Evaluating the impacts of foreign aid on low-income countries in Sub-Saharan Africa

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ABSTRACT

Foreign aid comprises of a provision of financial resources or commodities such as food parcels or technical advice and training. The most prevalent type of foreign aid, particularly in developing countries, is Official Development Assistance (ODA) that strives to promote development and combat poverty. In Sub-Saharan Africa, there is a significant dependency on foreign aid which prompts the question; Is foreign aid promoting the development of African countries? With a high reliance on foreign aid, the focus tends to shift from developing into self-sufficient economies and combating poverty to being dependent states. The paper explores the impact of foreign aid on economic development in Sub-Saharan Africa. Because low-income countries are significantly reliant on aid, the study took a qualitative approach using the case study method featuring case studies from Kenya, Togo, and Zimbabwe. From the literature, it is evident that the three countries had become dependent on foreign aid with most government programs heavily reliant on foreign aid to function. Considering Togo for example, the country brokered an arrangement with the International Monetary Fund (IMF) to reduce the overall fiscal deficit substantially and ensure sustainable long-term and external debt. Conclusions drawn from the study show that foreign aid has become a catalyst for dependency syndrome. Based on the findings, there is a need for equity investment to help bolster the economic system in these countries for self-sustenance.

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Introduction

Long-term assistance to those in need has overtime seen setbacks notably fostering a dependency syndrome (Qian, 2015). Most African countries, particularly low-income countries are heavily reliant on aid, with majority of them collapsing under the pressure of massive debt (Siyoum, Hilhorst & Uffelen, 2012; Moyo & Maluso, 2017; Park, 2019; Ghimire, Mukherjee & Ali, 2016). According to Qian (2015), Official Development Assistance (ODA) is a form of government-designed aid that is primarily aimed at ensuring the development of underdeveloped countries. ODA plays a critical role that predates the establishment of the Breton Woods institutions, assisting countries in need of assistance in delivering goods and services to their citizens through loans, economic rescue interventions, and aid, in order to assist nations in attaining middle-income status (Riddell, 2014).

Several studies (Lawson & Morgenstern, 2019; Moyo & Mafuso, 2017; Quibria, 2017; Wang et al., 2021) postulate that foreign aid is synonymous to economic growth, promotion of development by supplementing national budgets, eradicating poverty and hunger, and achieving the Sustainable Development Goals (SDGs), which include providing universal primary education, eradicating poverty and hunger, reducing child mortality, and maternal health. All of these are intended to result in the recipient countries’ sustainable development; however, foreign aid has led to a dependency syndrome instead of the intended economic growth (Ogundipe et al., 2014). Foreign aid is also perceived to encourage corruption, highly inefficient and ineffective government, stall democracy and hinder economic and investment growth (Harb & Hall, 2019).

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Africa's aid-dependent economic paradigm limits countries from taking advantage of global economic prospects. According to Moyo (2009), foreign aid aggravated Africa's political, economic, and humanitarian challenges, placing money in the hands of despots rather than the vulnerable. While African countries have received humanitarian support, their situation has deteriorated, including the three case studies namely Kenya, Togo and Zimbabwe resulting in a dependency syndrome (Alemu & Lee, 2015). Foreign aid is intended to assist developing countries and should therefore be transitory only assisting countries when necessary and should not be perceived as the primary means of development; rather, a vital complement to recipient countries' domestic plans, strategies, and resources (Mahembe & Odhiambo, 2019a; Ozekhome, 2017). Additionally, African nations must enjoy what international political-economic theorists refer to as 'policy space', necessary when selecting trade policies and development priorities (Velllem & Matezo Espoir, 2021). With respect to the three countries, the ineffectiveness of aid is a result of a combination of poor policies and poor aid administration. Countries that have received aid have had public management and services deteriorating with the socioeconomic status quo impacted, and insecurity rising to epidemic levels (Sogge, 2002). Despite the presence of foreign aid, the three countries are still dominated by citizens who are below the poverty margin which is exacerbated by lack of economy-building policies but rather the 'dependency syndrome' on aid.

In order to perform an evaluation on the impact of foreign aid, the paper utilised a qualitative research methodology. The researcher made use of secondary data since the article was focusing on three countries. Document analysis helped the researcher to gain access to the best source of data for completing the research (Morgan, 2022). Document analysis is particularly useful when trying to detect trends or patterns in documents. Using document analysis, the researcher therefore sought to explore the impact of foreign aid in sub-Saharan Africa. The researcher had considered the advantages; accessibility and reliability of data, documents can be read and reviewed multiple times and remain unchanged (Mangwanya, 2022). Data was collected from various scholarly internet sources that were related to development assistance management, foreign aid and Sub-Saharan Africa. Thematic analysis was used to analyse the data. The researcher also ensured that there was no bias and also adhered to research ethics.

A study by (Mahembe & Odhiambo, 2019b) highlighted that foreign aid in Africa has been used to foster the interests of the influential elites instead of developing the economy. From the perspective of the developing partners, neoliberals view aid as resource extortion, a hard-won asset being squandered on destitute states incapable of successfully utilising it (Niyonkuru, 2016). However, literature around dependency syndrome has not been explored in detail, especially literature around how countries dependent on aid their national budgets. Regrettably, aid opens recipient countries to abuse characterised by fail to engage in economic development programmes to promote economic growth. Foreign aid aims to promote economic growth, alleviate poverty, improve governance, address population growth, safeguard human rights, empower allies, and combat drug manufacturing (Hynes & Scott, 2013; Lawson & Morgenstern, 2019). According to Qian (2015), foreign aid's primary purpose is to bolster economic growth in developing countries when the policy environment is conducive. In countries with bad policies, foreign aid has been found to be ineffective (Hynes & Scott, 2013). Additionally, Moyo & Mafuso (2017) revealed that, despite altruistic intentions of foreign aid, it created barriers that negated any benefit intended for recipients.

This article aims to explore the impact of foreign aid on the economic development Sub-Saharan African countries. This section of the article delves into literature focusing on the impact foreign aid has had on African countries with a particular interest in the three African countries, that is, Kenya, Togo and Zimbabwe.

**Literature Review**

**Theoretical and Conceptual Overview**

**Dependency Theory**

The dependency theory emerged in the 1950s in response to the gaps between the rich and poor countries (Agbebi & Virtanen, 2017). The overarching authors of dependency theory are Andre Gunder Frank, Raul Prebisch, Theotonio Dos Santos, Enrique Cardozo, Edeleberto Toreté-Rivas and Samir Amin (Reyes, 2001). The theory suggested that industrial growth in richer countries did not assist poor countries but in fact created serious challenges for the poor countries. The dependency theory therefore became a benchmark for the analysis of development and underdevelopment when considering international political economy (Matunhu, 2011). In general, the dependency theory substantially overestimates the power of the international system-or imperialism (Dolan, 2020). The theory identified the inequalities between developing and developed countries.

This article focused on the dependency syndrome in Africa wherein the theory sought to explain some of the gaps in development created by foreign aid. It is evident that Africa is immensely dependent on aid hence the lack of economic growth and sound self-reliant policies. Dependency theory holds that the condition of underdevelopment is precisely the result of the incorporation of the third world economies into the capitalist world system which is dominated by the West and North America (Emeh, 2013). Matunhu, (2011), argues that the premise of the dependency theory is that it would be impossible to understand the processes and problems of Africa without considering the wider socio-historical context of Western European expansion.

Dependency theory attempts to explain the present underdeveloped state of many nations in the world by examining the patterns of interactions among nations. It also argues that inequality among nations is an intrinsic part of those interactions, hence its relevancy to the article.
The concept of development is key in discussing foreign aid, because one of the main aims of foreign aid is development (Ghimire et al., 2016). Development involves progression, movement and advancement towards something better (Emeh, 2013). Development goes beyond economic and social indicators to include the improvement of human resources and positive changes in their behaviour. Consequently, development is access to health care services, food, water, shelter, information and communication (Lagat, 2015). When Africa receives aid, the sole purpose is to develop the country and ensure that the well-being of the citizens is taken care (Ndikumana & Pickbourn, 2017). However, dependency theory identifies the inequalities between the developing and developed countries which seem to have been worsened by the aid. Such inequalities mean that the developing countries lack development regardless of the help from the foreign aid. It is imperative to note that despite the foreign aid that Africa receives there is little to no development to show for it.

Development emphasizes process of social change, which is key in economic advancement. Foreign aid seeks to enhance economic advancement in developing countries, but due to poor governance it is counterproductive (Gibson et al., 2015). Development is about human liberation and control of resources to human basic. Foreign aid seems to have crippled human liberation, hence creating a dependency syndrome. In this article the concept of development is relevant as it accentuates the main aim of foreign aid which is the development of economies and economic growth.

Foreign Aid: Impact of Official Development Assistance in African countries

Official Development Assistance has proven to have a devastating effect in developing countries taking for instance Kenya, Rwanda and Ghana (Niyonkuru, 2016); most at times, aid is transferred to developing countries, which is meant to increase the power and government resources. People devote more time to attain policy and administrative goals, diverting attention and resources from productive economic activities (Riddell, 2014) leading to civil unrest and conflict. On numerous occasions, foreign aid has assisted governments in their pursuit of economic and political policies though the policies proved unproductive. Special bad treatment groups, restrictions on private trade and the flow of private capital and enterprises, asset confiscation, price policies that discourage agricultural production, and appropriation of foreign capital and enterprises are examples of policies that hinder countries’ economic growth. Despite the impact on the countries' performance and the aid beneficiaries, such policies continue to be implemented. With deteriorating economic development, developing countries continue to be classified as requiring assistance (Reci, 2014).

Corruption

Research has shown that in developing countries, availability of foreign aid often leads to corruption or misuse of the funding (Gray, 2009; Asongu, 2015). According to Pincet, Okabe, and Pawelczyk (2019), between the years 2002 to 2015 annual US aid to Sub-Saharan Africa increased from $2 billion to $8 million. Ideally, the aid would suffice a country’s needs, but due to misappropriation, more often than not the funds are inadequate. With aid-allocation reserved for government officials, a large proportion of the finances get channelled towards personal gain, thereby negating the initial purpose of aid (Quibria, 2017). Aid is either misallocated (donors give aid for strategic reasons to the wrong recipients) or misused (recipient, being governments, pursue non-development agendas) such as was the case in Ghana and Malawi (Rena, 2013). In Ghana for example, aid came from multiple donors - USAID, DFID and World Bank - and the government was reaping the benefits though the GDP growth was stagnant (Rena, 2013; Harb & Hall, 2019). Countries depending on foreign aid with minimal corruption, public officials are less likely to misuse public funds, and in such, aid is utilized efficiently and effectively (Okada & Samreth, 2012).

Governance

Good governance ensures aid utilization is effective (Adedokun, 2017). Quality of national governance influences success rates of economic growth and improved living standards (Acemoglu & Robinson, 2008). With good governance, the system is strong and, as a result, management of the relief funds is properly scrutinized (Trotter & Abdulllah, 2018) and where governance is compromised exposes the foreign aid to abuse. Good governance positively predicts budget support aid, economic infrastructure aid, and aid to productive sectors, while poor governance positively predicts technical assistance and aid being channelled through non-governmental organizations (NGOs) (Bermeo, 2011). Clust (2011) and (Winters & Martinez, 2015) highlight that better-governed countries get more budget support aid. Donors are more willing to channel aid funds through government institutions in better-governed countries (Bräutigam & Knack, 2004). Therefore, it is imperative to note good governance determines the effectiveness of foreign aid in Africa.

Leadership

To a greater extent, leadership in Africa has been a major hurdle when looking at Africa’s growth and prosperity considering the availability of vast resources in Africa. Despite having a plethora of resources, African leaders look towards western developed countries for aid (Heintz & Ndikumana, 2010; Park, 2019). Constant dependency on western aid has paralysed African economies in their pursuit to reduce poverty. With African initiatives such as New Economic Partnership for African Development (NEPAD) launched in 2000, the continent is still heavily dependent on foreign aid to reduce poverty despite claims of self-reliance. To increase self-reliance, the African Union needs to consider boosting inter-continental trade for capital creation thus reducing the dependence on foreign aid (Bigsten & Shimeles, 2007; Riddell, 2014).

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Official Development Assistance: Case Studies

Kenya

Kenya has been dependent on Official Development Assistance since attaining independent in 1963. The significant proportion of ODA inflow into the country has been augmented with a substantial inflow of private resources (such as net inflows of foreign direct investment (FDI), private non-guaranteed longstanding debt, equity/portfolio investment and remittances from the Diaspora) (Elbadawi, Ibrahim, & Mwega, 2000; Dirk, 2019). U.S. Development Assistance in Kenya focuses on health, education, financial growth, and important policy reforms. Kenya gets U.S. aid through the President’s AIDS Relief Emergency Plan (PEPFAR) and the President’s Malaria Initiative (PMI); the initiative Feed the Future (FfF); and the Global Climate Change (GCC) (Blanchard, 2013; Shah, 2015). Other development programs include fundamental education and water and sanitation investments. Cornerstones of U.S. governance programs are efforts to promote the application of the new constitution and improve the country’s system of checks and balances. Technical assistance seeks to create domestic and local government ability, and other U.S. aid programs aim to create accountability, including by supporting independent media and civil society. The judiciary is another U.S. aid target (USAID, 2014).

The United States has given important help during elections, including support for national and foreign monitors, totalling more than $30 million since 2010 (Blanchard, 2013). The US offered support through the senior Obama Administration by using the International Criminal Court in viewing impunity for state corruption and political violence.

In 1991, multilateral and bilateral donors such as the World Bank, International Monetary Fund, the US, Britain suspended the ODA flow to Kenya due to maladministration of resources. The scandal involved large sums of money from the developing partners. This also prompted the witty remark by Paul Rosenstein-Rodin, the Deputy Director of the World Bank Economics Department, “when the World Bank thinks it is financing an electric power station, it is financing a brothel” (Njara, 2017). The response to this issue was complicated by the lack of a coherent stream of assistance. Given Kenya's elevated reliance on foreign aid, combined with episodes of significant assistance freeze, the effect of aid flow on the budget process needed to be analyzed by exploring the link between assistance and public spending (M’Amanja, Lloyd & Morrissey, 2005; Martorano, Metzger & Sanfilippo, 2019).

Togo

Around the 1980s, Togo introduced the Structural Adjustment Program (SAP) to qualify for loans to alter its economic policy and prevent debt defaults. The SAP consisted of public spending control, trade liberalization, export promotion, privatization and abolition of price control and state subsidies. Although it has had positive effects in the short term, the adverse long-term effects are overwhelming (Dirk, 2019). With Togo ‘s debt at its peak, the country brokered an arrangement with the International Monetary Fund (IMF) called the Extended Credit Facility (ECF). The program aimed to reduce the overall fiscal deficit substantially and ensure long-term debt and external debt sustainability. In 2017, Togo had the largest overall debt-to-GDP ratio in the West African Economic and Monetary Union (WAEMU), at 75.3 per cent of GDP (72.1 per cent excluding SOEs’ debt). The ratio of NPV of overall public debt-to-GDP stands above the prudential levels, remaining above such indicative benchmark through 2021 (IMF, 2018). With a growing amount of unemployment, health problems and precarious living conditions, poverty levels have only escalated.

Foreign aid dependence weakens that bond cancellation of the social agreement. Given the amount of cash and donors, governments are accountable to donors however lacks the same responsibility to their citizens or mechanisms of inner public accountability such as legislative supervision (Malik, 2008). In Togo, government officials have focused on self-advancement instead of programmes that benefit communities they are purporting to be serving (Agerbonou, 2020).

The Sustainable Development Goals (SDG) initiative was developed by the United Nations Development Program to assist set objectives for developing nations to enhance citizens’ quality of life. The SDG for Togo set a goal to ensure that by 2015, all kids can finish primary school regardless of gender (Dirk, 2019). It will take major structural reforms in the public and private sectors, plus a fresh mentality to solve these problems. History shows that political conditions are inherently related to any financial development. Democratic and politically stable nations would concentrate their resources on enhancing people’s life. Foreign aid must be concentrated on education and capacity building, good governance, building democratic institutions and a strong civil society.

Zimbabwe

Amongst the developing African economies depending on the European Union (EU) for assistance among other donors, Zimbabwe has also fell victim to the dependence syndrome which has stifled local production and innovation (Gara, 2009). Considering Zimbabwe used to be Africa’s breadbasket and major exporter of Tobacco leaves, the country is heavily dependent on foreign aid to cater for the struggling citizens. Research on the EU assistance programs in Zimbabwe revealed that excessive dependence on assistance erodes the state’s ability to generate its resources (Moyo & Mafuso, 2017). Unbridled dependency on the EU aid among other donors resulted in Zimbabweans developing a dependency syndrome to the detriment of local production and self-reliance.

Zimbabwe's multilateral and bilateral ODA declined significantly as the post-2000 financial and political crisis intensified. Considering the proliferation of payment arrears and loans, the World Bank Group imposed restrictive measures in May 2000, and all disbursed loans and grants were withdrawn. Subsequently, Zimbabwe made significant payments to the IMF to offset its General Resources Account (GRA) arrears, but only token payments to the World Bank and the African Development Bank in violation of the non-discriminatory debt service provision of the World Bank Group (Chikowore, 2010). Following these setbacks, the World
Bank and the IMF's involvement with Zimbabwe were, to a greater extent, restricted to policy guidance and dialogue to enhance ties and explore methods in which Zimbabwe could design a mutually agreeable re-engagement clearance scheme. In February 2007, the IMF Executive Board concluded by maintaining the banishment of Zimbabwe’s voting rights or its ability to use the overall funds from aid (Gara, 2009).

Neo-colonial manipulation of development aid, Zimbabwean government's political intolerance, and ineffective worldwide, continental, and regional institutions have all contributed to the socio-economic development decline over the past decades (Ziko, 2018). Zimbabwe needs to establish a development assistance strategy and a broad-based domestic socio-economic development plan in order to avoid the continued decline (Chikozho, 2017).

**Discussion**

With various levels of corruption in the metropolis, foreign aid is already drying up rapidly as policies such as America First policy are become predominant. The author was of the view that the corruption had hindered transparency in how aid is used in the countries cited in the case studies. For example, Zimbabwe’s economy is struggling and the lack of transparency on aid only worsens the already crippled state. The global media often portrays African economies that embrace many non-Western sources of assistance as corrupt or technologically incompetent (Quibria, 2017). Essentially, the image of various African governments is a cow-tower to revived imperialism.

Furthermore, it is important to note that foreign aid should serve in bolstering countries’ economies. With most sub-Saharan countries who receive foreign aid; to a greater extent, rely on foreign aid when drawing up budgets for community engagement projects. The largest recipients of foreign aid are in Sub-Saharan Africa, which, according to (Barkhouse, Hoyland & Limon, 2018), are the lowest-ranked countries particularly in many areas of governance considering how rife corruption is. This highlights that foreign aid merely increases the number of resources available to the elite, thereby shifting and holding the balance of power in the hands of the executive branches of government (Trotter & Abdullah, 2018). Research has brought to attention a strong correlation between increased foreign aid support and statistically significant rises in corruption. Considering the case study, Kenya; is an example of a country that experienced a reduction in foreign aid due to corruption and maladministration. Consequently, finances could not be accounted for with very little to show for the money used.

The dependency syndrome creates the perpetual need for foreign donor assistance and to which donor policies are exercised in full force at the expense of locally-owned development policies. The question that emerges from this skewed relationship between donor agencies and their counterparts is how African countries manage or create governance mechanisms to contain unfavourable donor policies and conditionalities. The solution does not come via quick fixes, rather, it requires long term planning which integrates various approaches to engage in negotiations at social, political and economic levels (Moyo, 2009; Makuwira, 2017). But first, there is a need for a better understanding of donor policies, which often masks the political agendas.

Park, (2019) noted that Sub-Saharan countries continue to experience challenges despite the availability of foreign aid. Park argues that Sub-Saharan African countries had to deal with so much hardship after their independence hence the dependency the syndrome. In the absence of aid, most countries could be in more conflicts and political instability.

**Conclusions**

Most low-income countries receiving foreign aid have developed a dependency syndrome. Instead of utilizing aid to buttress economies, low-income countries have become immensely dependent, and on account of poor governance and maladministration, has hampered socioeconomic development. There is, therefore, a need to re-examine the type the assistance that the countries are receiving. Though aid is supposed to boost the economies of these countries, the governments have become reluctant to find self-sustaining solutions because of the foreign aid. There is a lot of literature on the importance of foreign aid, however aid effectiveness is isolated from development effectiveness hence the dependency syndrome.

From the findings, governments suffer from poor governance, corruption and poor leadership leading to the ineffectiveness of foreign aid. Sub-Saharan African countries have become dependent though some of challenges emanate from maladministration by government who use the foreign aid for personal gain.

Based on the main findings the article has recommended:

The government and the development partners should have meeting for monitoring and evaluation. Monitoring and evaluation will help in assess how foreign aid is used and whether or not there is any development. Monitoring the performance of different projects and programs should be implemented by the recipient within the government. There should be feedback that is given by the recipient countries on the efforts made in ensuring that their development.

Africa is a resource rich continent and therefore should find ways of utilizing the available resources to inspire economic growth. Africa should invest in new technologies and improving the infrastructure; it is highly recommended for sub-Saharan Africa to improve infrastructure, as this can lead to self-sustenance. Instead of importing, developing economies can export products to other countries and boost their economic growth.
Donors and recipients should ensure that there is aid effectiveness and efficiency. Amongst these measures is the agreement by donors to untie aid and improve aid allocation to ensure that it goes to the countries that need it the most. This will help reduce corruption wherein countries lobby for foreign aid when there is no need for it. The ultimate goal of receiving foreign aid is to alleviate the challenges faced by struggling economies particularly in developing countries such as in Kenya, Togo and Zimbabwe.

**Limitations and further studying**

Foreign aid is administered with the aim of economic development and welfare of developing countries but it does not take in to account the negative impact that come with the aid. Most of the literature focuses on development that is brought about by aid neglecting the downside. More research on the shortcomings of foreign aid needs to be carried out not only in the African context but other countries in the world. A comparative study of aid in various countries in the world is critical to measure how efficient it is. Such studies might help countries such as those in sub-Saharan Africa to reduce aid inefficiency that is driven by poor governance and maladministration.

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