, there is an increasing tendency for the aid package to effectively side with local elite forces, to the exclusion of popular forces. Such a process on the one hand increases the possibility of success of an aid package, since it avoids the contradiction between more ambitious social reform programmes and the interests of local power groups. However, the ending of high profile social projects brings a loss of popular support, and an increase in criticism. This, of course, increases the very political instabilities that the aid package was seeking to overcome in the first place.

- **Inefficacy of foreign aid as means for maintaining political stability**

For all that foreign aid packages have been used as a means of promoting political stability, it is not at all clear that such measures have in fact had this effect. In the case of Colombia, while the claim may be made that US aid prevented communist revolution, it is doubtful that there really was a causal link. In fact, despite large scale aid, a guerrilla war has persisted and even been augmented. In addition, while claiming success in protecting liberal democratic rule from populist dictatorship, it seemed unable to prevent strong electoral results by populist elements associated to a previous dictatorship.

- **Foreign aid only effective intervention at times of need**

One limitation to the effectiveness of foreign aid measures is that they are most successful when the recipient country is in times of need. When the local economic situation, and its position in the world market, improves, dependency on foreign aid is limited, and it is easier for the recipient country to become freed from imposed conditions. In the Colombian case, only when the economic situation worsened, with a growth in illicit forms of capital production (most importantly, narcotics), and increased political instability, did the country find the need to ask again for large amounts of aid, and foreign policy makers found themselves in the position to once again influence local events.

- **Historical contingency of foreign aid strategies**

The strategies pursued by foreign aid providers (in particular the United States) are by no means uniform, but show much historical contingency. It can be seen that aid packages in the 1990s were based on different premises to those of the 1960s.

a) In the 1960s, the primary concern was to promote economic 'take-off'. There was a strong emphasis, therefore, on promoting development, and direction in favour of radical social change, by attacking the injustice of ruling class privileges.

b) In the 1990s, the fundamental premise was the prevention of state failure along with the fight against illegal drug trafficking. Aid packages became aimed at preventing state collapse, and were largely used to alleviate the situation of small groups on the economic periphery which had become dependent upon the drug trade, without directly challenging the power of local elites.

There has been a shift in US foreign policy during the presidency of George W. Bush, which has brought the expectation of deeper and increased US involvement, framed in the context of the 'war on terrorism', in which insurgencies have been defined as a greater national security risk for the US. While this has entailed military involvement, it has also brought a return to the recognition for the need for large-scale socio-economic reforms to remove the causes of subversion. However, the degree to which the US is likely to become involved in other countries, such as Colombia, may be determined by their success in rebuilding Afghanistan and Iraq.

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