

## Effect of military operations on economic security

Military aid can have a positive effect on economic activity, but may be detrimental in more severe conflict, effective settings, or if the aid persists into the post-conflict period. On balance, there is a small negative effect.

Geographical region: South Asia, Global

Effect: Small negative effect ( $g = -0.015$ )

Confidence in study findings: Low confidence

### Short summary

Military aid, combined with economic aid and troop presence, is expected to provide the security necessary for the resumption of economic activities. There is supporting evidence the military aid does have a small positive effect on economic growth. But post-conflict, prolonged aid reduces growth by hindering recovery. Troop presence and aid were found to increase household expenditures in Afghanistan, with Afghan troops having a stronger positive effect than international forces. But, the effects can be offset by high levels of casualties which are associated with lower household economic welfare.

### Long summary

#### *The intervention*

Any efforts that involve the use of a state's armed forces to prevent, de-escalate or resolve a violent conflict or atrocity in favour of one of the involved parties. This could be operations where armed forces are engaged in combat and those that do not have primary objectives to engage in combat (e.g. the presence of armed forces in specific locations, or training). This also includes cyberwarfare operations when delivered by a state's armed forces.

#### *How the intervention is expected to work?*

Military aid, combined with economic aid and troop presence, is expected to provide the security necessary for the resumption of economic activities. It can provide stability that enhances the effectiveness of economic support, fostering growth and reducing poverty. However, prolonged intervention may be counterproductive by hindering recovery and limit domestic investment.

#### *Evidence base*

The cell has 2 quantitative studies, with 35 effect sizes:.

One study, Creasey (2014), focuses globally, analyzing data from 176 countries across various conflict periods and aid interventions from 1960 to 2005, while the other, Floreani (2021), focuses on Afghanistan.

## *Evidence findings*

During conflict, the combination of military and economic aid is associated with a modest positive effect on economic growth, as military aid can provide stability that enhances the effectiveness of economic support. In contrast, post-conflict continuation of both economic and military aid is linked to reduced growth, suggesting that prolonged intervention may hinder natural recovery and limit domestic investment (Creasey, 2014). Troop presence is correlated with increased household expenditures, with locally engaged Afghan troops showing a stronger positive impact on consumption compared to international forces. Additionally, the combined effects of aid and troop presence often help offset the negative impact of conflict on poverty (Floreani, 2021).

## *Included studies*

**Creasey (2014)** examines the impact of nation-building efforts—economic aid and military assistance combined—on the economic growth of conflict and post-conflict countries. The study defines nation-building as providing both economic and military aid in conflict and post-conflict situations to foster security and stimulate economic growth. Assess if and how these interventions positively impact economic growth, particularly by reducing conflict-induced instability and encouraging private investment. A 45-year cross-country panel dataset encompassing military, economic, and conflict variables was used. A three-way interaction term involving economic aid, military assistance, and conflict regime is constructed. The study employs a two-stage approach to address potential endogeneity between aid and growth by instrumenting aid based on geopolitical factors. The sample includes 176 countries from 1960 to 2005, covering various conflict periods and aid interventions. Data sources include OECD data for economic aid, military assistance records, and UCDP-PRIO conflict data. During Conflict: Combined military and economic aid correlate with a modest positive effect on economic growth, as military aid may provide stability that enhances the effectiveness of economic support. Post-Conflict: Continuation of both economic and military aid post-conflict was associated with reduced growth, suggesting that prolonged intervention might hinder natural recovery and domestic investment.

The study is rated low confidence because selection bias remains due to data limitations (e.g., no data from non-OECD donors like China). Further, high-quality evidence on multilateral versus unilateral impacts is limited, affecting the confidence in conclusions.

**Floreani (2021)** examines the relationship between conflict intensity and poverty in Afghanistan, focusing on the effects of foreign aid, troop presence, and casualties at the province level from 2007 to 2014.

The study employed ordinary least squares (OLS) and instrumental variables two-stage least squares (IV 2SLS) regression models, to examine the impact of conflict-related indicators (foreign aid, troop presence, and casualties) on household expenditures per capita in Afghanistan. The OLS models included household weights, with standard errors clustered at the province level to match the conflict indicators' measurement. To address potential endogeneity in foreign aid, IV 2SLS was applied using USAID aid flows as an instrument.

The findings show that foreign aid and troop presence were associated with increased household expenditures. The presence of Afghan troops, more locally engaged, showed a stronger positive impact on consumption than international forces.

Higher casualties correlated with lower household expenditures, underscoring the detrimental impact of violence on welfare. However, the combined effects of aid and troop presence often offset the negative impact of conflict on poverty.

The study is rated low confidence due to the inadequate description of the evaluation question and intervention.

#### *Confidence assessment*

Overall, the cell is rated low confidence.

#### **Other outcomes in the study/cell:**

- Violence and atrocity prevention/Nature and scale of violence or atrocities