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INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

**THE IMPACT OF FOREIGN AID ON DEVELOPMENT IN AFRICA: A
COMPARATIVE STUDY OF GHANA AND ANGOLA.**

BY

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DECLARATION

This research project is my original work and has not been presented before to any university for academic award.

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DEDICATION

This research project is dedicated with love and gratitude to my family and friends.

ACKNOWLEDGEMENT

I thank God for enabling me to complete my studies. I am particularly grateful and immensely indebted to my supervisor Prof. Maria Nzomo, who comprehensively read this project report, tirelessly critiqued my work and gave me innovative suggestions to improve my thesis as I progressed. If not for her significant guidance, it would have been difficult to complete this undertaking. Thank you Prof. I am greatly humbled by your support.

ABSTRACT

With key focus on impact of Foreign Aid in Africa, the study focused on comparative analysis of both Ghana and Angola. The study was guided by three objectives namely; to analyse the historical development of foreign aid and its impact on development in Africa, to critically examine the impact of foreign aid on development in Ghana and Angola and lastly to identify and analyse factors hindering effective utilization of foreign aid for development in Ghana and Angola. The ever widening socio-economic gap between developing and developed nations has continued to dominate international relations for a long time. The widening gap has led to developed nations channelling capital to developing nations in order to stir development and bridge the existing gap. Evidence however suggests that decades of foreign aid inflows to Africa has had little impact in altering the destinies of most African states, many of which have registered low developmental and growth rates. Estimates point to the fact that African countries like Angola and Ghana have spent more than US \$500 billion of foreign aid capital in the last decade alone, yet under-development in the two countries continues to persist. It is this persistent under development that continues to be witnessed despite foreign aid inflows into the recipient nations. The concept of foreign aid has its roots from the Bretton Woods conference held in New Hampshire in 1944, according to the analysis of the historical progress of foreign aid development in Africa. In Africa, foreign aid began gaining relevance during the 1960s when most African states acquired independence from their colonial masters. At the time, development aid was nonconcessional and was largely an extension of goodwill to the states that had just attained independence. Former colonial masters like France and Britain saw it as a moral obligation to continue supporting their former colonial territories but also as a means to access natural resources and retain political influence in their former colonial territories. A surge in private assistance in recent times has seen it become an important source of foreign aid to Africa as a whole. Private corporations, institutions, NGOs, and certain religious groups now make significant aid contributions to Africa. Estimates indicate that the annual private assistance to Africa targeted towards some programs could soon surpass official aid. The study has found out that foreign aid disbursements in Ghana have had mixed outcomes on development. Foreign aid has promoted economic reforms in Ghana such as reduction of the tax burden, increase of revenue at the local level, and revenue mobilization through tax reforms. Besides, foreign aid has had significant impacts on infrastructural development in the country. The study also reveals that the volatility of foreign aid over recent decades has increased with high variations between foreign aid commitments and disbursements. These inconsistencies have thus resulted in a decline of foreign reserves, a high balance of payment deficits, and high domestic borrowing for Ghana. The study has revealed that foreign aid has had major impacts on development in the sectors of education, agriculture, health, and basic infrastructure in Angola. Other studies argue that foreign aid has not led to sustainable socio-economic development in Angola, citing poor living standards, high rates of unemployment, corruption, and poverty as the main reasons. Foreign aid has improved development and also strengthened government policies in the two countries. Some of the factors that hinder effective utilization of foreign aid are poor aid management and coordination, donor fragmentation, aid volatility, the lack of local participation in aid projects, and the shortage of counterpart funds for aid project/programme recurrent costs. These factors need to be addressed to realize the full effectiveness of foreign aid to African countries.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
LIST OF TABLES.....	xi
LIST OF FIGURES.....	xii
ABBREVIATIONS.....	xiii
CHAPTER ONE.....	1
INTRODUCTION TO THE STUDY.....	1
1.1 Background to the Study.....	1
1.2 Statement of Problem.....	3
1.3 Research Questions.....	3
1.4 Objectives of the Research.....	4
1.4.1 Specific Objectives.....	4
1.5 Literature Review.....	4
1.6 Theoretical Literature Review.....	4
1.6.1 Dependency Theory.....	4
1.6.2 World Systems Theory.....	6
1.7 Empirical Literature.....	8
1.7.1 Historical Development of Foreign Aid and Development in Africa.....	8
1.7.2 The Impact of Foreign Aid on Development in Africa.....	12
1.7.3 Factors Inhibiting Effective Utilization of Foreign Aid on Development in Africa.....	14
1.7.4 Factors Inhibiting Effective Utilization of Foreign Aid on Development in Angola and Ghana.....	17

1.8 Literature Gap.....	18
1.9 Justification of the Study	19
1.9.1 Academic Justification.....	19
1.9.2 Policy Justification.....	19
1.9.3 General Public Justification	20
1.10 Theoretical Framework	20
1.10.1 Dependency theory	20
1.11 Hypothesis	21
1.12 Study Methodology	21
1.12.1 Research Design.....	21
1.12.2 Research Site.....	22
1.12.3 Sampling Size of Population.....	22
1.12.4 Data Sources and Data Collection Methods	23
1.12.5 Data Analysis	23
1.12.6 Ethical Considerations	23
1.13 Chapter Outline	23
CHAPTER TWO: HISTORICAL PROGRESS OF FOREIGN AID AND ITS IMPACT ON DEVELOPMENT IN AFRICA	25
2.0 Introduction	25
2.1 Conceptualization of foreign aid and development.....	25
2.2 Foreign Aid and Development in Africa.....	26
2.3 Foreign Aid and Development in Africa in the 21st Century	30
2.4 Different Forms of Foreign Aid to Africa	32
2.5 Politics of Foreign Aid in Africa.....	33
2.6 Conclusion.....	35

CHAPTER THREE: THE IMPACT OF FOREIGN AID ON DEVELOPMENT IN GHANA AND ANGOLA	37
3.0 Introduction	37
3.1 The Impact of Foreign Aid on Development in Ghana.....	37
3.1.1 Impact of Foreign Aid on Education	38
3.1.2 Impact of Foreign Aid on Agriculture	39
3.1.3 Impact of Foreign Aid on Health	40
3.1.4 Impact of Foreign Aid on Telecommunication.....	41
3.1.5 Impact of Foreign Aid on Infrastructure	41
3.2 The Impact of Foreign Aid on Development in Angola	42
3.2.1 Impact of Foreign Aid on Education	43
3.2.2 Impact of Foreign Aid on Agriculture	44
3.2.3 Impact of Foreign Aid on Health	45
3.2.4 Impact of Foreign Aid on Infrastructure	46
3.2.5 Impact of Structural Adjustment on Foreign Aid and Development in Ghana and Angola.....	47
3.3 Conclusion.....	48
CHAPTER FOUR: FACTORS HINDERING EFFECTIVE UTILIZATION OF FOREIGN AID FOR DEVELOPMENT IN GHANA AND ANGOLA	49
4.0 Introduction	49
4.1 Poor Aid Management and Coordination.....	49
4.2 Donor Fragmentation	53
4.3 Aid Volatility.....	54
4.4 Lack of Participation in Aid Projects	55
4.5 Shortage of Counterpart Funds for aid Project/Programme Recurrent Costs ...	56
4.6 Chapter Summary.....	58

CHAPTER FIVE: DATA ANALYSIS AND PRESENTATION	60
5.0 Introduction	60
5.1 Demographic Characteristics	60
5.1.1 Age of the Respondents	60
5.2.2 Gender of the Respondents	61
5.2.3 Highest Level of Education of the Respondents.....	62
5.2.4 The profession of The Respondents.....	64
5.2.5 Nationality of the Respondents	65
5.2 The Role and Impact of Foreign Aid in Africa	66
5.2.1 Economic Stagnation	68
5.2.2 Development of Infrastructure.....	68
5.3 Thoughts of whether foreign aid impacts on development in Africa.....	68
5.4 Reasons for the impact of foreign aid on development in Africa	70
5.5 Some of the challenges making the utilization of foreign aid less impactful in Africa.....	71
5.6 Negative impacts on economic development by Countries	71
5.7 Reasons for the existence of negative impacts of foreign aid in the development in Ghana and Angola.....	72
5.8 Factors for ineffective foreign aid on economic development of in Ghana and zAngola	74
5.8.1 Corruption.....	74
5.8.2 Poor Leadership	76
5.9 Report on what happens for foreign aid money for development in Ghana and Angola	77
CHAPTER SIX: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS.....	79
6.0 Introduction	79

6.1 Summary of Findings	79
6.1.1 Historical Progress of Foreign Aid and Its Impact on Development in Africa	79
6.1.2 The Impact of Foreign Aid on Development in Ghana and Angola.....	80
6.1.3 Factors Hindering Effective Utilization of Foreign Aid for Development in Ghana and Angola.....	83
6.2 Conclusion.....	84
6.3 Recommendations	84
6.4 Areas for Further Study	85
REFERENCES.....	86
APPENDICES	91
Appendix I: Research Questionnaire – Ghana	91
Appendix II: Research Questionnaire –Angola.....	95
Appendix III: NACOSTI Permit	100
Appendix IV: Turnitin Report	102

LIST OF TABLES

Table 5.1: Age of the Respondents	60
Table 5.2: Gender of the Respondents	62
Table 5.3: Highest Level of Education of the Respondents.....	63
Table 5.4: Profession of the Respondents.....	65
Table 5.5: Nationality of the Respondents.....	65
Table 5.6: Report of the Respondents on the Role and Impact of Foreign Aid in Africa	67
Table 5.7: Posterior Distribution Characterization for Poisson Inference	68
Table 5.8: Report on the Reasons for the impact of foreign aid on growth in Africa .	70
Table 5.9: Posterior Distribution Characterization for One-Sample Mean	71
Table 5.10: Report on Reasons for the existence of negative impacts of foreign aid in the development in Ghana and Angola.....	72
Table 5.11: Factors making foreign aid to be ineffective on the economic development.....	75
Table 5.12: Report on what happens for foreign aid money for development in Ghana and Angola.....	77

LIST OF FIGURES

Figure 5.1: Age of the Respondents by Percentage	61
Figure 5.2: Gender Bar Chart.....	62
Figure 5.3: Highest Level of Education Pie chart.....	63
Figure 5.4: Nationality of the Respondents	66
Figure 5.5: Posterior Distribution Characterization for Poisson Inferencea.....	69
Figure 5.6: Posterior Distribution Characterization for One-Sample Mean	72

ABBREVIATIONS

MDGs	:	Millennium Development Goals
LDC	:	Least Developed Countries
DAC	:	Development Assistance Committee
OOF	:	Other Official Flows
FOCAC	:	Forum for China-Africa Cooperation
ODA	:	Official Development Assistance
GDP	:	Gross Domestic Profit
USD	:	United States Dollar
SPSS	:	Statistical Package for Social Sciences
DAG	:	Development Assistance Group
QDA	:	Quick Disbursing Assistance
ISA	:	Import Support Aid
SAL	:	Structured Adjustment Loans
USAID	:	United States Agency for International Development
FFD	:	Financing for Development
PDA	:	Private Direct Assistance
CHPS	:	Community-based Health Planning and Services
EPI	:	Expanded Programme on Immunization
DIS	:	Daily Immunization Services
IDA	:	International Development Association
OECD	:	Organisation for Economic Cooperation and Development

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Background to the Study

The major aim of foreign aid to developing nations has always been to spur growth and development. Foreign aid has indeed become a key component of foreign policy advanced by developed economies in order to strengthen economic ties with developing nations. A product of Breton Wood system, foreign aid was first established as one of its principles in 1914. The system proposed the creation of a liberal capital market that allowed for unrestricted inflow of foreign aid to developing nations. It is out of this proposal that a Marshal Aid Assistance was granted to European economies ruined after the Second World War. Henceforth, foreign aid has become a significant instrument of the international economic system.¹

The Organisation of Economic Cooperation and Development (OECD) consider foreign aid as the financial and technical assistance offered to countries that are listed under Development Assistance Committee (DAC). According to Rourke and Goldstein, foreign aid refers to the international transfer of public funds in the form of grants or loans directly from one government to another or indirectly through institutions of multilateral assistance like the World Bank.² Scholars argue that the flow of foreign aid to a developing country should meet the following criteria; first, what it is directed towards should be non-commercial from the donor's standpoint, and secondly, it should be characterized by non-concessional terms.³

¹ Todaro MP (1977) *Economics for a developing World*. Harlow: Essex, Longman.

² Rourke, J and Goldstein, K (2010) *International Administration and Economic Relations in a Changing World*. Ilorin: Majab Publishers

³ Ibid.

The African continent is reported to have started receiving foreign aid actively in the early 1960.⁴ That is when a majority of them were getting liberated from the rule of colonial powers and assuming independent governance. The amount of foreign aid received by the continent has increased exponentially over the years but little exists to indicate the achievement in terms of development. Furthermore, the Africa's' dependency on foreign aid has increased over the years and it is not anticipated to reduce any time in the recent future. It is because of these outcomes that the effectiveness of foreign aid in Africa is being questioned and debated for some time now.

Numerous studies on foreign aid to developing nations have not been able to reach a concord on its effectiveness. Certain studies find that foreign aid has negatively impacted mobilisation of domestic resources while others commend that foreign aid has impacted positively on development and growth of recipient nations. Scholars like Moyo contend that the extension of foreign aid to Africa is causing more harm than good.⁵ The scholar makes this argument pointing to the fact that Millennium Development Goals (MDGs) that has highly been supported by foreign aid are still far from being achieved. A 2014 UNDP Human Development Report notes that 34 countries out of 48 in the world considered to be Least Developed Countries (LDC) are in Africa.⁶ In contrast however, scholars like Addison et al. claim that foreign aid has significantly contributed to the development of Africa and that cutting its supply would lead to the death of over 7 million Africans annually for treatable and preventable causes like malaria, AIDS, and tuberculosis.⁷ It is these numerous contradictions that

⁴ Sanjeev, G. et al. (2006). *Macroeconomic Challenges of Scaling Up Aid to Africa: A Checklist for Practitioners*. International Monetary Fund, Washington D.C.

⁵ Moyo, D. (2009). Why Foreign Aid is Hurting Africa. *The Wall Street Journal*, pp.1-5.

⁶UNDP (2014) United Nations Development Program, Human Development Report.

⁷ Addison, T. Mavrotas, G. & McGillivray, M. (2010). Aid to Africa: An Unfinished Agenda. *Journal of International Development*, No. 1001, 2005, pp. 989-1001.

exist in terms of the effectiveness of foreign aid in Africa is what therefore informs the basis of this research and why it sets out to conduct a comparative study of how foreign aid has played a role in the development of the African countries of Ghana and Angola.

1.2 Statement of Problem

The ever-widening socio-economic gap between developing and developed nations has continued to dominate international relations for a long time. The widening gap has led to developed nations channelling capital to developing nations in order to stir development and bridge the existing gap. Evidence however suggests that decades of foreign aid inflows to Africa has had little impact in altering the destinies of most African states, many of which have registered low developmental and growth rates. Estimates point to the fact that African countries like Angola and Ghana have spent more than US \$500 billion of foreign aid capital in the last decade alone, yet underdevelopment in the two countries continues to persist. It is this persistent underdevelopment that continues to be witnessed despite foreign aid inflows into the recipient nations that therefore informs a comparative study of the two African countries of Ghana and Angola.

1.3 Research Questions

- i. What is the historical development of foreign aid and its impact on development in Africa?
- ii. What is the impact of foreign aid on development in Ghana and Angola?
- iii. What are the factors hindering effective utilization of foreign aid for development in Ghana and Angola?

1.4 Objectives of the Research

The main objective of the study is to inspect the role played by foreign aid on development in the African.

1.4.1 Specific Objectives

- i. To analyse the historical development of foreign aid and its impact on development in Africa.
- ii. To critically examine the impact of foreign aid on development in Ghana and Angola.
- iii. To identify and analyse factors hindering effective utilization of foreign aid for development in Ghana and Angola.

1.5 Literature Review

This section will focus on bringing out the key arguments brought forward by different scholars on the impacts foreign aid has on development in Africa with a singular focus on Angola and Ghana. The section will review both theoretical literature as well as empirical literature with an aim of establishing the knowledge gap that this study seeks to address.

1.6 Theoretical Literature Review

This section reviews the Dependency theory, World Systems Theory and Neo-liberal theory as they help explain why foreign aid has continued to be an important component of foreign policy.

1.6.1 Dependency Theory

Dependency theory is predicated on the notion that for one to understand the relationship between developing and developed nations, consideration must be given to

their global inter dependence. Proponents of the theory argue that long term provision of foreign aid resulted in the receiving countries getting accustomed to foreign aid thus the emergence of the dependency syndrome. The causes of dependency by developing countries is because of inhibitions in development, and little or no political/economic reforms that therefore results in developing nations using foreign aid as a long-term solution to budgetary deficits. Two schools of thought in regards to dependency theory exist. One school belongs to the bourgeois scholars and the other the radical scholars of the neo-Marxian political economy.

The bourgeois scholars argue that the underdevelopment witnessed in developing nations and their consequent dependence on developed nations results from internal contradictions. To the scholars, the problem of internal contradictions in developing nations can be explained by poor governance, corruption, and the diffusion of capital, institutions, and technology, and the lack of close integration between developed and developing nations. These scholars standpoint view is that dependency and underdevelopment in developing countries is internally inflicted and not externally inspired. A way out of the problem for developing nations is therefore to seek foreign assistance in the form of loans, investments, and aid.

Radical scholars of the neo-Marxian political economy point of view have however dismissed the bourgeois scholars and argue that the incorporation of developing nations into world capitalist development is the cause of underdevelopment. The general view of the radical scholars therefore is that the world capitalist expansion is therefore the reason for Western metro-pole developing. Contrary to claims put across by bourgeois scholars who strongly argue that colonialism was meant to spread civilisation, radical scholars wager that colonialism severely de-capitalised third world countries and distorted and dis-localised their social and economic system. More importantly, third

world economies were disarticulated and compelled to specialise in producing unprocessed raw materials in an international division of labour that was characterised by an unequal exchange.⁸

drives a countries savings towards the most innovating entrepreneurs.⁹ The theoretical literature points out that economic liberalization improves economic growth via efficient resource allocation, resource distribution, and learning efficiency by copying and imitating the developed countries.¹⁰

1.6.2 World Systems Theory

World systems theory was originally framed by Immanuel Wallerstein and is often viewed as a new standpoint to explaining global economic and social realities. The theory is based on the notion that all the countries in the world can be categorised into three distinct levels of domestic economic development in the current world system. The three categories are as follows; the core (highly developed nations), the semi-periphery (economies falling in-between the core and the periphery), and the periphery (developing nations). A country can fall into any of the categories through the determination of its economic and political role within the overall world economy and system.¹¹

The theory's framework states that the relationship between the core, semi-peripheral and peripheral nations is the degree of profitability they register in their production processes. From a different point of view, it can be summed up as the relationship

⁸ Momoh A, Hundeyin T (1999). "Perspectives on Political Economy" in Anifowose, R. and Enemuo, F. eds Elements of Politics. Lagos, Malthouse Press Limited.

⁹ Schumpeter, J.A.: The theory of economic development. Harvard University Press, Cambridge (1911)

¹⁰ Grossman, G.M., Helpman, E.: Growth and welfare in a small open economy. In: Helpman, E., Razin, A.

(eds.) International Trade and Trade Policy, pp. 141–163. MIT Press, Cambridge (1991)

¹¹ Wallerstein, I. (1975). The Present State of the Debate on World Inequality. In I. Wallerstein, World Inequality: *Origins and Perspective on the World System*. Montreal: Black Rose Books.

between core and periphery nations based on transnational division of labour which forms part of the modern capitalist world-economy. Wallerstein posits that transnational division of labour creates a channel by which value flows from the core to the periphery can be explained. The scholar goes on further to point out that value flows from the core to the periphery are needed to keep monopoly forms of capitalism at the core.¹²

According to the World System theory, foreign aid is designed by core countries to be a set of programmatic measures that enhances the social, economic and political development of peripheral countries because their production processes are constrained and less profitable in the world economy.¹³ Mosley et al point out that development in peripheral countries is constrained because they lack production processes of the core like countries. According to the scholars, core-like production processes are highly skilled and less competitive compared to the peripheral productions processes which are highly competitive, require less skills and are more labour extensive. Foreign aid, anti-corruption policies, and inequality reduction are therefore the keys to positive development leverage in peripheral countries.¹⁴ Burnside and Dollar add that in order for foreign aid to be positive in peripheral countries, it needs good policies in the sectors of public finances, taxes, and trade, otherwise foreign aid will have little effect on peripheral countries.¹⁵

¹² Ibid.

¹³ Hattori, T. (2001). Re-conceptualizing Foreign Aid. *Review of International Political Economy*. 8(4). 633-660.

¹⁴ Mosley, P., Hudson, J., & Verschoor, A. (2004). Aid, Poverty Reduction and the New Conditionality". *The Economic Journal*. 114(496): F217-F243.

¹⁵ Burnside, C., & Dollar, D. (2000), Aid, Policies and Growth. *The American Economic Review*. 90(4): 847-868.

1.7 Empirical Literature

1.7.1 Historical Development of Foreign Aid and Development in Africa

Eyben observes that foreign aid gained prominence in Africa in 19th century when rich countries started giving money to poor countries for development assistance. Most of these countries giving foreign aid to African countries were the colonial masters hence they used foreign aid as a policy to maintain their influence in Africa after most of African countries gained independence.¹⁶ Despite a long history of foreign aid in African countries Edward argues that foreign aid has not catalyzed economic development in Africa save for Botswana. In his view foreign aid in Africa is synonymous to corruption and poor governance.¹⁷ Similarly Moyo posits that up to the year 2009, foreign aid worthy U.S\$ 1 trillion had been transferred from rich to poor countries, however these amounts have no tangible impact in terms of economic growth on the recipient countries. In addition this scholar observes that Africa as a continent has been trapped into a vicious circle of aid dependency, poverty and corruption.¹⁸

For instance, Carlsson gives an example of Botswana which at independence in 1966, almost half of the government's budget was financed by foreign aid from Britain. The government therefore made it a priority to make the country financially independent by attracting foreign investments in the country and diversifying the sources of foreign aid in order to reduce dependence on one donor. The government sought assistance for basic social and physical infrastructure, major mining projects, and education and training. By 1973, the country no longer needed aid from Britain in order to balance its

¹⁶ Rosalind Eyben (2013), *The History of Foreign Aid*, published by Australian Broadcasting Corporation. On December 2013. P-2.

¹⁷ Sebastian Edward (2014), Economic Development and the effectiveness of foreign aid: A historical Perspective. Research based policy analysis and commentary from leading economists. Published by Vox EU journal of economics. 28th November 2014. P.4.

¹⁸ Ibid. P.21.

recurrent expenditure and thereby diverted all its aid resources in development activities. The total assistance the country received peaked in the 1980s at US\$ 200 per capita making it one of the highest per capita foreign aid recipients in the world. After averaging around US\$ 140 per capita between 1980 and 1992, foreign aid to the country was subsequently reduced and donors closed resident missions in the country.¹⁹

Rouis reports that in 2018, Senegal received foreign aid amounting to the equivalent of 16 per cent of its GDP, well above the 10 per cent average received by other African nations. Senegal has historically been one of the highest foreign aid receiving countries in the world with France being its most important donor. Its other important donors have included the World Bank, African Development Bank, Canada, Italy, US, Germany, the European Union, China and Japan. At one time or another, Senegal has managed to be on every donor's top list except only until recently when the US and Italy significantly reduced their foreign aid programmes in the country due in part to large reductions in their total aid budgets. The huge amount of aid inflows to the country and its significance to the economy has attracted significant attention on how the government manages the aid. Evidence has however suggested that Senegal's capacity to manage the foreign aid it receives is generally wanting. Rouis reports that most of the aid projects are not subject to donor evaluation or systematic planning and the leaders in that country use existing weakness in the system to secure their priorities rather than those that benefit the country as a whole.²⁰

Berry notes that mainstream concerns of the international development community have mainly influenced foreign aid inflows to Tanzania. Since the country attained independence, it has received foreign aid from more than 100 multilateral and bilateral

¹⁹ Carlsson, J., (1998) *Aid Effectiveness* in Botswana. Economic Research Bureau,

²⁰ Rouis, T., (2019) *Stabilization, Partial Adjustment and Stagnation of Senegal. Adjustment in Africa: Lessons from Country case studies*. World Bank: Washington D.C.

donors spread over more than sixty countries. In principle donors currently include China, Japan, African Development Bank, World Bank, International Monetary Fund, Germany, Finland, Denmark, Canada and Norway. An assessment of how foreign aid is utilised and is effective in the country reveals a number of issues. First, projects built through foreign aid have left a legacy of under-utilised and unsustainable capacities in the country's social and industrial sectors. Second, foreign aid geared towards programmes have left a recognisable impact that has directly translated into GDP growth. This impact is explained by the fact that programmes funded by foreign aid were directed towards trouble spots in the economy like capacity under-utilisation. Third, donors to the country have remained project oriented despite recently shifting to sectorial aid. The implication of this has been that donors control foreign aid management to the detriment of local control and independence.²¹

Bigsten contends that Zambia has significantly benefited from foreign aid assistance. A combination of a number of factors both internally and externally in the country conspired to make the country solicit for increased foreign assistance in development. While the country has received a steady flow of foreign aid since independence, the period after 2010 saw a remarkable increase in external support. Foreign inflows from bilateral assistance have been much more important to the country than multilateral assistance. At a bilateral level, China has provided around 20 per cent in bilateral receipts, making it a major bilateral donor to the country. Japan and the US follow with 14 per cent and 10 per cent respectively. The country's other major donors have include the European Union and Canada. Other than foreign aid assistance, Zambia has also received other resource transfers in the form of export credits, portfolio investments,

²¹ Berry, L., (2016) *The Foreign Aid Sector in Tanzania*. Uppsala: Scandinavian Institute of African Studies.

debt reorganisation, and official sector equity. These resource transfers have been classified by the Development Assistance Committee (DAC) as Other Official Flows (OOF).

The country has however been faced with challenges in terms of managing the multiple sources of external assistance. One of the challenges has been that at the macro-level, the country's aid coordinating institutions have been suffering from human capacity limitations and serious structural weaknesses. These have included but not limited to policy deficiencies, weak organisational systems, poor financial management and accounting systems. The analytical capacity by most aid management institutions in the country has generally been limited to collecting data on aid inflows to the country and very little effort expended in policy-relevant analyses that allows the government to meaningfully bargain with the donors on priorities.²²

Kagwanja observes that just like the Marshall Plan that set Europe's reindustrialization after the war as its first priority, China has been taking a key role in Africa's industrialization. The China-Africa summit offers a new deal for Africa's development through Chinese foreign aid assistance spread across different countries in Africa.²³ On the other hand Anyang contends that the Forum for China-Africa Cooperation (FOCAC) has the making of a 21st century equivalent of the Marshall Plan, America's massive economic rescue that President Harry Truman unveiled for Europe. In addition Peter stresses that even though the Marshall plan remains the largest bailout in human history it can easily be overtaken by the Chinas plan to build Africa's economy through economic assistance.²⁴ On the other Lynch argues the emerging China's economic

²² Bigsten, A. (2018) *An Evaluation of Foreign Aid in Zambia*. Stockholm: SASDA.

²³ Peter Kagwanja (2018) *Chinas Marshall Plan for Africa – debt or new deal?*. An article published by Researchgate. On 8th September 2018.

²⁴ Peter Anyang' (2019) *Chinas Aid in Africa Favours political leaders Home Region*. Published by Quartz Africa. P.2.

assistance will only have positive impact to African economies only when utilized well with democratic governance structures. Since September 2018 Beijing has transferred to Africa an equivalent of 60 billion U.S dollars in form of official development aid, capacity building, export credits, suppliers' credits and commercial loans to recover the 2018-2021 periods.²⁵

1.7.2 The Impact of Foreign Aid on Development in Africa

A review of various empirical literatures indicates that foreign aid has had a mixed effect on the development of various nations. The impact has been both positive and negative. In the empirical works of Gomanee et al, the scholars found out that foreign aid had a positive impact on recipient countries because of the investments that was being made. Their research on the correlation between foreign aid and growth rate per capita in 71 aid recipient countries established that the impact of foreign aid on economic progress was positive, statistically significant and longlasting. Their findings indicate that foreign aid rose by \$20 per person in the recipient countries resulting in a permanent increase in growth by about 0.16%. The study concluded that foreign aid registered a positive effect on the development of recipient countries.²⁶

Nyoni studied the growth impact of foreign aid assistance to developing nations and found that the effect was large, robust and significant. The study found out that trade inflows improved the economic performance of Tanzania because there was real appreciation as a result of increased government expenditures despite real depreciation being caused by a devaluation of the local currency.²⁷

²⁵ Ibid, p,12.

²⁶ Gomanee, K., Girma, S., & Morrissey, O., (2012). Aid and Growth in Sub-Saharan Africa: Accounting for Transmission Mechanisms, *Journal of International Development*, Vol. 17, No. 8,

²⁷ Nyoni, T.S. (1998). Foreign aid and economic performance in Tanzania. *World Development*, 26(7), 1235-1240.

Contrary to the scholars above, certain scholars contend that foreign aid has inflicted more harm than good to the recipient countries. Karras for example argues that foreign aid has not been an effective growth and development tool.²⁸ The scholar argues that it has created dependency, encouraged corruption and kept authoritarian governments in power. Sachs contends that out of the aid offered by USAID, only those set for transformational development has had long-term economic change that has aided recipient nations achieve structural transformations and ultimately escape dependence. He adds that the effectiveness of foreign aid depends on the motives of both the donor and the recipient country and how they are aligned or are conflicting with the objectives of the aid. Meernik et al. concurs that security concerns in the era of the cold war was the main reason why foreign aid was extended to developing nations in that era. Whether the recipient nations at that time chose to increase investments and savings or for consumption and other non-productive uses determined how effective the foreign aid was.²⁹

A 2014 UNDP Human Development Report on Ethiopia notes that it is among the largest receivers of foreign aid in Africa having benefited by more than US \$42 billion in the last two decades. Ethiopia however remains among the Least Developed Countries ranking at 173 out of 187 countries in Human Development Index. Additionally, it ranks 110 out of 175 countries on Corruption Perception Index. Its democracy index of 6/7 is not appreciated either yet it remains one of the leading aid recipient countries in Africa. The impact of foreign aid in Ethiopia is therefore not worthy of reporting positively about.³⁰

²⁸ Karras, G. (2008) Foreign Aid and Long-Run Economic Growth: Empirical Evidence for a Panel of Developing Countries, *Journal of International Development*, Vol. 18, No. 1

²⁹ Meernik, J., Krueger, E., & Steven, C., (1998). Testing the Models of U.S. Foreign Policy: Foreign Aid during and after the Cold War. *The Journal of Politics*, Vol. 60, No. 1

³⁰ UNDP (2014) United Nations Development Program, Human Development Report.

1.7.3 Factors Inhibiting Effective Utilization of Foreign Aid on Development in Africa

Jhingan reports that in recent times there has been a conceptual shift on what accounts for effectiveness of foreign aid and how it may be measured.³¹ Examinations of the effectiveness of foreign aid have shifted away from aggregations of project outcomes to more comprehensive studies of the long-term sustainability of resource inflows to recipient countries. Much interest has been dedicated on whether recipient nations can harness domestic resources more effectively and perform better in the future as a result of foreign aid. Sharife believes major problems exist with how foreign aid effectiveness is measured and the various indicators of development such as economic growth, increase in consumption, saving, investment, and performance. The scholar suggests that there is little need to look at this kind of indicators because many other factors exist that are likely to influence foreign aid effectiveness. These factors amongst others include, large amounts of debts accrued by recipient countries, weak policies, corruption, and fragile institutions within the recipient nations.³²

Arowolo reports that it has become a usual phenomenon to find that foreign aid recipient countries are also engulfed in large amounts of foreign debts. Developing nations continue to annually loan more resources from external sources to a point where debt repayment has become a problem. This problem has been dubbed the 'debt crisis' because many borrowing countries find themselves in a state of irredeemable debt. The countries are heavily indebted and use a great amount of their GDP to repay principal debts with insufficient amounts left for domestic activities. They therefore scout for more sources of external finance to implement their development agendas. They

³¹ Jhingan ML (2010) *Economics of Development and Planning*. (39th edn) Vrinda Publications (P) Limited, Delhi.

³² Sharife, K. (2009). 'How aid works (or doesn't). *African Business*, vol.-2, no. 350, pp. 22-28.

therefore receive external sources of finance in the form of foreign aid which is then channelled towards capital intensive projects like roads, schools, hospitals, bridges, etc. The implication of this is that most of these development projects are non-profitable social projects which usually require huge amount of funds to maintain and more often than not developing countries have a shortage of sufficient funds. The projects therefore deteriorate overtime thereby affecting negatively the long-term effectiveness of foreign aid to the countries.³³

Hancock points out that corrupt regime in developing countries have remained a stumbling block in the achievement of effective foreign aid development undertakings. Such regimes have continuously obstructed the creation of suitable conditions for developmental initiatives and even necessary reforms. These conditions have included social and political accountability, governmental bureaucracy and administrative systems reforms, and public services delivery in recipient countries.³⁴

Bauer notes that a number of experimental investigations show that foreign aid programmes aimed at developing nations have caused a ‘vicious circle’. Developing nations have increasingly become reliant on foreign aid and relaxed their efforts aimed at introducing market reforms for stimulating public production and revenues in other sectors. Developing nations, instead, spend their foreign aid transfers in funding non-productive consumer sectors and financing government expenditure.³⁵ While referring to the South Sudan situation, Bauer notes that nearly 90% of operational and capital government expenditure and other non-capital expenditures aspects are catered for

³³ Arowolo, D. (2016) “*International Economic Order*” in Arowolo, D. ed. Contemporary Issues in International Relations. Lagos. Princeway-Gbade Ent. (Nig) Ltd.

³⁴ Hancock, G. (2009). *Lords of Poverty: The Power, Prestige, and Corruption of the International Aid Business*. New York: Atlantic Monthly Press.

³⁵ Bauer, P. (2018). *From Subsistence to Exchange and Other Essays*. Princeton, NJ: Princeton University Press.

either by oil revenues or foreign aid. In 2013, South Sudan received foreign developmental commitments and foreign aid amounting to US\$ 16 billion. In addition to that, South Sudan's national revenue, mostly from oil production amounts to 75% of the total national income. Statistics also show that the country's tax collection is relaxed with only 48% of the expected total amount of taxes being collected in 2018. Additionally, institutions charged with tax collection create a heavy operational burden on both society and country. The country therefore is and will continue to be dependent on foreign aid as its driving force in development.³⁶

Nyemah notes that Liberia remains one of the countries receiving the largest amount of foreign aid in West Africa. The scholar reports that between 2007 and 2017, Liberia received both direct foreign aid cash and indirect foreign aid assistance in the form of programmes and projects amounting to approximately US\$ 30 billion. The aid was aimed at bridging public budget deficiencies and stirring development. An existing agreement between the Liberian government and the donors with regards to implementing foreign aid programmes and projects, allows donors to intervene directly in the projects and programmes. Foreign aid is thus viewed as a key aspect of the Liberian economy and constitutes the highest proportion of fixed capital between 2007 and 2017. These indications therefore point to the degree of Liberia's foreign aid dependence, and provide a clear extent of how weak economic policies have hindered the country's development of domestic resources.³⁷

³⁶Ibid.

³⁷ Nyemah, S. (2019). "State-Building Efforts in Post-Conflict Liberia." *In From Civil Strife to Peace Building: Examining Private Sector Involvement in West African Reconstruction*, edited by Hany Bessada, 193-208. Ontario: Wilfrid Laurier University Press.

1.7.4 Factors Inhibiting Effective Utilization of Foreign Aid on Development in Angola and Ghana

Angola is one of the most resource endowed countries in Africa, but as noted by World Bank report of 2012, Angola still remains one of the most indebted countries globally. This is on top of the huge billions of dollars that Angola receives from foreign governments and institutions for development. As a result, it has become extremely hard to estimate the real value of Angola's economy. According to Inge Trenten key problems to Angola's struggling economy and poor development has to do with poor governance in the country that has perpetuated corruption, lack of accountability and transparency. Between 1990 and 1999 Angola got a total of USD 3.6 billion foreign assistance for development much of which the successive governments have not been able to explain how the money was spent. In 2002 the IMF recorded that as a result of corruption and lack of transparency the total budget expenditure two times more from what the Angolan government through its ministry had recorded. James k Boyce in 2012 noted that as a result of corruption an estimated total of over USD 32 billion foreign aid money went missing in Angola in the period between 2007 and 2010. Boyce adds that, due to massive looting of public resources, Angola remains to be a host to one of the poorest and most impoverished populations in the world despite its oil wealth and foreign aid³⁸. By 2009, 94% of Angola's population was living below the poverty line.

Moyo notes that, just like many African countries, Angola has fallen into foreign aid dependency trap³⁹. There has been a nostalgic popular perception that because Angola is a major oil producer in Africa, her dependency in aid should be lower compared to

³⁸ Ndikumana, L. and Boyce, J., 2011. *Africa's Odious Debts*. London: Zed Books.

³⁹ *ibid*

other African states. However, the aid inflows recorder in last decade per capita disbursement note that Angola is heavily dependent on foreign aid despite the massive wealth that this country possesses⁴⁰.

Ghana on the other hand, in 2012 it was recorded to be more indebted than Angola. This was despite the fact that Ghana is one of the well governed countries and a major official Development Assistance (ODA) recipient in the continent. As Aryeetey and Tarp note that, the rapid economic development that happened in Ghana in 1980s was as a result of foreign aid application in the country. With the democratization process and reforms presented by Bretton Woods institution in 1980s and 1990s which Ghana followed religiously farther endeared her to foreign donors. Political and socio-economic reforms done in Ghana saw aid inflow in the country average at 64% between 1989/1999. Despite the huge aid inflows, Ghana is experiencing a string of problematic monetary and fiscal policy challenges ranging from high debt servicing burden, unfavourable terms of trade, huge deficits in current account leading to negative balance of payments, high and volatile inflations, unstable exchange rate⁴¹. As a result of these growing challenges, in 2009 Ghana had to result to IMF bailout to address its economic challenges. This was after she had gotten a huge relief from her development partners from 2002 to 2008 under the HIPC initiative.

1.8 Literature Gap

Despite the review of a number of empirical works, a literature gap is still found to exist. In relation to the Impact of Foreign Aid on Development, the literature reviewed does not reveal why the impact foreign aid to developing nations continues to register

⁴⁰ Ibid

⁴¹ Appiah-Konadu, Paul & Junior, Forster Shitsi & Eric, Abokyi & Twerefou, Daniel K., 2016."The Effect of Foreign Aid on Economic Growth in Ghana," African Journal of Economic Review, African Journal of Economic Review, vol. 4(2), July.<<https://ideas.repec.org/a/ags/afjecr/264465.html>>

a proportional amount of both positive and negative effects. In relation to the ways in which Countries employ different approaches in terms of Receiving and Utilising Foreign Aid, the literature reviewed does not reveal why developing nations despite having common donors like the European Union, the US and China, register a difference in terms of how they receive and utilise aid. In relation to the Factors Preventing Foreign Aid from being Effective in terms of Development, the literature reviewed do not reveal why age old factors like corruption, poor governance, authoritarian regimes, and bad policies have continued to rock the effectiveness of foreign aid in developing countries.

1.9 Justification of the Study

1.9.1 Academic Justification

At the academic level, the study contribution is twofold: firstly, while this study agrees with the efforts made so far by other researchers on some of the related issues regarding the issue of foreign aid and underdevelopment of Ghana and Angola, this research is relevant as it will assist in academic studies and further advance the work of previous scholars on the research. Secondly, the study will also propose areas for future research in the discourse of foreign aid and development. Additionally, the literature review demonstrates scarcity on understanding of the nexus between foreign aid and economic stagnation in Africa. Therefore, this study seeks to contribute towards filling this gap.

1.9.2 Policy Justification

Policy makers have been slow to understand the link between foreign aid and economic stagnation of African countries. This study will provide in-depth knowledge to policy makers on matters of foreign aid and development. Lastly, the findings of this study will lay a foundation over which decision makers will base their policy formulation, coordination as well as implementation.

1.9.3 General Public Justification

The findings of this study will help the general public and policy makers in understanding that foreign aid traps underdeveloped countries into unending cycle of dependency, corruption, distortion of market structure and degenerating African countries more to poverty. The understanding of negative impacts of foreign aid in African countries by policy makers and general public will help African countries to chart a development plan without overreliance of foreign aid hence eventually leading development.

1.10 Theoretical Framework

1.10.1 Dependency theory

This study settles on the Dependency theory to explain the role played by foreign aid on development in the African countries of Ghana and Angola. The reasons for rejecting World Systems theory is because it explains the existing relationship between the donor and recipient nations by making reference to transnational division of labour. The theory argues that foreign aid flows from donor countries to recipient nation because of the need by donor countries to keep their monopoly forms of capitalism at the core. This argument is found to be insufficient because donors usually extend foreign aid for a variety of reasons and have different motives for their extension. Dependency theory on the other hand explains that it is the under development witnessed in developing countries that pushes many of them to seek foreign aid in the form of loans, grants and investments. The assistance expended out to developing nations is what now creates a cycle of dependency on the donor countries. The arguments put forward by the dependency theory is therefore found suitable by this study to explain the role played by foreign aid on development in the African countries of Ghana and Angola.

1.11 Hypothesis

The hypothesis provides empirically testable variable which will offer guide to the data collected in order to achieve the objectives of the study. Therefore, the data to be collected will involve the following hypotheses:

- i. Poor Utilization of Foreign aid has negative impact on economic development
- ii. Foreign aid has no impact on economic development of both Ghana and Angola
- iii. Different factors have had a negative impact on the utilization of foreign aid for development in Ghana and Angola

1.12 Study Methodology

This part covers the methodology that will be used in carrying out this study. Data sources and data collection methods, research design, research site, and data analysis are also discussed. Secondary and primary data will both be used in this study. The secondary data will be sourced mainly from library where variety of books, journals, newspapers and magazines will be utilized. Primary data will be sourced from sampled population by use of questionnaires and interviews.

1.12.1 Research Design

The study will largely employ a qualitative approach. Yin posits that the preferred research strategy should be determined by the nature of particular research questions posed⁴². The research questions in this study point to a qualitative approach. The whole question on how foreign aid impacts economic development in both Ghana and Angola,

⁴² Robert, K. Yin (2003) “*Case Study Reserch: Design and Methods*” Electronic Journal of Business research Methods. P 12.

requires a qualitative approach. To understand it fully, there is need of detailed explanations which could only be achieved by use of qualitative methods.

1.12.2 Research Site

The research site for this study will be Angola and Ghana. The human development index (HDI) of 2018 ranked Angola 149 out of 178 countries. The percentage of Angolan living below poverty line was 95% in 2018 despite the country having massive outflow of capital through impoverished international financial systems. On the other hand Ghana ranks among the most indebted countries in Africa and also a high recipient of foreign aid. Ghana has a GDP of 2,202.31 USD as per World Bank report of 2018.⁴³

1.12.3 Sampling Size of Population

Ghana has a population of 29, 767, 108 people while Angola has a population of 31,127,674 people.⁴⁴ In practical terms it's hard, time consuming, expensive and very cumbersome to collect data on such a large population. In this case picking a sample becomes necessary to act as representative of the entire population. Collecting data for the research in Ghana and Angola. The sample size will be arrived at through computation at 95% confidence level and 5% margin of error. The study will use purposive sampling to identify the study units which will include civil society organizations, members of academia, researchers, journalists, women and youth groups, and more particularly different users of different social media platforms.

For the purpose of this study the number of respondents will be determined using this formula adopted from Mugenda & Mugenda (1999) when population is more than, 10,000.

⁴³ Human Development Index (HDI) Report of 2018.

⁴⁴ Population, total – Ghana World Bank 24th November 2019.

1.12.4 Data Sources and Data Collection Methods

The study will utilize both primary and secondary data. Primary data will be collected by use of key informant interviews and also an input of participant observation. Secondary data will entail academic books, journals, periodicals, reports and internet sources. Print media and publications of key nongovernmental organizations will be undertaken.

1.12.5 Data Analysis

Data collected from the field will be analysed by use of qualitative methods. The data will be analysed into themes related to the research questions. The responses in the questionnaire will be coded, tabulated and processed by use of statistical package for social sciences (SPSS).

1.12.6 Ethical Considerations

The study will give due diligence and maintenance of confidentiality of records and identities of participants. The study will also seek acquisition of relevant research license. There the research will be guided by existing legislations on the conduct of research in Kenya.

Additionally, the study will adhere to academic honest and objectivity by acknowledging the authors, sources of all materials and references which will be cited throughout the study, honestly this will be done to the best knowledge of the researcher.

1.13 Chapter Outline

Chapter One: Introduces the topic and gives the background to it. It also sets a broad context of research study, statement of the problem, justification, theoretical framework, literature review, hypothesis, and methodology of the study.

Chapter two: Will analyse the historical progress of foreign aid and its impact on development in Africa.

Chapter three: Will endeavour to critically examine the impact of foreign aid on development in Ghana and Angola.

Chapter Four: Will seek to identify and analyse factors hindering effective utilization of foreign aid for development in Ghana and Angola.

Chapter Five: This chapter will cover the Summary, Conclusions and Recommendations of the study.

CHAPTER TWO

**HISTORICAL PROGRESS OF FOREIGN AID AND ITS IMPACT ON
DEVELOPMENT IN AFRICA**

2.0 Introduction

This chapter will start by conceptualizing and contextualizing the ideas of foreign aid and development. It will then lay down the historical development of foreign aid and its impact on development in Africa, the form through which Africa receives foreign aid as well as the politics around the disbursement and utilization of foreign aid in Africa.

2.1 Conceptualization of foreign aid and development

According to Kenton, foreign aid is the money that one country voluntarily transfers to another and it can be in form of gift, a grant, or a loan while development refers to the process of economic and social advancement in terms of the quality of human life.⁴⁵ A multilateral relation between donor countries and African states has intensified exponentially in recent years. The relations have fuelled contention over the impact of foreign aid on development in Africa. This chapter examines the impact of foreign aid on development in Ghana and Angola.

The concept of foreign aid has its roots from the Bretton Woods conference held in New Hampshire in 1944. The objective of the conference which was attended by over 700 delegates was the rebuilding of the international financial market devastated after the Second World War and the establishment of a global multilateral system of economic cooperation. The Second World War which was about to end at the time had left the world economy crumbling and it was therefore necessary to offer some kind of

⁴⁵ Peter Kenton (2011), *Poor Economies, A radical rethinking of the way to fight global poverty*. Published by public affairs on April 26th, 2011. P-11.

financial assistance to countries which had been worst affected by the war. During the Bretton Woods conference, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) were established. Later in 1945, the United Nations founding conference held in San Francisco created a charter promoting development assistance. During the conference, fifty UN member states attending the conference committed to the promotion of social progress and better standards of living for all people through the employment of international machinery.⁴⁶

In 1947, the U.S. Secretary of State, George C. Marshall proposed the idea of the United States helping Europe recover from social and economic disasters caused by the Second World War. His proposal was named the Marshall plan and involved the United States offering financial support to sixteen European countries. The program extended for more than five years and aid worth more than 13 billion was sent to fourteen European countries. The success of the plan inspired and led to the creation of development assistance. More countries increasingly became willing to extend aid to needy countries as a result of the success of the Marshall plan. The UN Secretary General in 1951 subsequently established a team of experts to make an assessment of how precisely developing countries could be assisted. The team proposed large financial aid transfer to poor countries in order to raise their per capita growth annually.⁴⁷

2.2 Foreign Aid and Development in Africa

Ideas about foreign aid to Africa developed during the 1960s when more African states began attaining independence from their colonial masters. The success of the Marshall

⁴⁶World Bank (2008) *World Development Report: The Challenges of Development*, Oxford Press University, Washington DC.

⁴⁷ OECD (2016) *Development Co-operation Report: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris.

plan in Europe was the main motivation of extending aid to African countries since a strong optimism existed that extending aid to Africa would make an impact on its development which was mainly hampered by a deficient productive capacity. In the 1960s, development of many African countries that had just gained independence from their colonial powers was constrained by a lack of foreign exchange, lack of savings and a shortage of human resource. Foreign aid was thus perceived as a tool that could stimulate market mechanisms and subsequently boost economic growth by supporting productive investments and technical know-how.

In order to institutionalize foreign aid, the World Bank established the International Development Association (IDA) in 1960 in order to offer assistance in the form very soft loans and grants to the poorest countries in Africa. IDA's main objective at the time was the reduction of inequalities, acceleration of economic growth, reduction of poverty and the improvement of people's living conditions.⁴⁸ Besides IDA, the African Development Bank was founded to provide support to programs and projects that contributed to social and economic development of Africa. Later on, Belgium, France, Canada, Germany, Portugal, Italy, Netherlands and Japan joined forces to establish the Development Assistance Group (DAG) in 1960 and renamed it the Development Assistance Committee (DAC) in 1961. The formation of DAC was followed by the adoption of Resolution on Common Aid Effort on 29th March 1961 in London. During the adoption of the resolution, DAC member states were convinced of the need to offer assistance to least developed states through increasing financial, economic and technical assistance in the form of loans or grants with favourable terms.⁴⁹

⁴⁸ Neumayer, E. (2009). *The History of Official Development Assistance to Africa*, Social Science Quarterly, vol.84/3, pp.650-666

⁴⁹ Ibid

Neumayer reports that the United States insistence on burden sharing in terms of donor aid support to less developed countries is what gave impetus to the formation of DAC in 1961 and the emergence of bilateral aid programmes.⁵⁰ Troubled financial state of a few already independent states and a second wave of independence in the 1960s drove the demand for foreign aid support to levels that single donor countries could not support. According to Moss and Walle from the 1960s through to the 1970s, the U.K, France and the U.S. accounted for almost three-quarters of foreign aid inflows to Africa.⁵¹ Today, thanks to the formation of DAC, the three countries account for an estimated 40 per cent. Twenty countries now constitute the main donors to DAC and also have their own independent agencies that provide foreign aid assistance to African states. As a result, over 126 bilateral agencies from DAC countries are also providing aid to African states.⁵²

Chenery and Strout reports that during the 1960s, development aid was non concessional and was largely an extension of goodwill to the states that had just attained independence.⁵³ Former colonial masters like France and Britain saw it as a moral obligation to continue supporting their former colonial territories but also as a means to access natural resources and retain political influence. By 1970, aid extended to Africa was over 36 billion US dollars and France and Britain accounted for more than one-fifth of the total aid extended. The international debt crisis witnessed during the 1980s however introduced Structural Adjustment Programs and encouraged the introduction

⁵⁰ Neumayer, E. (2009). *The History of Official Development Assistance to Africa*, Social Science Quarterly, vol.84/3, pp.650-666

⁵¹ Moss, T., & Walle, V., (2010) An aid-institution paradox? A review essay on aid dependency and state building in sub-Saharan Africa, *CGD Working Paper no. 74*. Washington, DC: Center for Global Development.

⁵² OECD (2016) *Development Co-operation Report: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris.

⁵³ Chenery, H. & Strout, A. (1996) Foreign Assistance and Economic Development, *American Economic Review*, vol. 56, pp.679-733.

of specific economic reforms. The IMF for example introduced the Quick Disbursing Assistance (QDA) and the Import Support Aid (ISA) to assist countries engulfed in the debt crisis. The World Bank on the other hand made available the Structured Adjustment Loans (SAL) thus increasing Africa's share of multilateral aid.⁵⁴

At the beginning of the 1990s, the beginning of the Cold War increasingly made international aid to be associated with the interests of either the Soviet Union or the United States. Soviet Union for example supported African economies with generous grants and loans in order for their economies to be aligned along socialist doctrines. According to Bach, Soviet development assistance was disbursed in the form of credits with grant elements, favourable terms of transfer of technology, favourable terms in foreign trade and preferential marine transport tariffs.⁵⁵ Foreign aid inflows to Africa from the Soviet Union were mainly targeted towards large-scale industrial projects and the exploitation of natural resources. Examples of large-scale projects undertaken included the construction of large steel plants in Libya, Algeria and Nigeria. Besides the large-scale projects, the Soviet Union also trained students from recipient countries and included professional training as well as higher education. The collapse of the Soviet Union and the disappearance of certain Eastern European states however led to the loss of a number aid donors and a decline in aid budgets in the 1990s.⁵⁶ When the cold war ended, it not only resulted in the erosion of traditional ideological and strategic reasons for aid but also resulted in new problems, interests and obligations which successfully competed for financial resources and energies of many donor countries. DAC member countries like Italy, Sweden and Finland reduced their aid sharply after

⁵⁴ Le Houerou, P., Tata, G., & Nishio, A., (2008) *Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows, Concessional Finance and Global partnerships*, World Bank.

⁵⁵ Bch, Q. (1985). *A note on Soviet statistics on their economic aid. Soviet Studies*, 37(2), 269-275.

⁵⁶ World Bank (2014) 'Aid Allocation and Financing Modalities', paper prepared for Development Committee Meeting, World Bank, Washington DC.

the cold war due to large fiscal deficits they were incurring while by contrast members that registered small fiscal deficits like Japan, Norway and Ireland increased their aid to Africa in real term value.⁵⁷ Bilateral programs in Africa by the United States however continued through agencies like United States Agency for International Development (USAID) even with the end of Cold War.⁵⁸

2.3 Foreign Aid and Development in Africa in the 21st Century

At the start of the 21st century, a series of international conferences were held to introduce a greater international reorientation towards poverty reduction and encourage aid assistance for poor countries. In September 2000, UN member states signed the Millennium Development Goals (MDGs) pledging on the reduction of world poverty at the UN Millennium Summit. The signing of the MDGs sparked a series of other related meetings like the UN Financing for Development (FFD) Conference in Monterrey in 2002, the High Level Forum on Harmonization in Rome in 2003, High Level Forum on Aid Effectiveness in Paris in 2005, the Group of Eight (G8) Heads of States Meeting in Gleneagles, Scotland in 2005, and the UN World Summit in New York. The conferences increased focus on ways of achieving MDGs and shifted aid from broader growth and development objectives to social concerns such as education, health and sanitation.⁵⁹ The High Level Forum on Aid Effectiveness in Paris in 2005 for example was held with the aim of compiling solid measures that could lead to the improvement of aid effectiveness and to acquire its official commitment from recipient states. The outcome of the conference was adopted as the Paris Declaration on Aid

⁵⁷Moss, T., & Walle, V., (2010) An aid-institution paradox? A review essay on aid dependency and state building in sub-Saharan Africa, *CGD Working Paper no. 74*. Washington, DC: Center for Global Development.

⁵⁸ Gordon, A., and O'Toole, T., (2014) *Understanding Contemporary Africa*. Colorado: Lynne Rienner Publishers.

⁵⁹ Sachs, J. (2012) *From millennium development goals to sustainable development goals*. *The Lancet*, 379(9832), 2260-2211

Effectiveness and was made up of three parts. The parts were Statement of Resolve, Indicators of Progress and Partnership Commitments. The declaration therefore marked a clear advancement in the aspects of actions, principles and the monitoring of aid for effectiveness.⁶⁰ Wade notes that just as the MDGs laid down the goals of aid for world as a whole, the Paris declaration outlined policies for engagement by the international community in ensuring aid effectiveness.⁶¹ As of 2018, the Declaration had the participation of 111 donor and recipient states, 14 civil society organizations and 26 international institutions.

Murazzani reports that when the United Nations was embarking on its first implementation of the MDGs in 2001, it was understood by both poor and rich countries alike that an intensified effort was necessary to mobilize external and internal resources if the designated development targets set by the MDGs were to be met.⁶² An underlying analytical framework was based on potential macroeconomic constraints to be experienced in raising a level of fixed investment which was considered important in the realisation of a fast economic growth rate. Some of the most pressing constraints to the full implementation of the MDGs in Africa was perceived to be the low levels of domestic savings and a high debt burden in most countries.⁶³

According to Gordon and O'Toole, African countries have received an increasingly significant amount of aid inflows since the start of the millennium largely due to the 2000 MDGs and 2002 Monterrey's conference.⁶⁴ The two conferences resulted in donor

⁶⁰ Moss, T., & Walle, V., (2010) An aid-institution paradox? A review essay on aid dependency and state building in sub-Saharan Africa, *CGD Working Paper no. 74*. Washington, DC: Center for Global Development.

⁶¹ Wade, R. (2018) *The Story of Official Development Assistance*, OCDE/GD (94) 67, OECD.

⁶² Murazzani (2004) *Struggling with Sustainability-A comparative framework for evaluating sustainable development programs*. World Development, 32(12), 2139-2160.

⁶³ Ibid.

⁶⁴ Gordon, A., and O'Toole, T., (2014) *Understanding Contemporary Africa*. Colorado: Lynne Rienner Publishers.

countries agreeing to increase aid volume and its quality while recipient countries committing to good governance and development priorities.

2.4 Different Forms of Foreign Aid to Africa

Martens reports that aid to Africa has changed over time and now foreign aid consists of private and official assistance. The main components to the private and official assistance consists of Official Development Assistance (ODA), Other Official Flows (OOF), Private Direct Assistance (PDA), grants from non-governmental organisations and foreign direct investments.⁶⁵ A surge in private assistance in recent times has seen it become an important source of foreign aid to Africa as a whole. According to Marten, private corporations, institutions, NGOs, and certain religious groups now make significant aid contributions to Africa. Estimates made by the UNDP indicate that the annual PDA to Africa amounts to an estimated US\$ 60 billion annually and that in some countries private aid targeted towards some programs could soon surpass official aid.⁶⁶ Robb points out that ODA differs significantly from PDA in that ODA supports developing countries through their governments while PDA is oriented more towards poor communities and people through local civil society organizations.⁶⁷

According to the World Bank, between 1960 and 2018, Africa received \$30 per capita, both in bilateral and multilateral aid.⁶⁸ Leading multilateral donors to Africa include UN agencies, the IMF, the European Union and the World Bank; all of whom have increased both their financial involvement and policy advisory role in Africa.⁶⁹

⁶⁵ Martens, B. (2008) *Why do aid agencies exist? Reinventing Foreign Aid*, The MIT press, London.

⁶⁶ UNDP. (2018) *African Human Development Report*. New York: United Nation Development Programme.

⁶⁷ Robb, C. (2009) *Inclusive aid: Changing power and relationships in international development*. London; Sterling, VA: Earthscan.

⁶⁸ World Bank (2018) *World Development Report*, Oxford Press University, Washington DC.

⁶⁹ Ibid.

The World Bank reports that over the past 58 years, more than US\$ 6.1 trillion of aid has flowed to African States.⁷⁰ Aid flows linked to the structural adjustment programmes introduced by the World Bank and IMF have continued to rise since the 1980s and Africa's share of the total global aid has steadily increased over the years from 16 per cent in 1980 to 40 per cent in 2015. Aid flows to Africa has generally been much lower when compared to that of Asia. Between 1960 and 2015, Asia received an estimated \$80 billion more in aid funding than Africa. Approximately half of the total global aid went to Asia when compared to almost a quarter of Africa's during the 1960s.⁷¹ Additionally, foreign aid allocation for economic infrastructure development in Africa accounts for an estimated 60 per cent of the total aid flows to Africa. Younas notes that allocation bias towards economic infrastructure development has had linkages benefits in Africa like improving productivity of all inputs, sustaining long-run growth and enhancing competitiveness.⁷²

2.5 Politics of Foreign Aid in Africa

Lewis charges that foreign aid to Africa has always been an important way to safeguard foreign interests.⁷³ After the establishment of the first foreign aid charter in the early 1960s, foreign aid policies in Africa was mainly motivated by the need to foster close relations with the continent's political elites by offering support to the economic bases of their regimes, the need to secure raw materials, and peace building in the continent. From the 1970s to 1980s, foreign aid was largely disbursed as part of re-establishing trade diplomacy, assisting in war reparations, and maintaining of close political ties.

⁷⁰ World Bank (2014) 'Aid Allocation and Financing Modalities', paper prepared for Development Committee Meeting, World Bank, Washington DC.

⁷¹ Ibid.

⁷² Younas, J., (2008) *Motivation of multilateral aid allocation: Altruism or trade benefits*, European Journal of Political Economy, vol. 24, pp.661-674.

⁷³ Lewis, D. (2017) Capacity development as the model for development aid organization. *Development and Change* 40(3), 551-577.

Resource rich African countries were provided with loans and grants linked to resource exploitation and exploration which was also tied to foreign exports. When the Berlin wall fell and marked the end of the cold war, most donor countries foreign policy orientation changed.⁷⁴ Concerns shifted to environmental issues after the cold war thus affecting most donor countries foreign policy.

In 1992, world leaders met at the Rio Earth Summit where they committed to deploying resources and efforts in supporting sustainable development and protecting the environment. Consequently, the millennium declaration introduced additional priorities and channelled focus into human security concerns. Sachs notes that millennium declaration concerns of worldwide poverty alleviation, sustainable growth and peace building led to more foreign aid being allocated to the sectors of healthcare, education, agriculture and sanitation. This in turn led to a decline in the allocation of foreign aid to Africa's production sectors and economic infrastructure.⁷⁵

Gordon and O'Toole points out that ever since the inception of foreign aid in Africa, much of the middle and southern African countries have been top recipients of foreign aid compared to their northern counterparts.⁷⁶ Five countries, namely Ethiopia, Nigeria, Democratic Republic of Congo, Mozambique and Tanzania have accounted for more than 40 per cent of the total aid flows to the continent and have the highest share of grants. The last few years has however seen a decline in foreign aid received by both the middle and southern African countries due to a majority of them attaining success

⁷⁴ Robb, C. (2009) *Inclusive aid: Changing power and relationships in international development*. London; Sterling, VA: Earthscan.

⁷⁵ Sachs, J. (2012) *From millennium development goals to sustainable development goals*. The Lancet, 379(9832), 2260-2211

⁷⁶ Gordon, A., and O'Toole, T., (2014) *Understanding Contemporary Africa*. Colorado: Lynne Rienner Publishers.

in their development priorities and subsequently relying more and more on their domestic resources and foreign direct investment to fund their own development.

After nearly five decades of aid inflows, some African countries have been successful and have graduated from aid dependency status and Low Income Countries (LICs) while a number have continued to register disappointing economic performance. Many of these African countries registering a disappointing economic performance despite years of foreign aid inflows continue to be characterized by a low GDP per capita growth and remain in deep poverty.

2.6 Conclusion

From the analysis of the historical development of foreign aid and development in Africa, this chapter closes by noting that the concept of foreign aid to Africa borrows its roots from the Bretton Woods conference held in New Hampshire in 1944. Foreign aid to Africa started gaining prominence during the 1960s when more African states attained independence from their colonial masters. At the time, development aid was non concessional and was largely an extension of goodwill to the states that had just attained independence. Former colonial masters like France and Britain found it strategic to continue supporting their former colonial territories as this would also provide them with means to access natural resources, as well as help them retain political influence in their former colonial territories. The success of the Marshall plan in Europe was the main motivation of extending aid to African countries since a strong optimism existed that extending aid to Africa would make an impact on its development which was mainly hampered by a deficient productive capacity. In order to institutionalize foreign aid in Africa, the African Development Bank was founded by the World Bank in order to provide support to programs and projects that contributed to social and economic development of Africa. In recent times, development aid to

Africa has changed and now consists of private and official assistance. A surge in private assistance in recent times has seen it become an important source of foreign aid to Africa as a whole. Private corporations, institutions, NGOs, and certain religious groups now make significant aid contributions to Africa. Estimates indicate that the annual private assistance to Africa targeted towards some programs could soon surpass official aid.

CHAPTER THREE
THE IMPACT OF FOREIGN AID ON DEVELOPMENT IN GHANA AND
ANGOLA

3.0 Introduction

This chapter does a comparative analysis of the impact of foreign aid on development of Ghana and Angola. It will mainly look at different development sectors where foreign aid has been directed in the two countries with an aim of testing if the disbursement of big foreign aid transfers has had any meaningful impact in Ghana and Angola. The chapter will also analyze the impact of structural adjustment programs as a foreign aid driven program in the two countries.

3.1 The Impact of Foreign Aid on Development in Ghana

Bilateral and multilateral agencies have supported development initiatives in Ghana through aid pledges and disbursements. A study conducted by Kim notes that foreign aid has promoted market-friendly and neo-classical economic reforms in Ghana.⁷⁷ Some policy reforms undertaken in the country include the reduction of tax burden, increment of revenue at the local level and mobilisation of revenue through tax reforms. Besides reforms, foreign aid has registered tangible results for the country in terms of infrastructure improvements. Yartley however reports that foreign aid pledges and disbursements to Ghana have been volatile in the last few decades.⁷⁸ The scholar reports that disbursements as a percentage of the total pledges made has ranged between 30% and 80% and averaged around 65% during the decade 2009/2019. The relatively high variations in foreign aid commitments and disbursement make it precarious for Ghana

⁷⁷ Kim, J. (2015). Aid and State transition in Ghana and South Korea. *Third World Quarterly*, 36(7), 1333-1348.

⁷⁸ Yartley, C. A. (2019). *Improving Fiscal Management in Ghana: The Role of Fiscal Policy Rules*. Institute of Economic Affairs, Ghana.

to depend on aid for development. The impact of the inconsistencies has therefore resulted in a decline of foreign reserves, high balance of payment deficits and high domestic borrowing for Ghana.⁷⁹ Adams contends that foreign aid disbursement to Ghana has mainly been focused in the sectors of health, education, agriculture, telecommunication and infrastructure leading to negligence of other development sectors and imbalanced economic development..⁸⁰ Below is how foreign aid has made an impact in the sectors.

3.1.1 Impact of Foreign Aid on Education

Improvement of the education sector has always been one of the central development agenda for the Ghanaian government and it stems from the widespread recognition that education is a major driver of economic competitiveness globally. The World Bank points out that sustainable development can only be realised by a knowledge based economy premised on education.⁸¹ Many OECD countries have in recent years responded to the Ghanaian government's education development agenda by making significant aid pledges for investment in the education sector and other existing knowledge generating activities. Ghana has therefore in recent years has been witnessing unprecedented expansion in the education sector and foreign aid has mostly been intended for the construction of new schools and the rehabilitation of existing ones both at the primary and tertiary levels. Education indicators for Ghana reflect major development disparities between urban and rural areas, as well as between the northern and southern areas of the country. Such disparities have driven donor funding to also be channelled towards the fight against inequities and illiteracy challenges that are

⁷⁹ Ibid.

⁸⁰ Adams, S., & Atsu, F. (2014). Aid Dependence and Economic Growth in Ghana. *Economic Analysis and Policy*, 44(2), 232-242.

⁸¹ World Bank (2003). *Lifelong Learning in the Global Knowledge Economy: Challenges for Developing Countries*. Washington DC: A World Bank Report.

present in the access of education. Donor action in both domains has yielded results deemed significant but not sufficient according to international standards.

3.1.2 Impact of Foreign Aid on Agriculture

In spite of an expanding rural non-farming sector in Ghana, the agricultural sector still makes the primary form of occupation for the economically active. Estimates indicate that agriculture offers employment to 41.6 per cent of the population and is still one of the largest employment sectors in Ghana. Ghana's government core priority agenda has been poverty reduction and with the sheer size of the agricultural sector, foreign aid has been geared in the sector towards driving economic growth and alleviating poverty. Foreign aid funding priority has been on promoting human resources, improving irrigation systems and agricultural machinery. In recent years, focus has also been given to promoting rain-fed cultivation techniques, technical cooperation projects and local production capacity.⁸² These development initiatives in the sector has made it maintain the primary role of making contributions to the GDP, food security, employment and foreign exchange earnings. The sector has also been contributing to social stabilisation, providing a buffer in the event of economic shocks.⁸³

Given the large share of agriculture to national output and its significant contribution to a variety of growth indicators, foreign donors see agriculture as the main engine for economic growth in Ghana. The focus of foreign donors in recent years has therefore been shifting towards using advanced production technologies because it raises output per factor input. Rudimentary agricultural production methods have therefore been eroding significantly in recent times thanks to donor intervention. Given that

⁸² World Bank (2008). *World Development Report: Agriculture for development*.

⁸³ Yusuf, S., (2017) *Critical Discussions on Ghana's Agricultural Sector: Meeting Emerging Challenges*. Working Paper Series, Paper No. 2017-2. Washington DC.

historically the sector has been characterised by rudimentary farming techniques, the shift to advanced production techniques has led to more attention being allocated to intensive crop production systems especially in areas of high agricultural potential. In order to achieve this, the development of small-scale irrigation as well as mechanisation is being witnessed in the sector.⁸⁴

3.1.3 Impact of Foreign Aid on Health

Ghana's health sector has witnessed many changes in the past decade. The ministry of health in collaboration with missions and donors assume the purpose of service provision. Foreign aid disbursements to the sector constitute 35 per cent of the total funding with the national government expected to achieve 65 per cent of the remainder in the next ten years.⁸⁵ Donor financed activities in the sector have been oriented more towards curative care than preventive care and has involved programmes geared towards increasing access to quality healthcare, reduction of communicable diseases and expansion of Community-based Health Planning and Services (CHPS). Focus has also been on the enlargement and rehabilitation of existing hospitals, as well as local health centres.⁸⁶

The channelling of aid funds to the Expanded Programme on Immunization (EPI) has seen it operational in all of Ghana's ten regions. The programmes' activities has seen immunization of children against neonatal tetanus, pertussis, tuberculosis, measles, yellow fever and acute poliomyelitis.⁸⁷ Attempts at improving EPI services across the

⁸⁴ OECD. (2016). *Assessment of the Agricultural Outcomes in Ghana*. Synthesis Report: Sage publications.

⁸⁵ MoH. (2018) *Draft Report-Ghana Annual Independent Health Sector Review*. Accra: Ministry of Health.

⁸⁶ Durairaj, V., Selassi, D and Kirigia, J., (2016). *Ghana's Approach to Social Health Protection*. Background paper for the 2017 World Health Report; Geneva: World Health Organization.

⁸⁷ Akazili, J., Welaga, P., Ayaga, B., Phillips, J., (2018) Progressivity of healthcare financing and incidences of service benefits in Ghana. *Health Policy and Planning* 27: 133-144.

country has seen the strengthening of the policy environment. Daily Immunization Services (DIS) was introduced and made mandatory for all formal delivery points, including private hospitals and health centres. The DIS policy mandates that all healthcare workers to utilise every contact with a child under five years to make inquiries about their immunization status and proceed with their vaccination or give them a referral if the need arises. The EPI programme has also included the introduction of satellite, static and outreach clinics.⁸⁸

3.1.4 Impact of Foreign Aid on Telecommunication

Channelling of foreign aid funds to the sector of telecommunication has seen investments made in the installation of intelligent networks and next generation internet protocols across the country. The government of Ghana with the help of foreign donors have made significant investments towards increasing access to ICT through a national broadband strategy, improving internet access through public-private partnerships and the launching of several eGovernment projects.⁸⁹ Foreign Aid investments in the telecommunication sector has mostly been driven by Ghana's ambition to use technological innovation and skills to spur its socio-economic development.

3.1.5 Impact of Foreign Aid on Infrastructure

According to Foster et al., Ghana spends an estimated \$1.5 billion annually on the development of infrastructure, an equivalent of around 8 percent of its annual GDP. Annual infrastructure funding deficit is approximately \$ 0.5 billion, most of which is

⁸⁸ Durairaj, V., Selassi, D and Kirigia, J., (2016). *Ghana's Approach to Social Health Protection*. Background paper for the 2017 World Health Report; Geneva: World Health Organization.

⁸⁹ Frempong, G., (2015) *Liberalisation of Telecom: The Ghana's Experience*. Telecommunication Policy. Vol 25 pp197-210.

related to road and power infrastructure rehabilitation.⁹⁰ Ghana's position to therefore raise additional funding has been dependent on foreign aid disbursement.

The National Electrification Project and rehabilitation of the Anwiankwanta-Yamoronsa road constitute some of the biggest infrastructural projects undertaken in Ghana with the help of foreign aid. The National Electrification Project has enabled the provision of electricity from the national power grid to small rural and urban areas. The number of villages and towns connected to the national grid has increased from 480 in 1990 to 3000 in 2018, with the project achieving the electrification of 127 rural communities and 16 district capitals.⁹¹

Ever since the rehabilitation of the Anwiankwanta-Yamoronsa road with the help of aid from Japan, transportation of export commodities such as gold, timber, and cocoa from the Western Region and central Ashanti to Takoradi port has improved. The project's completion has also resulted in an increase in traffic volumes and the emergence of satellite markets which provide livelihoods to the locals.⁹²

3.2 The Impact of Foreign Aid on Development in Angola

Fuhrer reports that Angola's biggest foreign aid donors between 2014 and 2018 were the United States, International Development Association (IDA), the European Union, Japan, South Korea, and China.⁹³ The scholar points out that foreign aid to Angola has had a major impact on development in the sectors of education, agriculture, health and basic infrastructure. Chauvet and Collier however charge that foreign aid to Angola has

⁹⁰ Foster, V., Cecilia, B., Calderon, C., (2017). *Financing Public Infrastructure in Ghana: Patterns and emerging issues*. Background Paper, Country Economic Memorandum.

⁹¹ Eberhard, A., Foster, V., and Keener, S., (2012). *Underpowered: The State of the Power Sector in Ghana*. AICD Background Paper 6, Africa Region.

⁹² Carrutters, R., and Bullock, R., (2014). *Improving Connectivity: Investing in Transport Infrastructure in West Africa*. AICD Background Paper 7, Africa Region, World Bank Washington, DC.

⁹³ Fuhrer, H. (2017) *The Story of Official Development Assistance: A History of Development Assistance in Angola*. Paris: 121-156.

not led to sustainable socio-economic development as standards of living in the country has barely improved, unemployment rate is high, corruption is endemic and poverty is still prevalent as 36.6% of Angolan families still live below the poverty line.⁹⁴ Foreign aid assistance and infrastructure projects show precarious consequences due to poor quality work, missing standards, and lack of adaptability of projects to local needs. Below is how foreign aid has impacted on the sectors of education, agriculture, health and infrastructure:

3.2.1 Impact of Foreign Aid on Education

According to the United Nations, when Angola emerged from a 27 year civil war that ended in 2002, its education system was left fragmented and dysfunctional.⁹⁵ Funding from the international community was therefore necessary in restoring the country's battered education system. Alden reports that foreign aid features significantly in funding the construction and restoration of Angola's education facilities.⁹⁶ In the period between 2011 and 2018, aid received from the OECD countries has been used by the Ministry of Education to construct and rehabilitate more than 110 schools over an eight year period. 104 junior schools have been constructed in Luanda's districts of Panguila, Viana and Cacuaco; and 6 science and technology colleges constructed in the areas of Cazenga, Cacuaco, Pangila, Viana, Lobito and Sambizanga districts.⁹⁷

According to the United Nations, the education sector in Angola is currently improving with overall investment increasing from 5.41 per cent to 8.43 per cent in the last five

⁹⁴ Chauvet, L. & Collier, P. (2014) *Development Effectiveness in Fragile States: Spillover and Turnarounds*. Oxford: Centre for the Study of African Economies, Department of Economics, Oxford University.

⁹⁵ UNESCO and UNICEF (2007) *A Human Rights Based Approach to Education for All*. Paris and New York.

⁹⁶ Alden, C. (2014) *Mapping Official Development Assistance in Africa: A synthesis analysis of Angola, Zambia, Mozambique, and Zimbabwe*. Johannesburg: Institute of Global Dialogue.

⁹⁷ Ibid.

years.⁹⁸ More teachers have been hired resulting in 180 per cent increase in the number of teachers supporting the system, additional schools have been constructed, and 70 per cent more students are graduating from the education system in 2018 than was the case in 2002. More than 80 per cent of the population, ranging from ages 15-24 years are literate, an achievement that is considered to be higher than the literacy rate of other countries considered “post-conflict” state.⁹⁹

3.2.2 Impact of Foreign Aid on Agriculture

Morrissey et al. contends that Angola’s agricultural sector deteriorated significantly after a prolonged period of civil war that was witnessed in the country and foreign aid has been quite instrumental in reviving the sector.¹⁰⁰ The agricultural sector in Angola is reported to be making marginal contribution to the economy yet it accounts for an estimated 80 per cent of the country’s labour force. The sector is estimated to contribute US\$ 8 billion annually to the country’s economy and is a meagre 10% of the GDP. A report by the World Bank notes that more than 70 per cent of farm holders in the country practice subsistence agriculture and cultivate fewer than 20 per cent of the available arable land.¹⁰¹ Angola has therefore been utilising foreign aid in its agricultural sector to increase productivity through large-scale farming. This line of action has also been noted to be effective in alleviating socio-economic issues like food security, improvement of livelihoods and the reduction of poverty levels in the country.¹⁰²

⁹⁸ UNICEF (2019) *Angola Annual Report 2019*, UNICEF, Luanda, 2019.

⁹⁹ UNICEF (2019) *Angola Annual Report 2019*, UNICEF, Luanda, 2019.

¹⁰⁰ Morrissey, O., Carisma, B., and Lowder, S., (2014) *Financial Resource Flows to Angola’s Agricultural Sector: A Review of Data on Foreign Direct Investment, Official Development Assistance, and Government Spending*. FAO, ESA Working Paper No. 11-19.

¹⁰¹ World Bank (2015). *World Development Report 2015: Agriculture for Development*. The World Bank, Washington DC.

¹⁰² Ibid.

Foreign aid towards the agricultural sector has also extended into fisheries. The Ministry of Fisheries in Angola runs a scheme called the ‘Renewal of Fleet’ and is directed by Fund for Assistance to the Fisheries, Industry and Agriculture; and the Artisan Fishing and Aquaculture Development Institute. The programme’s objective has been to distribute necessary resources and tools all over the country’s fishing regions of Luanda, Cabinda, Zaire, Kwanza Sul, Benguela and Bengo. So far, the programme has managed to distribute more than 4000 fishing boats to the artisan fishing sector, an action that has renewed interest in the fishing sector and reassured fishermen their safety and sense of security while out at sea.

3.2.3 Impact of Foreign Aid on Health

Disbursed aid towards medical care has majorly been used to improve Angola’s healthcare system. The International Development Association partnered with the Ministry of Health to upgrade existing medical facilities. During the period 2017/2018 for instance, a disbursement of US\$ 180 million was used to renovate and expand four major regional hospitals in the areas of Kilamba Kiaxi, Benguela, Malange, and Lubango.

Easterly reports that during the period 2016/2017 aid from China amounting to US\$ 150 million was used for the expansion and renovation of regional hospitals in Huambo, Malange, Lubango and Benguela regions.¹⁰³ Additionally, funding from China amounting to US\$ 5 million through its global Exim Bank was used to procure 86 ambulances for the country’s ministry of health.

The European Union has also provided aid for the construction of a number of hospitals across the country. The construction of a Central Hospital in Luanda for example has

¹⁰³ Easterly, W. (2018) *Chinese Investments in Angola: An Economic Perspective*. London: African Labour Research Network.

made it possible for residents of the area to access specialty services in dermatology, neurology, laryngology, physiotherapy and ophthalmology. The hospital also has an anti-malaria centre and medication to combat the ailment is donated annually by the European Union.¹⁰⁴

3.2.4 Impact of Foreign Aid on Infrastructure

Fuhrer notes that China has become a key player in funding Angola's ambitious national infrastructure and development projects.¹⁰⁵ Aid extended by the Chinese government has been pooled into various construction and infrastructure development projects and have been contracted to China's biggest multinationals like Sinohydro, Huawei, China Railway, and China Road and Bridge Cooperation. Some major infrastructure development projects involving Chinese aid currently include Housing and electrical project in Luanda, the New Dundo City, Funda Residential Zone, and Ango-Ferro 2000.¹⁰⁶

The housing and electrical project in Luanda was stimulated by a pressing demand for new housing. The situation was not entirely the consequence of urbanisation but also a result of the civil war that prompted massive migration into the city because of the prominence of land mines and insurgent activity in the countryside. Even with the restoration of security now, considerable disparities in population density in various regions of Angola still exists with a particular bias on urban areas. The new National Urbanisation and Housing Programme was launched in Angola in 2009 and the building of more than 500,000 units in designated areas around the city has served to reduce

¹⁰⁴ EIU (2016). *Country Report: Angola*. London: Economist Intelligence Unit (EIU)

¹⁰⁵ Fuhrer, H. (2017) *The Story of Official Development Assistance: A History of Development Assistance in Angola*. Paris: 121-156.

¹⁰⁶ Ibid.

housing shortage in the country. The completion of new suburbs such as Talatona has also in recent years served to draw families out of the densely populated city.¹⁰⁷

The undertaking of Angola's Ango-Ferro 2000 project by the Chinese involved the rehabilitation and construction of 3,100 km of railway, 36 bridges, 100 stations and 150 substations. Commencement of work on the project involved the Chinese government offering US\$ 330 million in concessional loans to Angola.¹⁰⁸

3.2.5 Impact of Structural Adjustment on Foreign Aid and Development in Ghana and Angola

Zattler argues that one the main impact of structural adjustment programs is that economic imbalances cannot only be removed by economic means alone since every country's model of production and consumption pattern need to be rectified as well as regulatory mechanism. According to Zattler, structural adjustment programs degenerated African countries into more poverty instead of healing the ailing economies.¹⁰⁹ Similarly Gosell argues that to a greater extent developed countries used foreign aid assistance as a way to compel less developed countries to implement structural adjustment programs. These programs have stalled economic development not only for Ghana and Angola but for Africa as a continent. In addition, Gosell contends that the liberalization of economy opened African economies to economic exploitation by international multinational companies. This scholar views that countries like Ghana, Angola, Togo and Tanzania were among the countries severely impacted by structural adjustments. The biggest challenge was lack of comparative advantage in

¹⁰⁷ EIU (2013). *Country Report: Angola*. London: Economist Intelligence Unit (EIU)

¹⁰⁸ FOCAC (2006). *Beijing Action Plan (2007-2009)*

¹⁰⁹ Jurgen Zattler (2005), *The Effects of Structural adjustment Programs*. A publication by Ecoston Journal. P. 23.

production which led to poor terms of trade hence leading to deficit in balance of trade.¹¹⁰

3.3 Conclusion

Foreign aid to Ghana and Angola traverses the major sectors of health, education, infrastructure and health. Disbursement of aid to the sectors is inspired by a wider recognition that the sectors are major drivers of economic competitiveness. Foreign aid to the countries has not only seen development in the sectors but also the strengthening of the policy environment. Ghana for example introduced neo-classical economic reforms in order to stimulate economic development. Foreign aid assistance to the countries indicates that tangible socio-economic development has been registered.

¹¹⁰ McDonald Gosell (2008), Sustainable growth with equity, a longterm perspective for sub-saharan africa German policy paper. P-29.

CHAPTER FOUR

FACTORS HINDERING EFFECTIVE UTILIZATION OF FOREIGN AID FOR DEVELOPMENT IN GHANA AND ANGOLA

4.0 Introduction

The present chapter explores the factors that have been noted to hinder the effective utilization of foreign aid for development in the countries of Ghana and Angola. The major factors identified include poor aid management and coordination, donor fragmentation, aid volatility, the lack of local participation in aid projects and the shortage of counterpart funds for aid project/programme recurrent costs. The following is an exploration of the factors.

4.1 Poor Aid Management and Coordination

Foreign aid management and coordination is a core issue in the relationship between donors and recipient countries. Most donors recognise that sound management and coordination is of core importance to increasing aid effectiveness. The formation of Direct Assistance Committee (DAC) in the 1960s was the first initial attempt made at formalizing aid management and coordination globally.¹¹¹ Aid management and coordination, however, is still a continuing challenge in a number of aid recipient countries despite numerous attempts existing at improving aid coordination.

In Ghana, aid management and coordination efforts involves the Ghanaian government and donors. The International Economic Relations Division (IERD) under Ghana's Ministry of Finance and Economic Planning is the main agency that negotiates, coordinates and monitors foreign aid inflows into Ghana.¹¹² In principle, an aid cycle

¹¹¹ OECD (2014). *Harmonising Donor Practices for Effective Aid Delivery: Good Practice Papers, Volume 14*. Paris: OECD Publishing.

¹¹² Svensson, J., (2018). *Assessing Aid in Ghana: What has Worked, What hasn't, and Why*. Washington, DC: The World Bank.

usually commences with the government outlining its development priorities, line ministries preparing project memoranda and then the IERD developing a negotiation assistance frameworks for donors. The role of IERD has made aid management and coordination in Ghana be viewed as a centralised one and while the centralisation of aid management and coordination has had multiple positive outcomes that includes ensuring donor projects are coinciding with priorities of the government, facilitating donor coordination and giving room for thorough accounting of recurrent and counterpart costs, most donors have found that the centralisation of aid management has weakened institutional capacity in the country.¹¹³

Stevens et al. note that a major source of donor dissatisfaction with aid management and coordination in Ghana is the duration it takes to make political and administrative decisions.¹¹⁴ Most bilateral and multilateral donors often blame various government ministries for lacking the capacity to timely decide on what needs to be done about the various aid projects in different stages of implementation. Over-centralisation of public institutions is often cited as being responsible and most donors are usually appalled at how even the most minor decisions are referred to senior government officials for action. While most donors pledge cooperation and coordination with IERD on all aid projects, a number usually see IERD as unduly prolonging the implementation of projects.

Austin reports that since the early 2000s, aid coordination in Ghana has considerably changed but still needs a lot of effort to improve.¹¹⁵ Two major problems that have been highlighted with respect to poor project management and coordination has been

¹¹³ Stevens, M., Harvey, C., & Lewis, R., (2010). *Aid Management and Coordination in Ghana: From One to Many Donors. Papers on the Economy of Ghana*. London: Heinemann.

¹¹⁴ Ibid.

¹¹⁵ Austin, J., (2017). *Aid Coordination and Aid Effectiveness in Ghana. A Review of Country and Regional Experience*. OECD Development Centre Papers. Paris.

insufficient planning capacity at high government levels and a perpetual shortage of funds to supplement available aid resources.¹¹⁶ The best possible use of aid resources has also at times been impeded by a lack of policy coherence, poor coordination and lax management. Even though general efforts have been made by the UNDP in collaboration with the government of Ghana to improve the management and coordination of foreign aid activities, much still remains to be done. According to Stevens et al., aid management and coordination in Ghana has continuously been constrained by institutional deficiencies witnessed in its sectorial ministries.¹¹⁷ The problem has often been well reflected in unrealistic development projects that do not match with domestic or institutional capacities. A problem that is further exacerbated by little political constituency that demands accountability. Such deficiencies has encouraged and driven most donors into establishing parallel aid mechanisms and island projects that possess their own administrative structures. The downside of this being that pressure is exerted on government machinery which further weakens government capacity.

Collier also points out that Angola's institutional structure through which foreign aid is managed and coordinated is also a highly centralised one.¹¹⁸ Aid management and coordination in Angola has continued to be a persistent problem despite high-level declarations being made to improve the same. On various occasions, poor coordination of donors by the government has resulted in different donors deciding to support the same project thus causing confusion and a wastage of time and resources. Indicators still reveal that donor uncoordinated efforts is still a challenge in Angola despite

¹¹⁶ Ibid.

¹¹⁷ Stevens, M., Harvey, C., & Lewis, R., (2010). *Aid Management and Coordination in Ghana: From One to Many Donors*. Papers on the Economy of Ghana. London: Heinemann.

¹¹⁸ Collier, P (2010). *Aid Management and Coordination in Angola: A Critique*, Journal of African Economies, 5(4).

attempts being made to avoid the same. According to Maddock and Forsse, institutional constraints still continue to persistently hinder the effective coordination of aid in Angola thus impact greatly on the benefits that could be accrued.¹¹⁹ Decision-making on matters touching on aid is fragmented in the country and lines of authority at times are blurred. Considerable delays can be witnessed frequently on aid decisions as they at times require cabinet decisions, a problem that can be tied to weak institutional capacity that also makes follow-ups daunting and time consuming. Riddell et al. ties this weakness to failed initiatives by the government to develop analytical, technical and administrative skills at the middle and lower level of its administration.¹²⁰ Presently, the existing limited capacity is over-concentrated at the higher echelons of government ministries and consists of very few individuals who are charged with decision making. These decision makers are often over burdened by administrative work which is either monopolised or cannot be delegated. A problem that is further compounded by the government's lack of initiative to source for local external capacities like private consultants, academics or NGOs for its aid management purposes. This lack of initiative is partly because such capacity is hard to identify or might be weak as well.¹²¹

Anderson et al. argue that in order for Angola to ensure aid project sustainability and effectiveness, it needs the formulation of policies that emphasises capacity building through the strengthening of the country's aid project design and management capability.¹²² According to the scholars, the inflexible management and coordination of

¹¹⁹ Maddock, N., & Forsse, A., (2013). *Study on the Effectiveness of Foreign Aid to Angola*. Utrecht and The Hague: DGIS.

¹²⁰ Riddell, O., Earthscan, R., & Rondinelli, F., (2016). *The Reality of Aid. An Independent Review of Foreign Aid in Angola*. London: Earthscan.

¹²¹ Ibid.

¹²² Anderson, A., Brigaldino, G., Brohman, J., (2011) *Aid Effectiveness as a multi-level process in Development and Cooperation*. No. 4. Berlin: DSE.

aid by the national government has increasingly become challenging to reconcile with the flexibility required for the implementation of projects at the local level. Effective administrative capacity especially at the local government administrative level is therefore needed as it is critical in promoting the effective utilisation of aid. Despite the government making attempts at enhancing managerial and technical capacities at the local level through capacity building, much still remains to be done in equipping local administrators with relevant skills for aid project management. If this is not adequately addressed, then a shortage of skilled personnel and the skewed distribution of skilled ones will still continue to impair the Angolan government's ability to supply aid projects with adequately trained experts.¹²³

4.2 Donor Fragmentation

McCormick et al. point out that even though the access to multiple donors has offered Ghana some assurance of steady resource inflows and diversification, the proliferation of donors to the country has undermined aid effectiveness and led to the wastage of financial and human resources through the creation of inconsistency, duplication and an overlap across aid programmes and projects.¹²⁴ Donor fragmentation in the country has also resulted in economic costs in the form of high transaction costs and workloads as well as the proliferation of sub-standard service providers. Further, it has also registered social implications in the form of aid beneficiaries failing to receive uniform services due to variations in standards and quality from multiple service providers.¹²⁵

In Angola, donor fragmentation has meant aid saturation in the country causing an excessive dependence and an increase in unsustainable investments. This excessive

¹²³ Anderson, A., Brigaldino, G., Brohman, J., (2011) *Aid Effectiveness as a multi-level process in Development and Cooperation*. No. 4. Berlin: DSE.

¹²⁴ McCormick, D., Mitullah, W., and Manga, E., (2007). *Examining the Extent of Donor Proliferation in Africa*. New York.

¹²⁵ Svensson J., (2006). "The Institutional Economics of Foreign Aid," *Swedish Economic Policy Review*, 13: pp. 113-137.

dependence on aid has in turn led to high consumption expenditures by the Angolan government which has in turn drove the country's annual budgetary deficits. A recent authoritative investigation of aid to Angola conducted in the context of Angola's Development Cooperation by the UNDP, observed that the proliferation of donors in the country has eroded the effective coordination of aid activities.¹²⁶ According to the investigation, the proliferation of donors and several aid development projects in Angola has inevitably required the expansion of the government's thematic analysis and coordination capacity as well as management efforts. This has been necessitated in spite of local capacities in managing foreign aid being unsatisfactorily insufficient and most processes of project identification, decision-making and formulation being mainly donor driven exercises due to weak capacities on the Angolan side.

4.3 Aid Volatility

Rahman finds that foreign aid to most African countries has been unpredictable and erratic in terms of funding and timing and Ghana and Angola have been no exception to this phenomenon which does little to bolster effective aid utilization.¹²⁷ In Ghana, foreign aid volatility has served to delay the realisation of benefits from many aid projects and programmes, while at the same time the real value of committed funds has been declining due to currency depreciation and inflation. There have been cases in the past where donors have failed to make fresh aid commitments due to huge amounts of funds still awaiting to be disbursed to the country. Some of the reasons that have been pronounced to be causing delays in aid funds disbursement and thus volatility has included over-ambitious revenue projections to donors by ministries, inadequate counterpart funds and sometimes the underestimation of aid project recurrent costs.

¹²⁶ UNDP (2017). *Angola Development Cooperation 2016*

¹²⁷ Rahman, B., (2015). *Foreign Aid Coordination Profiles*. Konstanz: Constance University

Additionally, failure to adhere to donor aid conditions and the multiplicity of donor conditions has at times also conspired to delay the disbursement of aid.

In Angola, indicators reveal that aid to the country has also been highly volatile in the last few years and has even surpassed government expenditure, revenue and gross domestic index.¹²⁸ Riddell et al. notes that the effect of aid volatility in Angola has been the under-provision of services, the discontinuation of some aid funded projects and a deviation from initial aid project and programme plans. It has additionally also led to the creation of a recurrent cost problem whereby initial projects are run down due to the lack of funds for maintenance.

4.4 Lack of Participation in Aid Projects

Evidence suggest that donors and recipient institutions in Ghana have less developed channels for involving local communities in the effective design and implementation of aid programmes and projects. Obvious examples of how the lack of involvement of beneficiaries has affected the effectiveness of aid programmes is in those areas under local governments and are designed to improve local communities. Representatives of local communities are reported to never be engaged directly in negotiations or discussions with donors about programmes and this has in the past had the effect of a number of unnecessary projects being negotiated by the central government on behalf of local communities.

In Angola, Collier notes that government bodies at the community level have consistently failed to generate enough participation in aid projects due to the characteristic weakness of the government system that forces them to play subsidiary

¹²⁸ Riddell, O., Earthscan, R., & Rondinelli, F., (2016). *The Reality of Aid. An Independent Review of Foreign Aid in Angola*. London: Earthscan.

roles to line ministries that negotiate with donors.¹²⁹ Additionally, the country's weak institutional capacity has meant that most donors prefer controlling the management of aid and this has been to the detriment of local ownership and participation efforts.

Two other major problems that have been witnessed with the government community bodies' ineffectiveness in Angola has also included poor project planning, coordination and a perpetual shortage of funds to supplement aid resources.¹³⁰ The government of Angola has on occasions sought to address these problems by assigning local assemblies the responsibility of mobilising revenue in their jurisdictions and establishing necessary institutions for achieving their respective development objectives. While this principle has been agreed on by assemblies, most have complained that the mobilisation of local resources alone cannot be achieved without the help of the central government. Numerous suggestions have been made that the assigned sources of revenue generation are not sufficient to yield enough revenue to fund projects.

4.5 Shortage of Counterpart Funds for aid Project/Programme Recurrent Costs

The funding of aid projects' recurrent costs is considered to be one of the essential prerequisites for long-term sustainability. Most donors usually require recipient governments to allocate a portion of their budgetary resources or develop mechanisms that can raise adequate revenue to cover project recurrent costs. Organisation for Economic Cooperation and Development (OECD), for example indicates that the mobilisation and allocation of local funds to fund aid projects recurrent costs is essential

¹²⁹ Collier, P (2010). *Aid Management and Coordination in Angola: A Critique*, Journal of African Economies, 5(4).

¹³⁰ Burnside, A., (2010). *Donor Coordination and the Utility of Aid*, paper presented at a conference on financing development: *What are the Challenges in Expanding Aid Flows?* Paris.

in ensuring aid effectiveness in recipient countries.¹³¹ In Ghana, there is an aid philosophy amongst many donors that Ghana's self-help efforts has to come first and therefore the securing of recurrent costs of projects is a significant part of the self-help efforts.¹³² Certain donors have therefore required the country to be solely responsible for the provision of adequate domestic funds for aid projects recurrent costs, a philosophy whose strict adoption has meant the jeopardy of aid project effectiveness due to the country's continuing acute fiscal situation. Terry and O'Brien contend that the problem of shortage of funds for aid projects' is compounded by the extremely shallow evaluations usually done for aid project's recurrent costs. The scholars note that the problem is so severe in the country that it has become a cause of concern for most donors.¹³³ In most cases, independent evaluations conducted by the government is considered not to be reliable and government departments have tended to be solely dependent on information given by donors. According to Easterly, most of the time screening and evaluation of aid projects in Ghana is usually a matter of formality than an in-depth exercise.¹³⁴ This has often had the consequence of underestimation or overestimation of costs that donors find to be unrealistic with the aid projects. This situation has led to most aid projects information and data being concentrated in the hands of most donors a scenario that handicaps aid effectiveness since information transparency is often missing.

¹³¹ OECD (2014). *Harmonising Donor Practices for Effective Aid Delivery: Good Practice Papers, Volume 14*. Paris: OECD Publishing.

¹³² Terry, C., & O'Brien, S., (2013). *The Effect of Foreign Aid on Public Expenditure: The Case of Ghana*, AERC Research Paper No. 134, March.

¹³³ Ibid.

¹³⁴ Easterly, W., (2009) *Partnership Principles between the Government of Ghana and Development Partners*. Ministry of Finance and Economic Planning, July, available on the Internet.

In Angola, Collier charges that while accounting for shortage of funds for aid projects recurrent costs, institutional considerations have to be taken into account.¹³⁵ These institutional considerations include problems like lack of transparency, misuse of funds, lack of accountability, bureaucratic red tape and dysfunctional procurement and distribution procedures. A case study of most of the country's aid recipient institutions and organisations highlights that poor accountability in terms of failure to put to light people charged with how aid funds are spent and inadequate transparency such as how those charged with funds spend it hinders the effectiveness of aid projects. The continued centralisation of expenditure decisions has also made it difficult for the country's aid recipient institutions/organisations to make sound expenditure decisions.

4.6 Chapter Summary

An exploration of the factors that hinders the effective utilisation of foreign aid for development in the countries of Ghana and Angola finds that the addressing of the major factors is of core importance in the realisation of foreign aid effectiveness. The major factors discussed in this chapter has included poor aid management and coordination, donor fragmentation, aid volatility, the lack of local participation in aid projects and the shortage of counterpart funds for aid project/programme recurrent costs. In terms of poor aid management and coordination, this chapter has found among other things that the institutional structure through which foreign aid is managed and coordinated in both Ghana and Angola is a highly centralised one. This has had the effect of making it increasingly challenging to reconcile national efforts with the flexibility required for the implementation of projects at the local level in both countries. In terms of donor fragmentation, this chapter has found out amongst other

¹³⁵ Collier, P (2010). *Aid Management and Coordination in Angola: A Critique*, Journal of African Economies, 5(4).

things that the proliferation of donors to the country has undermined aid effectiveness and led to the wastage of financial and human resources through the creation of inconsistency, duplication and an overlap across aid programmes and projects. When it comes to aid volatility, the chapter notes amongst other things that foreign aid to most African countries has been unpredictable and erratic and Ghana and Angola have been no exception to this phenomenon which does little to bolster effective aid utilization. Besides aid volatility, the chapter has also found out that Ghana and Angola have less developed channels for involving local communities in the effective design and implementation of aid programmes and projects when it comes to local participation in aid projects.

CHAPTER FIVE

DATA ANALYSIS AND PRESENTATION

5.0 Introduction

The chapter focuses on the presentation of data, and findings obtained throughout the study. The results of the responses are presented in the table and analyzed using SPSS version 26 for better readings and understanding. The analysis is aimed at interpreting the general objective of the study, which is thought to determine the impacts of foreign aid on development in Ghana and Angola. The chapter discusses the findings and data analysis for the 41 respondents. Google forms questionnaires were administered to both males and females, of different age.

5.1 Demographic Characteristics

Demographics refers to specific attributes like age, gender, education and marital status of a population¹³⁶. The study is generally concerned with the impact of foreign aid on development in Ghana and Angola. Age, gender, level of education, the profession of the respondents, and nationality are the most important demographic factors in my findings as presented in the analysis.

5.1.1 Age of the Respondents

		Age			
		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	20 -30	16	39.0	39.0	39.0
	31 -40	14	34.1	34.1	73.2
	41-50	8	19.5	19.5	92.7
	51 and above	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

Table 5.1: Age of the Respondents

¹³⁶ Dinçer, Hasan, Serhat Yüksel, Serkan Eti, and Ali Tula. "Effects of demographic characteristics on business success: an evidence from Turkish banking sector." In Handbook of research on business models in modern competitive scenarios, pp. 304-324. IGI Global, 2019.

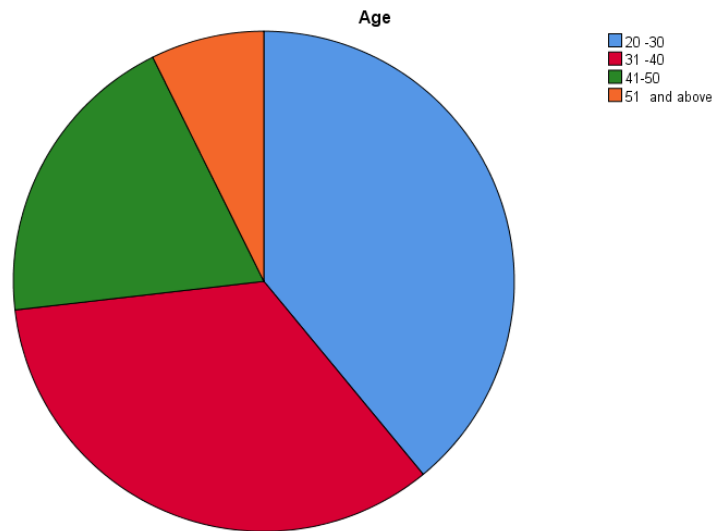


Figure 5.1: Age of the Respondents by Percentage

Figure 51 presents the age of the respondents who responded to the questions on the impact of foreign aid in development. Out of the 41 respondents, those between the age of 20-30 were 16 (39%), 31-40 were 14 (34.1%), 41-50 were 8 (19.5%), and 51 and above were 3(7.3%). Therefore, the analysis suggests that most of the respondents ranged between 20-30 years. This implies the most demographic group in a population. Hence, the data provided by this young age is accurate and reliable for interpretation.

5.2.2 Gender of the Respondents

The following table represents the descriptive statistics of the respondent's gender.

		Gender			
		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Prefer not to say	1	2.4	2.4	2.4
	Male	20	48.8	48.8	51.2
	Female	20	48.8	48.8	100.0
	Total	41	100.0	100.0	

Table 5.2: Gender of the Respondents

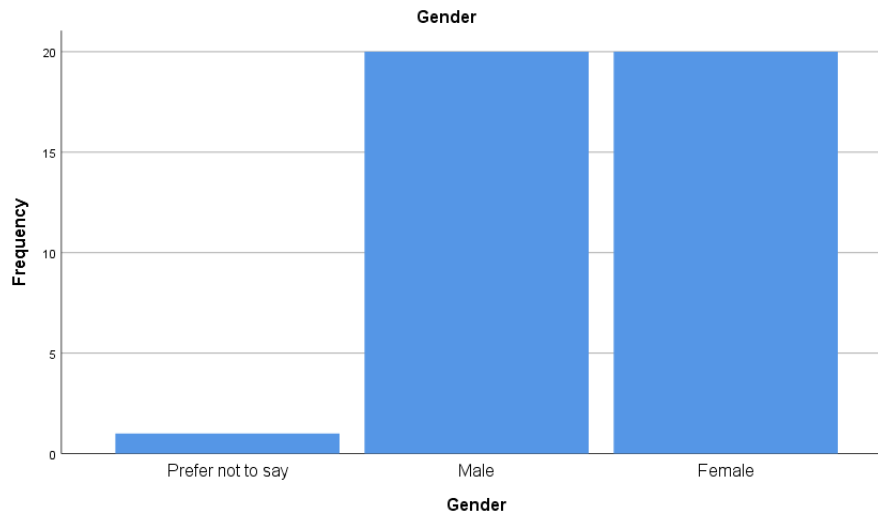


Figure 5.2: Gender Bar Chart

From the statistics, the percentage of the respondents were categorized into male, female and preferred not to say, leading to a cumulative percentage of 100%. In this, the male and female respondents were equal at a proportion of 48.8%, while those who preferred not to say stood at 2.4%. The analysis is in the agreement of gender equality based on the fact that male and female respondents are equal. Gender equality is the equal distribution of rights, responsibilities and opportunities¹³⁷. It has a wide area of application that include and not limited to research. Foreign aid impacts on development are affected by gender characteristic.

5.2.3 Highest Level of Education of the Respondents

The respondents were asked of their highest level of education. Their responses were either high school, diploma, first degree or masters' level. The following table shows the highest level of the respondents.

¹³⁷ Ovseiko, Pavel V., Alison Chapple, Laurel D. Edmunds, and Sue Ziebland. "Advancing gender equality through the Athena SWAN Charter for Women in Science: an exploratory study of women's and men's perceptions." *Health research policy and systems* 15, no. 1 (2017): 1-13.

Table 5.3: Highest Level of Education of the Respondents

		Highest level of education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	1	2.4	2.4	2.4
	Diploma	4	9.8	9.8	12.2
	First Degree level	21	51.2	51.2	63.4
	Masters	15	36.6	36.6	100.0
	Total	41	100.0	100.0	

In the analysis, most of the respondents were those with first degree. The percentage of the high school respondents is 2.4%, the diploma is 9.8%, the first degree is 51.2%, and the master's level is 36.6%.

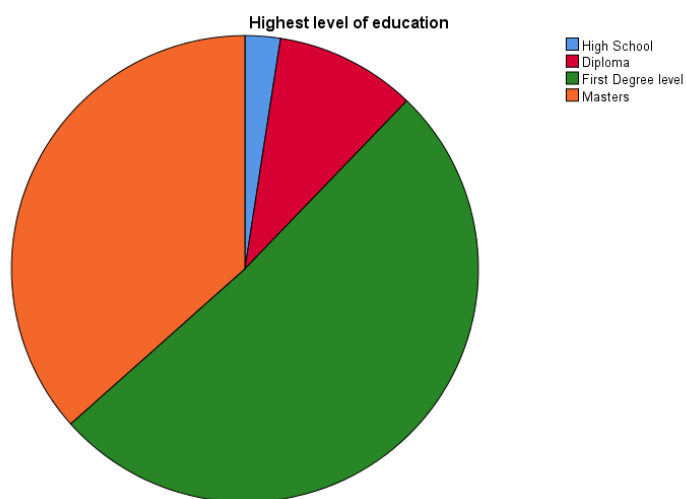


Figure 5.3: Highest Level of Education Pie chart

The analysis implies that majority of the respondents who responded possess the first degree, master, diploma with the least qualification being high school. Therefore,

education level is an essential indicator of determining the impacts of foreign aid on development in both Ghana and Angola

5.2.4 The profession of The Respondents

		Profession			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accountant	2	4.9	4.9	4.9
	Administrator	1	2.4	2.4	7.3
	Building	1	2.4	2.4	9.8
	Business	7	17.1	17.1	26.8
	DOCTOR	1	2.4	2.4	29.3
	Economist	1	2.4	2.4	31.7
	electrician	1	2.4	2.4	34.1
	Engineer	1	2.4	2.4	36.6
	Extension Officer	1	2.4	2.4	39.0
	Fabrication	1	2.4	2.4	41.5
	Farmer	2	4.9	4.9	46.3
	Human resource manager	1	2.4	2.4	48.8
	ICT	1	2.4	2.4	51.2
	Lab technician	1	2.4	2.4	53.7
	Lawyer	2	4.9	4.9	58.5
	Nurse	1	2.4	2.4	61.0
	Pharmacist	1	2.4	2.4	63.4
	Physician	1	2.4	2.4	65.9
	Plumbing	1	2.4	2.4	68.3
	Political scientist	1	2.4	2.4	70.7
	Procurement	1	2.4	2.4	73.2
	Receptionist	1	2.4	2.4	75.6
	Research	1	2.4	2.4	78.0
	Security	2	4.9	4.9	82.9
	Social worker	1	2.4	2.4	85.4
	Student	1	2.4	2.4	87.8
	Surveyor	2	4.9	4.9	92.7
	Teacher	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

Table 5.4: Profession of the Respondents

The study aimed at using the empirical approach in assessing the professional attributes of the respondents. The analysis involved 41 respondents with a diversified range of professional. For instance, in Figure 4.2.4, the business profession had the higher proportion of 7 out of 41 (17.1%), followed by teaching with 3 out of 41 (7.3%), survey, law, and farming with a frequency of 2 out of 41 (4.9%), while the rest of the professions are represented by 1 out of 41 (2.4%).

5.2.5 Nationality of the Respondents

		Nationality			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Angola	18	43.9	43.9	43.9
	Ghana	23	56.1	56.1	100.0
	Total	41	100.0	100.0	

Table 5.5: Nationality of the Respondents

From the 41 responses on the impacts of foreign aid on development in Africa (Ghana, and Angola), 18 (43.9%) respondents are from Angola, and 23 (56.1%) are from Ghana. This implies that the information provided is more exhausted in Ghana. Therefore, the impacts of foreign aid on development are more recognized in Ghana due to the high number of respondents.

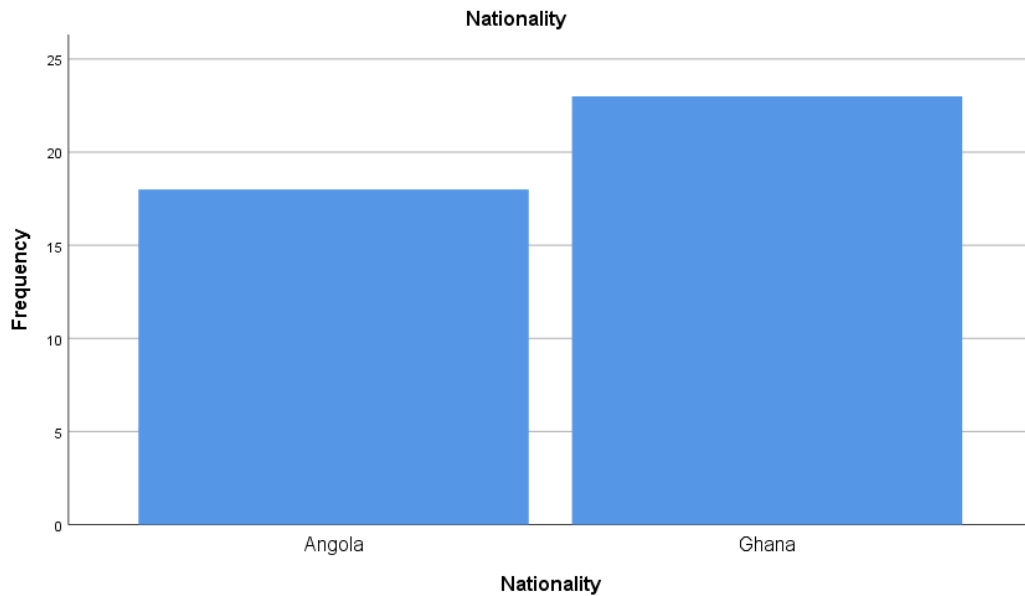


Figure 5.4: Nationality of the Respondents

5.2 The Role and Impact of Foreign Aid in Africa

Determining the impact of foreign aid on development in a country involves the first identification of the roles. In this regard, foreign aid is considered impactful on the development of the country. Foreign assistance enhances global peace, security and development efforts, and offer humanitarian relief in case of a crisis¹³⁸. Foreign aid is considered a strategic, economic as well as moral imperative for the U.S, important for enhancing national security. The question on the respondent's opinions on the role and impact of foreign aid in Africa is given as a correlation analysis of the research. The opinions of the respondents are given in Table 4.3 below;

¹³⁸ Haddad, Marina K. "United States foreign aid to developing countries: The Point Four Program in the Hashemite Kingdom of Jordan." (2017).

Table 5.6: Report of the Respondents on the Role and Impact of Foreign Aid in

Africa

Age	N
What is your opinion on the role and impact of foreign aid in Africa?	
A policy crafted by the Western world to meddle with the African economy	1
Aid for humanitarian is good since it has been helpful in the provision of healthcare especially in areas of HIV and malaria however foreign aid given for development is dead aid	1
Artist	1
Catalyzing development	1
Causes imbalance in trade and promotes western control over Africa affairs	1
Degenerating Africa into more poverty	1
Foreign aid does not contribute to Africa Economic growth	1
Foreign aid is a key foreign policy tool used by developed countries to influence policies and governance in African countries	1
Good for development as it was with Europe Marshall Plan	1
has played a bad role in the African economy	1
I don't know exactly, but it must be playing a role	1
IN ONE way it has helped Africa, and in another way, it has harmed African economy	1
Increases rent-seeking	1
Increasing poverty percentage	1
It doesn't play a good role	1
It has a negative impact on the African economy	1
It has both cons and disadvantages	1
It has deteriorated African economy	1
It has helped African communities	1
It has made Africa keep relying on foreign aid	1
It has played the role of deterioration in the African economy.	1
It has underdeveloped Africa	1
It is a Neocolonialism policy	1
It impedes African economic growth	1
It is the devil robbing Africa anything good	1
It plays a double role which can either be positive or negative	1
It plays both positive and negative roles for Africa economic development	1
It's a bad phenomenon in such a way it has increased dependence, corruption and poverty in Africa	1
Its role is to help Africa economically, but it has failed	1
It's useful and beneficial to the development of Africa	1
Just like Dambisa Moyo notes foreign has not helped Africa's Economic Development	1
Neocolonialism tool for developed countries	1
Not a good phenomenon in Africa	1
not sure but there is a prove that foreign is not good for Africa	1
Played a role in increasing poverty level	1
promotes economic development and alleviates human suffering	1
steers economic development in a way	1
The monster destroying Africa	1
To a large extent, it has dodged African economic growth	1
Underdeveloped Africa	1
Weakening institutional capacity	1
Used for political gain	1
Total	41

5.2.1 Economic Stagnation

From the study, evidence shows foreign aid leads to the economic stagnation of both Ghana and Angola. In this case, foreign aid serves as a source of funding, resulting in a large proportion of increasing the gross net income of the aid. Gross net income ratio raises the capital Gross Domestic product by 3.1% per annum¹³⁹.

5.2.2 Development of Infrastructure

In cases where development is suspended for a while due to inadequate finance, foreign aid helps in speeding up these developments. They reinforce the national development strategies of the two countries, leading to rapid and efficient developments.

5.3 Thoughts of whether foreign aid impacts on development in Africa

The question of whether foreign aid has had an impact on development in Africa is based on the Poisson Inference. The variance of the respondents who answered this question is .023, and mode is .98 and max=.72, Min=1.32 at 95% confidence interval.

Table 5.7: Posterior Distribution Characterization for Poisson Inference

	Mode	Mean	Var.	95% Credible Interval	
				Lower Bound	Upper Bound
In your opinion, do you think foreign aid has had any impact on development in Africa?	.98	1.00	.023	.72	1.32

a. Prior for Poisson Rate/Intensity: Gamma (2, 2).

The response is decided based on the likelihood of having the impacts of foreign aid in the development of Africa

¹³⁹ Babubudjnauth, Ashok, and Boopen Seetanah. "An empirical analysis of the impacts of real exchange rate on GDP, manufacturing output and services sector in Mauritius." *International Journal of Finance & Economics* (2020).

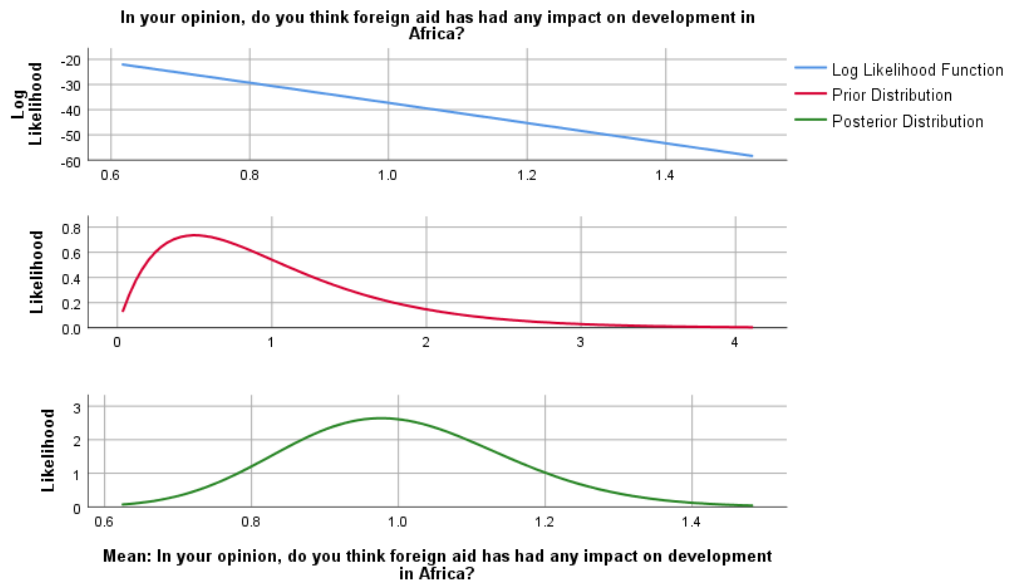


Figure 5.5: Posterior Distribution Characterization for Poisson Inference

5.4 Reasons for the impact of foreign aid on development in Africa

Table 5.8: Report on the Reasons for the impact of foreign aid on growth in Africa

Why do you think so?	N
Why do you think so?	
1. It has worked to alleviate humanity in cases of healthcare outbreaks	1
Africa, in general, has received a lot of foreign aid but no meaningful development out of it.	1
Africa seems Nevers to have enough foreign to develop	1
Because it helps our leaders do projects and implement policies that serve the needs of the people.	1
Causes imbalance in trade and promotes western control over Africa affairs	1
Facilitated capital flight from Africa	1
For humanitarian health, it helps, however, it is also used as a political tool	1
foreign aid comes with negative consequences	1
Foreign aid has not helped the economy of Africa grow despite it being a huge amount of dollars	1
foreign aid has not resulted in significant economic development	1
Foreign aid is said to cheap in to set up those projects which are critical for human survival. For instance, in my village, USAID has constructed two major projects which I consider necessary: school and a comprehensive hospital	1
has been instrumental in economic development as well as setting up social amenities such as hospitals, schools, and other community projects in Angola	1
Increases prices for farmers input like fertilizer	1
INSTEAD OF AFRICAN COUNTRIES DEVELOPING THEIR ECONOMIES THROUGH THEIR MEANS, THEY HAVE JUST RELIED ON FOREIGN AID WHICH COMES WITH CONDITIONALITIES FROM THE DONORS	1
it has led to Africa's low economic growth	1
It funds projects	1
It has aborted Africa development fund	1
It has collapsed the African economy	1
It has contributed to building economy and provision of essential services predominantly in the health sector, e.g. HIV treatment	1
it has done more damage than good	1
It has dragged Africa behind in terms of economics	1
It has given donors countries more power to determine African affairs	1
It has helped develop some countries such as Mauritius and Botswana	1
It has instead increased debt	1
It has killed the African economy	1
It has led to the development of countries like Mauritius; however, it has underdeveloped others like Ghana	1
It has led to less creation of wealth and deficit on the balance of trade in Africa	1
It has made Africa lazy	1
It has underdeveloped Africa in general	1
It is one of the underdevelopment factors in Africa	1
It is part of the policy used by developed countries to drain resources from Africa	1
It is said that relying on foreign aid has made Africa a continent where no country can survive without foreign aid	1
It plays a role in service provision like building health centers and providing other community services	1
Its relative question. For one it has helped to develop countries like Mauritius while it has a hand in Angola underdevelopment.	1
No development as a result of foreign aid	1
No development connected to foreign aid	1
Not suitable for the African economy	1
Since Foreign aid was brought to Africa, no African economy has developed out of it.	1
Since it's free money, it must be helping our economy	1
through foreign aids, significant projects have been set up that would otherwise have been impossible	1
Weakening institutional capacity	1
Used for political gain	
Stagnates economy	
Total	41

5.5 Some of the challenges making the utilization of foreign aid less impactful in Africa

The findings of the study from the respondents show that corruption reduces the foreign aid on Ghana and Angola. The effect is possibly significant in the two nations because of corruption. Also, these findings show that foreign aid from different sources has a distinct impact on corruption.

5.6 Negative impacts on economic development by Countries

Fast growth and development resulting from foreign aid lead to negative externalities like pollution and low quality of air and traffic jams. Also, it leads to increased consumption of demerit goods and service, which end up damaging the social welfare of the two countries. The analysis is based on the Bayesian one-sample distribution as shown below;

Table 5.9: Posterior Distribution Characterization for One-Sample Mean

	N	Posterior			95% Credible Interval	
		Mode	Mean	Variance	Lower Bound	Upper Bound
In your opinion, does foreign aid have negative impacts on economic development in your country?	40	1.00	1.00	.004	.87	1.13

Prior on Variance: Diffuse. Prior on Mean: Diffuse.

The response is given in the following distribution curve;

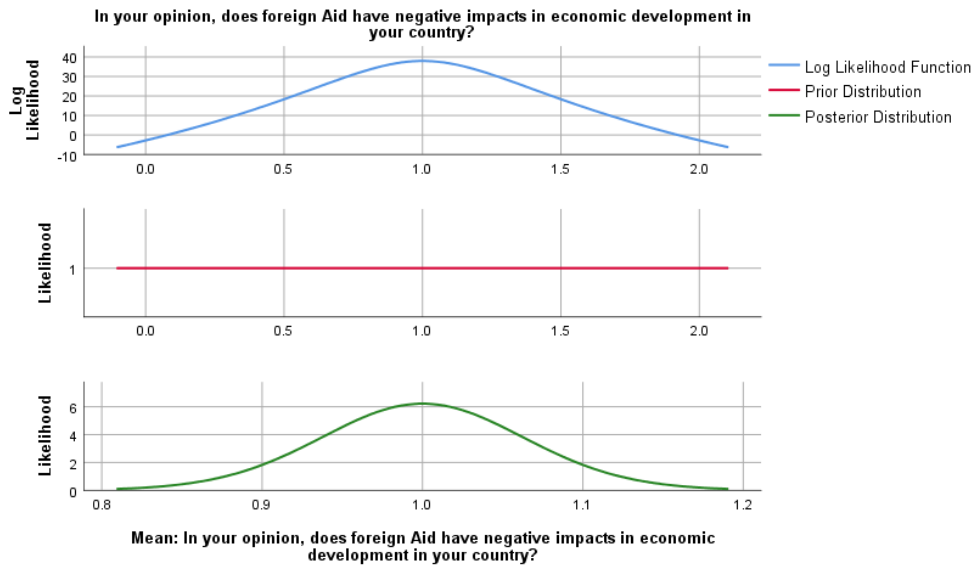


Figure 5.6: Posterior Distribution Characterization for One-Sample Mean

According to the respondents, they are a likelihood that foreign aid impacts economic development negatively. In this case, the many responded "yes" as compared to "no" and "may be".

5.7 Reasons for the existence of negative impacts of foreign aid in the development in Ghana and Angola

Table 5.10: Report on Reasons for the existence of negative impacts of foreign aid in the development in Ghana and Angola

Why do you think so?	Gender
1. over-reliance on foreign aid	1
2. revolving circle of corruption	
3. neocolonialism/ increased foreign influence on African affairs	
A bad role since it has created massive corruption and increased dependence on donors	1
Africa still lagging despite the huge inflow of foreign aid	1
Because it limits the development of some of the sectors of the economy. Most times, the terms and conditions that come with them are somehow difficult to follow.	1
Corruption enabler	1
Despite a lot of foreign aid there is still no developing, so something has gone wrong	1
Facilitates poor economic performance	1
foreign aid has not changed the status of the economy	1
Foreign aid has not led to the development	1

has led to retarded growth	1
has promoted corruption	1
I see foreign helping people especially the needy communities in shanty areas	1
I'm not sure if it has a negative impact but what I know is the fact that foreign aid does something good no matter what	1
in general, it has not helped Africa to develop	1
Instead, it has robbed our economy. we can't grow due to aid and its attached demands	1
It has bred corruption. interference with internal matters of the country	1
It has bred immorality in economy	1
It has created strong cartel who are the main beneficiaries of foreign aid	1
It has created the war in some countries like Somalia while in my county it serves as a political tool	1
It has destructed our means of production, manufacturing and industrialization which is key for growth	1
It has held our economy in captivity where we cannot go ahead with this unnecessary evil	1
It has increased corruption, anti-democracy and debt	1
It has led to endless corruption	1
It has led to Skewed development. It has caused Dutch disease in our economy	1
It has made our economy rely more on foreign aid	1
It has a tangible impact like in HIV treatment and education sector which are critical for the development	1
It is associated with corruption	1
It is not bad I see it helping communities in service provision where the government has failed	1
It is one of the reasons for underdevelopment in Angola	1
It permits corruption	1
It plays the role of keeping the economy under constant recession	1
It works to cause Ghana to keep relying on foreign aid ever	1
leads to underdevelopment due to over-reliance on foreign aid	1
Looting African economy	1
Makes economy poor	1
Making Angola just rely on foreign aid and nothing else	1
Statistics show that most of the foreign aid gets embezzled through dubious deals and most of the money goes back to Europe as proceeds of corruption	1
Tearing our economy	1
There is no development associated with it	1
Those countries which have neglected foreign aid have developed while those with foreign aid are still underdeveloped	1
used by developed countries to control the African economy	1
Total	41

Among the rising responses include underdevelopment, poor economic performance, overreliance on foreign aid among several others in the table above.

5.8 Factors for ineffective foreign aid on economic development of in Ghana and Angola

The question on the ineffectiveness of foreign aid on development has however been disputed over decades. Foreign aid results in the economic growth for developing countries like Ghana and Angola. Following the response from the 41 respondents, corruption emerged as the main factor leading to the ineffectiveness of foreign aid on economic development.

5.8.1 Corruption

Corruption hinders the economic development of Ghana and Angola because they aid used inefficiently. In this regard, corruption negatively impacts the government by influencing the accommodation of public good and services, hampering both investments and growth, tax diversion revenues and increasing inflation¹⁴⁰.

¹⁴⁰ Brahmhatt, M., R. Bishop, X. Zhao, A. Lemma, I. Granoff, N. Godfrey, and D. W. Te Velde. "Africa's New Climate Economy: Economic Transformation and Social and Environmental Change." (2016): 3.

Table 5.11: Factors making foreign aid to be ineffective on the economic development

What do you think are some of the factors making foreign aid to be ineffective on the economic development of in your country?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1. Greedy leaders 2. greedy leaders	1	2.4	2.4	2.4
	1. Poor partnership between Ghana and it's donors 2. Corruption	1	2.4	2.4	4.9
	Corruption	23	56.1	56.1	61.0
	Donors don't want to help Africa came completely from its status of poverty since they also benefit from it	1	2.4	2.4	63.4
	Evil donors' Greedy leaders nationally	1	2.4	2.4	65.9
	Foreign aid is not made for development but a tool to achieve other western interest	1	2.4	2.4	68.3
	Greed and Selfishness	1	2.4	2.4	70.7
	Illiterate leadership	1	2.4	2.4	73.2
	Improper utilization	1	2.4	2.4	75.6
	Looting our economy Leadership failure Incapacity of African leaders to negotiate for favorable terms	1	2.4	2.4	78.0
	Maybe poor management of money	1	2.4	2.4	80.5
	Misuse of money	1	2.4	2.4	82.9
	Political influence. The terms and conditions that come with them. The personal interest of the people that are involved	1	2.4	2.4	85.4
	Poor leadership	1	2.4	2.4	87.8
	Poor leadership and illiteracy in government	1	2.4	2.4	90.2
	Poor policy, poor implementation	1	2.4	2.4	92.7
	Undemocratic governance Corruption Bad leaders	1	2.4	2.4	95.1
	Unfavorable donor demands	1	2.4	2.4	97.6
	Weak institutional capacity	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

Out of 41 respondents, 23 (56.1%) gave corruption as the main factor for the ineffectiveness of foreign aid on economic development. In this case, corruption is an interactable variable to determine the relationship between foreign and corruption on economic development. Based on this, foreign aid and corruption are negatively correlated.

5.8.2 Poor Leadership

Poor leadership lead to cognitive gaps since they focus on people focusing on and thinking about themselves. Such leaders are said to cause cognitive gaps in strategizing and establishing of capability gaps for the execution of such strategies¹⁴¹. Also, micromanagement causes stress of the employees working in fields involving foreign aid on economic development.

¹⁴¹ Apodaca, Clair. "Foreign aid as foreign policy tool." In Oxford research encyclopedia of politics. 2017.

5.9 Report on what happens for foreign aid money for development in Ghana and Angola

Table 5.12: Report on what happens for foreign aid money for development in Ghana and Angola

N =41	
In your opinion, what do you think happens to the foreign aid money meant for development in your country?	Nationality
Builds schools, hospitals, toilets, provide medicine like the case of HIV aids etc.	1
Corruption	1
Disappears with people	1
Disappears with people and never to be recovered	1
Eaten	1
Eaten by powerful people	1
Embezzled	1
For alleviation of human suffering and also it is stolen	1
foreign aid is used to set up small projects then the huge amounts go to personal pockets	1
Gets away with influential people	1
Gets lost	2
Gets lost through Corruption	1
I don't have clear statistics, but most of it is stolen	1
Improper utilization	1
It gets lost through corruption	1
it goes back to the donor countries to buy assets, proceeds of corruption	1
It is eaten by powerful men especially in politics	1
It is mostly stolen	1
It's stolen	1
Massive Looting	1
Misappropriated	1
Misused	1
Money for humanitarian aid works but other forms of aid don't have a positive impact	1
Most get too personal pockets	1
most are embezzled into the private pockets of politicians	1
Most it is lost through corrupt Deals	1
Most of the goes to dirty deals and theft	1
Most of it is embezzled	1
Most of it is misused	1
Cartels take most of it	1
much is embezzled	1
Some are used for the purpose for which it was meant for, but some are also stolen	1
Stolen	1
Theft	2
to people pockets	1
Used by politicians to attain political aims	1
Used develop projects	1
Used provide basics	1
Utilized in economic building	1
Total	41

The table provides a summary of some of the things that happen for foreign aid money for the development in both Ghana and Angola. For instance, according to the respondents, this money is used for developing projects, providing basics, and building of the countries' economy. In other cases, they are embezzled, stolen, misused and misappropriated. These factors lead to the slow growth and development in the two countries¹⁴².The positive impacts are outweighed by the negative factors, hence resulting in slow or poor development. Generally, from the response of foreign is affected by corruption.

¹⁴² Adebayo, Tomiwa Sunday, and Demet Beton Kalmaz. "Ongoing debate between foreign aid and economic growth in Nigeria: a wavelet analysis." *Social Science Quarterly* 101, no. 5 (2020): 2032-2051.

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

6.0 Introduction

There has been a notable increase in foreign aid in Africa over the last few decades. Developed countries have used foreign aid as a key component of foreign policy to strengthen economic ties with the developing nations. The amount of foreign aid received by the African continent has increased exponentially over the years but little exists to indicate the achievement in terms of development. With the key focus on the continued increase in the amount of foreign aid channeled to African countries, this study sought to examine the impacts of such foreign aid on development in the African continent, regarding Ghana and Angola. This chapter, therefore, covers a summary of the key findings based on the three specific objectives that guided the study: to analyze the historical development of foreign aid and its impact on development in Africa; to critically examine the impact of foreign aid on development in Ghana and Angola and to identify and analyze factors hindering effective utilization of foreign aid for development in Ghana and Angola. The chapter also covers the research conclusions and recommendations.

6.1 Summary of Findings

This section of the chapter covers the key findings from each objective of the study.

6.1.1 Historical Progress of Foreign Aid and Its Impact on Development in Africa

The concept of foreign aid has its roots from the Bretton Woods conference held in New Hampshire in 1944, according to the analysis of the historical progress of foreign aid development in Africa. In Africa, foreign aid began gaining relevance during the 1960s when majority of the African states became independent from their colonial masters. At the time, development aid was nonconcessional and was largely an

extension of goodwill to the states that had just attained independence. Former colonial masters like France and Britain saw it as a moral obligation to continue supporting their former colonial territories but also as a means to access natural resources and retain political influence in their former colonial territories. The success of the Marshall plan in Europe was the main motivation for extending aid to African countries since a strong optimism existed that extending aid to Africa would make an impact on its development which was mainly hampered by a deficient productive capacity. To institutionalize foreign aid in Africa, the African Development Bank was founded by the World Bank to provide support to programs and projects that contributed to the social and economic development of Africa. In recent times, development aid to Africa has changed and now consists of private and official assistance. A surge in private assistance in recent times has seen it become an important source of foreign aid to Africa as a whole. Private corporations, institutions, NGOs, and certain religious groups now make significant aid contributions to Africa. Estimates indicate that the annual private assistance to Africa targeted towards some programs could soon surpass official aid.

6.1.2 The Impact of Foreign Aid on Development in Ghana and Angola

The study has found out that foreign aid disbursements in Ghana have had mixed outcomes on development. Foreign aid has promoted economic reforms in Ghana such as reduction of the tax burden, increase of revenue at the local level, and revenue mobilization through tax reforms. Besides, foreign aid has had significant impacts on infrastructural development in the country. The study also reveals that the volatility of foreign aid over recent decades has increased with high variations between foreign aid commitments and disbursements. These inconsistencies have thus resulted in a decline of foreign reserves, a high balance of payment deficits, and high domestic borrowing for Ghana. Further observations from the study are that foreign aid has led to

imbalanced economic development as it puts more effort into some sectors and ignores others.

The study has revealed that foreign aid has had major impacts on development in the sectors of education, agriculture, health, and basic infrastructure in Angola. Other studies contend that foreign aid has not led to sustainable socio-economic development in Angola, citing poor living standards, high rates of unemployment, corruption, and poverty as the main reasons.

Foreign aid has yielded significant positive results in the education sector, though not sufficient according to international standards. Many OECD countries have responded in support of the Ghanaian government's education development goals by pledging and disbursing foreign aid donations that have resulted in the expansion of the education sector in the form of setting up new schools and renovating the existing ones. Similarly, disparities in education development and literacy levels between urban and rural areas have been reduced by channeling foreign aid donations to such disadvantaged areas.

On the other hand, in Angola, foreign aid has been used to support the education system that was left fragmented by the 27-year civil war. It has been used to fund the construction of new education facilities and the restoration of old ones. As a result of foreign aid funding, there have been significant improvements in the Angolan education sector with overall investment increasing from 5.41% to 8.43% over the last five years.

Foreign aid has improved the agricultural sector in Ghana. The funding has promoted human resources, improved irrigation systems, and agricultural machinery. It has also led to significant improvements in promoting rain-fed cultivation techniques, technical cooperation projects, and local production capacity. These developments resulting from foreign aid funding have helped the country maintain a stable GDP, maintain food

security, create employment opportunities, and increase foreign exchange earnings. Foreign aid donations have steered the nation from using rudimentary farming techniques to modern advanced technologies that have raised output.

On the side of Angola, foreign aid has been utilized in the agriculture sector to improve productivity through large scale farming. This has had a significant impact on alleviating socio-economic issues like food security, improvement of livelihoods, and the reduction of poverty levels in the country.

In the health sector, foreign aid has funded activities geared towards curative rather than preventive health care. The country has received 35% foreign aid towards the health sector which has been used to increase access to quality healthcare, reduction of communicable diseases, and the expansion of Community-based Health Planning and Services (CHPS). Also, the Expanded Programme on Immunization (EPI) has been made operational in various regions of the Ghana state as a result of foreign aid funding.

Similarly, the health sector in Angola has witnessed significant improvements thanks to foreign aid. Foreign aid has been used to renovate and expand four major foreign hospitals in the country during the period 2017/2018. Likewise, china's foreign aid funding for the period 2016/2017 has been used to expand and renovate regional hospitals in other parts of the country and procure ambulances for the country's ministry of health. Funding from the European Union was also used to construct several hospitals across the country.

Improvements in the telecommunication sector, according to this study, can be witnessed in Ghana after channeling foreign aid funds to the sector. The government of Ghana has made significant steps in improving ICT through the installation of

intelligent networks and next-generation internet protocols countrywide with the help of foreign aid.

The government of Ghana has been able to undertake major infrastructural developments with the help of foreign aid donations, such as the Anwiankwanta-Yamoronsa road. This has led to the smooth movement of export commodities within different regions in the country. Electricity connection has also improved in the country reaching as far as the rural regions. Major infrastructural developments have taken place in Angola with foreign aid funding from the government of China. These include Housing and Electricity projects in Luanda among other regions.

6.1.3 Factors Hindering Effective Utilization of Foreign Aid for Development in Ghana and Angola

Several factors have been found to prevent the effective utilization of foreign aid for development in Ghana and Angola. Addressing the major factors is of critical importance in ensuring that foreign aid effectiveness is achieved. The major factors, as per the study, include poor aid management and coordination, donor fragmentation, aid volatility, the lack of local participation in aid projects, and the shortage of counterpart funds for aid project/programme recurrent costs. Under poor aid management and coordination, it has been established that the institutional structure through which foreign aid is managed and coordinated in both Ghana and Angola is a highly centralized one, thus making it increasingly challenging to reconcile national efforts with the flexibility required for the implementation of projects at the local level in both countries. In terms of donor fragmentation, it has been revealed that the proliferation of donors to the country has undermined aid effectiveness and led to the wastage of financial and human resources through the creation of inconsistency, duplication, and

overlap across aid programmes and projects. When it comes to aid volatility, foreign aid to most African countries has been unpredictable and erratic and Ghana and Angola have been no exception. Besides aid volatility, it has also been found out that Ghana and Angola have less developed channels for the involvement of local communities in the effective design and implementation of aid programmes and projects when it comes to local participation in aid projects.

6.2 Conclusion

Foreign aid donations have had significant impacts on development in Africa. This study has found out that foreign aid has steered up economic development in Ghana and Angola by funding key sectors such as education, agriculture, health, infrastructure, and telecommunication. The inspiration behind foreign aid disbursement is the fact that these sectors are widely recognized as major drivers of economic competitiveness. Foreign aid has improved development and also strengthened government policies in the two countries. However, challenges exist in the effective utilization of foreign aid. Some of the factors that hinder effective utilization of foreign aid are poor aid management and coordination, donor fragmentation, aid volatility, the lack of local participation in aid projects, and the shortage of counterpart funds for aid project/programme recurrent costs. These factors need to be addressed to realize the full effectiveness of foreign aid to African countries.

6.3 Recommendations

The study makes the following recommendations after analyzing the findings.

- Decentralization of foreign aid institutional structure to enable easy reconciliation between the national government and the flexibility necessary for the implementation of the projects at the local level.
- Reduce donor fragmentation and proliferation to reduce resource wastage.

- Reducing the volatility of foreign aid by donors.
- Developing channels or integration of the local community in the design and implementation of foreign aid projects both in Ghana and Angola.

6.4 Areas for Further Study

The study has noted that there is a relationship between foreign aid and development outcomes in Africa. However, foreign aid has not been effectively utilized in realizing its objective. Thus, there is a need for a study to be done on the ways of reducing the hindrances to effective foreign aid utilization and how to improve the outcomes of foreign aid in Africa.

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APPENDICES

Appendix I: Research Questionnaire – Ghana

University of Nairobi

Institute of Diplomacy and International studies

Dear Respondents,

RE: DATA COLLECTION.

I am Masters Student at University of Nairobi, in department of diplomacy and international studies. Currently am undertaking research study to fulfil requirement for award of Masters in international studies. My project topic is **“The Impact of Foreign Aid on development in Africa: A comparative study of Ghana and Angola”**. You have been selected to participate in this study; however your participation is free and voluntarily. Please I request you to feel the questionnaire honestly.

Special thanks for your cooperation.

Yours faithfully,

Pauline N. Njoroge

SECTION A: BIO DATA.

Please tick as appropriate

- i) Sex: Male Female
- ii) Age: 20 – 30 31 – 40 41 – 50 51 – 60 61 – 70
- iii) Level of formal education: None at all Primary education
 Secondary education College education University education
- iv) Organization: Government Ministry NGO

SECTION B: Questionnaire

1. How long have you lived in Ghana?

- 1-5 years 16-20 years 31-35 years
- 6-10 years 21-25 years 36-40 years
- 11-15 years 26-30 years 41-45 years

2. What role do you think foreign aid plays in economic development of Ghana?

.....
.....
.....

In your opinion, could foreign Aid have negative impacts in economic development of Ghana?

- Yes No

3. If your answer to question 3 above is yes; kindly describe the negative impacts of foreign aid in Ghana?

.....
.....

.....
What do you think are some of the factors making foreign aid to be ineffective on economic development of Ghana?

.....
.....
.....
.....
.....
Most scholars like Dambisa Moyo view foreign aid as an obstacle to development in Ghana, Kindly state how.

.....
.....
.....
Since foreign aid is an obstacle to development in Ghana, how best do you think your country should address the issue of foreign aid in order to ignite economic growth?

.....
.....
.....
How different is Ghana and Angola in terms of receiving and utilizing foreign aid?

.....
.....
.....
What happens to the billions of aid dollars given yearly since Africa still remains poor despite huge inflow of Aid?

.....

.....

.....

Appendix II: Research Questionnaire –Angola

University of Nairobi

Institute of Diplomacy and International studies

Dear Respondents,

RE: DATA COLLECTION.

I am Masters Student at University of Nairobi, in department of diplomacy and international studies. Currently am undertaking research study to fulfill requirement for award of Masters in international studies. My project topic is **“Foreign Aid and development in Africa: A comparative study of Ghana and Angola”**. You have been selected to participate in this study; however your participation is free and voluntarily. Please I request you to feel the questionnaire honestly.

Special thanks for your cooperation.

Yours faithfully,

Pauline N. Njoroge.

SECTION A: BIO DATA.

Please tick as appropriate

- i) Sex: Male Female
- ii) Age: 20 – 30 31 – 40 41 – 50 51 – 60 61 – 70
- iii) Level of formal education: None at all Primary education
 Secondary education College education University education
- iv) Organization: Government Ministry NGO

SECTION B: Questionnaire

1. How long have you lived in Angola?

- 1-5 years 16-20 years 31-35 years
- 6-10 years 21-25 years 36-40 years
- 11-15 years 26-30 years 41-45 years

2. What role do you think foreign aid plays in economic development of Angola?

.....
.....
.....

In your opinion, could foreign Aid have negative impacts in economic development of Angola?

- Yes No

3. If your answer to question 3 above is yes; kindly describe the negative impacts of foreign aid in Angola?

.....
.....

.....
What do you think are some of the factors making foreign aid to be ineffective on economic development of Angola?

.....
.....
.....
.....
.....
Most scholars like Dambisa Moyo view foreign aid as an obstacle to development in Angola, Kindly state how.

.....
.....
.....
Since foreign aid is an obstacle to development in Angola, how best do you think your country should address the issue of foreign aid in order to ignite economic growth?

.....
.....
.....
How different is Ghana and Angola in terms of receiving and utilizing foreign aid?


.....
.....
.....
What happens to the billions of aid dollars given yearly since Africa still remains poor despite huge inflow of Aid?


.....

.....

.....


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