

**UNIVERSITY OF GHANA
UNIVERSITY OF GHANA BUSINESS SCHOOL**

**OVERSEAS DEVELOPMENT ASSISTANCE AND ECONOMIC DEVELOPMENT IN
GHANA**



**FABIAN UCHE CHINWEOKWU
(ID. NO. 10702931)**

**A THESIS SUBMITTED TO THE UNIVERSITY OF GHANA BUSINESS SCHOOL,
UNIVERSITY OF GHANA, IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR
THE AWARD OF DEGREE OF MASTER OF SCINECE IN
DEVELOPMENT FINANCE**

JULY, 2019

DECLARATION

I do hereby declare that the thesis entitled “**OVERSEAS DEVELOPMENT ASSISTANCE AND ECONOMIC DEVELOPMENT IN GHANA**” is the result of my original work under the research supervision of Dr. Aminu Karimu, Department of Finance, University of Ghana Business School, and has not been presented in any other university or college or institution for examination or academic purposes and all works cited herein have been fully acknowledged. I am solely accountable for any shortcomings this research work may have.

Fabian Uche Chinweokwu
(ID. NO. 10702931)



.....

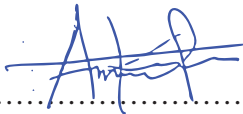
Date: 13 August, 2019.....

CERTIFICATION

I hereby certify that this long essay was supervised in accordance with procedures laid down by the University. This long essay has been submitted for examination with my consent.

Dr. Aminu Karimu

SUPERVISOR



Date: 13 August, 2019

DEDICATION

I dedicate this research to my family, friends, colleague, supervisor, course mates and lecturers who provided support and inspiration during the period of study for my masters' degree.

ACKNOWLEDGEMENT

I acknowledge all publications, materials, reports and databases that made this research possible.

ABSTRACT

The study examined the relationship of ODAs in the economic development of Ghana. It subsequently analyzed the association between ODAs interventions and development of education and health in the country by looking at the growth in educational enrollment as well as the increase in Life Expectancy. Based on these aims and objectives of the study, secondary data in the form of time-series data were acquired from OECD, the World Bank and UNDP were acquired for the study. The data acquired were from 1990 to 2017 which was twenty-eight (28) years period thereby making it possible to draw some conclusion based on the findings from the study. Using correlations, graphs, scatterplot and tables, the study established a positive relationship between foreign aid and economic development. The study again found out that foreign aid has had a significant positive association with education and health in the country. Based on these findings of the study, certain recommendations were suggested towards the delivery of aid in the country in order to effectively enhance the contributions of aid towards national development.

LIST OF ABBREVIATIONS

| | | |
|--------|---|---|
| AfDB | – | African Development Bank |
| AIDS | – | Acquired Immune Deficiency Syndrome |
| DfID | – | Department for International Development |
| ERP | – | Economic Recovery Program |
| FCUBE | – | Free Compulsory Universal Basic Education |
| GDP | – | Gross Domestic Product |
| GPRS | – | Ghana Poverty Reduction Strategoday |
| HDI | – | Human Development Index |
| HIV | – | Human Immune Virus |
| IDA | – | International Development Association |
| IMF | – | International Monetary Fund |
| LDC | – | Least Developed Countries |
| MDG | – | Millennium Development Goals |
| NGO | – | Non-Governmental Organization |
| ODA | – | Official Development Assistance |
| OECD | – | Organization for Economic Corporation and Development |
| SAP | – | Structural Adjustment Program |
| UK | – | United Kingdom |
| UN | – | United Nations |
| UNDP | – | United Nations Development Programme |
| UNICEF | – | United Nations International Children Emergency Fund |
| USA | – | United States of America |
| USAID | – | United States Agency for International Development |
| WDI | – | World Development Indicators |

TABLE OF CONTENTS

| | |
|---|-----|
| DECLARATION | ii |
| CERTIFICATION | iii |
| DEDICATION | iv |
| ACKNOWLEDGEMENT | v |
| ABSTRACT | vi |
| LIST OF ABBREVIATIONS | vii |
| CHAPTER ONE | 1 |
| INTRODUCTION | 1 |
| 1.0 Introduction..... | 1 |
| 1.1 Problem Statement | 3 |
| 1.2 Research Objectives | 5 |
| 1.3 Methodology | 6 |
| 1.4 Scope of study | 6 |
| 1.5 Significance of study..... | 7 |
| 1.6 Limitations of the study | 8 |
| 1.7 Study Organization | 8 |
| CHAPTER TWO | 9 |
| 2.0 Introduction..... | 9 |
| 2.1 Theoretical Framework..... | 9 |
| 2.1.1 Modernization Theory..... | 9 |
| 2.1.2 World System Theory | 12 |
| 2.3 The Concept of Foreign Aid | 13 |
| 2.4 Origin of Foreign Aid | 14 |
| 2.5 Sources of Foreign Aid | 15 |
| 2.6 Overview of Foreign Aid in Ghana..... | 20 |
| 2.7 Empirical Studies on Aid and Development..... | 29 |
| 2.8 Conclusion | 41 |
| CHAPTER THREE | 42 |
| RESEARCH METHODOLOGY | 42 |

| | |
|---|-----------|
| 3.0 Introduction..... | 42 |
| 3.1 Research Approach | 42 |
| 3.2 Sources of Data | 43 |
| 3.3 Tool for Analysis | 44 |
| CHAPTER FOUR..... | 45 |
| DATA ANALYSIS AND RESULTS | 45 |
| 4.0 Introduction..... | 45 |
| 4.1 Descriptive Statistics..... | 45 |
| 4.2 Correlation Matrix..... | 46 |
| 4.3 Scatter plot | 49 |
| 4.4 Discussion of Findings..... | 52 |
| CHAPTER FIVE | 57 |
| SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS..... | 57 |
| 5.0 Introduction..... | 57 |
| 5.1 Summary of Findings..... | 57 |
| 5.2 Conclusion | 58 |
| 5.3 Recommendations..... | 58 |
| REFERENCES..... | 61 |

CHAPTER ONE

INTRODUCTION

1.0 Introduction

There is no gainsaying the fact that most third world countries across the globe continue to battle with extreme poverty, high mortality rates from curable diseases, massive unemployment, ethnic and civil wars and clashes, terrorism, high illiteracy rate among others. It has been established that more than 1 billion of the world population live on less than \$ 1 daily and that most of these people come from developing countries across the world. Again, over 854 million adults from developing nations are completely illiterate and that healthcare is inaccessible to over 543 million people in developing countries (OECD, 2009; World Bank, 2003). Again, the United Nations Children's Fund (UNICEF, 2015) have also found out that more than 10 million children from developing countries die annually from preventable diseases and that most of the children in these countries are orphaned by the HIV/AIDS epidemic (UNICEF, 2015).

With this background, it comes as no surprise that a number of internationally recognized bodies and organizations such as the IMF, World Bank, UN, USAID among have taken active steps to address these issues through various aids and support given to these countries. This is mostly due to the fact that most of the governments in those countries usually do not have adequate financial resources address all the social as well as economic issues confronting the citizenry in these countries (Burnside & Dollar, 2000). Thus, developed countries as well as multilateral organizations across the globe have taken in on themselves to financially and technically supplement the resources the governments in these countries dispense in addressing some of these issues through foreign aids. The main goal of giving aid to these third world and deprived countries are to stimulate economic growth in these countries by supplementing domestic sources of finances

such as savings which subsequently adds to the volume of investments and the available capital stock of the country (Morrissey, 2010). According to Morrissey (2010), foreign aid can contribute to economic growth of a country through a number of mechanisms with some of them being; increment in both physical and human capital investments, increment in the capacity to import capital goods and technology and further increment in technology transfer that enhances the productivity of capital and promotes endogenous technical change. McGillivray et al (2006) have also stated that the effectiveness or otherwise of foreign aid is largely influenced by the political conditions in the recipient country as well as the quality and effectiveness of institutions in the country.

From OECD (2018) data, the amount of money that was spent on aid in 2017 alone amounted to a whopping \$ 146.6 billion dollars, a decrease of about 0.6 percent than the previous year. Africa being the continent with largest recipient of foreign aid received \$ 29 billion with sub-Saharan Africa receiving \$ 25 billion out of this amount as aid (OECD, 2017). Looking at the huge sums of money that are brought to the continent annually in the form of aids in order to help develop the continent of Africa, the continent continues to be one of the most deprived and devastated across the world. Diseases, hunger, poverty and terrorism continue to plague the continent in the face of all these sums of money that are expected to be channeled into the economic as well as social development of the continent. It has been found that foreign aid which is supposed to reduce poverty has rather exacerbated it through corruption and subsequently led to increase in income inequality on the continent (Karras, 2006; Quartey, 2005).

Ghana as a country in the sub-Saharan African region has not been left out of this quest to develop the continent through monies and other resources received in the form of aid. This had helped the country to initiate a number of social intervention programmes and economic policies, partly

supported by Overseas Development Agencies (ODAs) inflows across the globe. Social programmes such as the Free Compulsory Universal Basic Education (FCUBE) which sought to completely eradicate illiteracy in the country by making Basic education compulsory and free to all school going children, Free Maternal Care which sought to reduce and eradicate maternal mortality among others are some of the social intervention programmes initiated as a result of the existence of foreign aid (Quartey, 2005; World Bank, 2010). In spite of the existence of foreign aid and development partners in the country, poverty and lack of basic infrastructure such as schools and medical facilities across the country continues to be on the rise. It has been generally agreed by most scholars that fundamental role of developmental partners and foreign aid are meet by basic human needs such as food, shelter, education and health (Clemes, 2003). This fundamental role of Overseas Development Agencies (ODAs) has not been achieved despite the many years of their existence in the country. It is with this background that this study seeks to critically examine the role and effect of ODAs on the continent with specific reference to Ghana as far as development is concerned.

1.1 Problem Statement

The immense role that ODAs play in the social and economic developments in developing countries across the globe can never be underestimated. In 2017 alone, ODAs dispensed over the world amounted to \$ 146.6 billion for the social and economic development of poor countries (OECD, 2017). These monies are given to governments in relatively poor countries to fight against diseases, poverty and increase literacy rates in those countries (Clemes, 2003; Quartey, 2005). Whilst the impact of aid on socio-economic developments of countries differ, there is a general consensus among development economists that the basic objective of aid to help in the reduction

or complete elimination of the poverty levels and economic stagnation in deprived countries (Clemes, 2003). In this regard, aid is meant to help solve some of the needs of the citizenry of the country which includes but not limited to food, shelter, health, education among others and that in the absence of these aids, there would be exorbitant increase in poverty and its attendant challenges since most governments in these countries do not have the financial resources to meet these needs of the citizenry (Burnside & Dollar, 2000).

Ghana as a country upon attainment of independence has received billions of dollars in the form of aids in the quest to develop the economy and implement social intervention programmes. In view of that, the country embarked on enormous infrastructural and social developments projects right after independence under the First President, Dr. Kwame Nkrumah which has never been rivaled in the history of the nation (Quartey, 2005). After many years of receiving billions of aids from ODAs, the pace of economic and social development in the country has not been encouraging. Even though a number of studies (Chenery, 1960; Murthy, 1994; Adebayo, 1994; Burnside & Dollar, 2000) have established that foreign aids leads to both economic and social developments in developing (poor) countries, studies by scholars such as Griffen (1970) and Weisskoff (1972) and Brautigam and Knack (2004) have also established that foreign aid leads to negative economic and social developments in poor countries by increasing corruption. Scholars such as Mosley (1980), Mosley, et al. (1987), Boone (1996), and Jensen and Paldam (2003) in their studies established no relationship between foreign aid and economic as well as social developments.

Looking at the contradictory findings from all these studies, there is the need to conduct a comprehensive study in the country to find out the impact and role of ODAs in the development of the country. In a study conducted by Appiah-Konadu et al (2016) in which he looked at the

effect that foreign aid has on the economic growth of Ghana, it was established that the foreign aid that the country receives with regards to labor, capital as well as government expenditure do positively affect the economic growth of the country in both long and the short terms. Whilst this study focused on time series data from 1972-2012, the present data will look at data from 2000-2017. In so doing, this study will have current data to work with which will enhance the validity of the study. More so, the study conducted by Appiah-Konadu et al (2016) did not narrow to specific parameters of development such as education, health and poverty alleviation which this study will seek to do.

1.2 Research Objectives

The study examined the role and effect of ODAs in the economic development of Ghana. The main objective of the study is to examine the relationship between ODAs in the economic development of Ghana from 1990 – 2017 using yearly data of Official Development Assistance (ODA) as against Human Development Indicators (HDI) which is the measure of economic development.

Specific Objectives

1. To examine the relationship between ODA and economic development (HDI) in Ghana over the period 1990 to 2017.
2. Determine the association of ODA and health and education components of HDI in Ghana.

1.3 Methodology

The main method that was used in this study to achieve the key research objectives was descriptive statistics in order to effectively establish the relationship that exists between the various variables of the study.

More so, the study used datasets from the World Bank, OECD and UNDP on specific economic and developmental indicators such as Net ODA received by Ghana, Human Development Index (HDI), Education index, Life Expectancy index and Income index for the past 28 years. In this regard, the study looked at data for these indicators from 1990 to 2017. In order to establish the relationship between foreign aid and economic variables such as education, health, growth and their relation on poverty alleviation of the country, correlation matrix, graphs, scatterplots and tables were used to represent the analysis of the collected data of the study.

1.4 Scope of study

Since the study is about the relationship of ODAs in the economic development in Ghana, the study focused on key developmental players and other stakeholders in the developmental agencies in the country. Based on this, individuals and organizations that do not come under these developmental partners and entities will not be included in the study. The study again focused on data that had been acquired for the twenty eight (28) years period starting from 1990 and ending in 2017.

1.5 Significance of study

It is no hidden secret that the African continent continues to be the most deprived and impoverished continent on the globe. Even though the continent is blessed with numerous natural and economic resources, the level of poverty and deprivation on the continent continues to be unparalleled. This has led to the provision of billions of dollars in aid to the continent in order for the continent to improve upon its social and infrastructural resources. In spite of all these monies given to the continent in the form of aids, the lives of the inhabitants have not seen any better improvement with poverty and diseases continuing to plague the continent. There is therefore the need to conduct a holistic study to find out the reason why in spite of the billions of dollars given to the continent annually, the socio-economic livelihood of the citizenry has seen no remarkable improvements.

Again, the findings of the study will inform all stakeholders, policy makers, NGOs and other developmental partners on the best way and strategies to disburse their resources for it to benefit the average Ghanaian rather than ending in the pockets and coffers of corrupt politicians and public officials.

More so, the findings of the study will give a comprehensive insight into the key role that ODAs and other developmental agencies can play in addressing socio-economic issues in Ghana and lessons from Ghana to serve as a guide to individual countries on the African countries with similar cultural and economic structures.

The findings of the study will further serve as a source of reference material for future researches and academics who will want to delve deeper into the issues of foreign aids and economic development in the country and the continent as a whole.

1.6 Limitations of the study

The study was limited by a number of factors with the key ones being lack of literature on the topic in the country. It was observed that aside from the study conducted by Appiah-Konadu et al (2016) on the effect of foreign aid on economic growth in Ghana, not much has been done as far as the topic was concerned in the country. Owing to this development, the researcher had to fall on works done outside the country in order to acquire the necessary literature for the study and this really had a lot of impact on the study. This greatly affected how data was to be acquired for the study, the review of various literature of the study which subsequently affected the findings of the study.

1.7 Study Organization

The study was organized into six different chapters. Chapter one looked at the introduction of the study. This was done by examining the background of the study, the statement of problem of the study, the research objectives of the study, the proposed methodology of the study among others. Chapter Two also looked at the overview of Official Development Assistants (ODAs) in Ghana. Chapter Three further looked at the review of relevant literature of the study as well at the empirical literature for the study. Chapter Four looked at the research methodology of the study. Chapter Five looked at the analysis of the collected data of the study as well as the interpretation of the analyzed data whilst Chapter Six which was the final chapter of the study also looked at the conclusion of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is dedicated to the exploration of germane literature on the concept of development and development assistance. It also looked at the theoretical framework of the study by reviewing some of the dominant theories as far as the concept of development and development assistance are concerned. This chapter also assess the development of Official Development Assistance (ODA's) in the country (Ghana) by looking at the origins of Foreign Aid in the country as well as foreign aid and its impact on development in the country. The chapter went further to review some of the empirical studies that have been as far as the area of the study was concerned. This was conducted based on the aim and objectives of the study.

2.1 Theoretical Framework

The study was guided by the Modernization and the World System theories. These theories explained development as pertaining to the interrelation between developed and underdeveloped countries as far as aid and support are concerned.

2.1.1 Modernization Theory

According to Reyes (2001), modernization theory employs a systematic process to progress less-developed nations to a more complicated level of development in the global arena. This theory of development is mostly based on the United States and Eurocentric model of development. This also explicates disparity between or within nations by determining various systems, ideas and

values of different nation states in a specific ecosystem. The tenet of this theory is cultural change aimed at institutional structures in less-developed nations and societies (Martinussen, 1997). This is because whilst the theory underscores the relevance of political maturity in the development and improvement in the economic status of a nation, it nonetheless recognises the cultural as well as social dimensions and transformations of that society. Whilst the modernization theory is appropriate for the elucidation of political developments in developing countries, it can also be applied to liberal theories of modernization that developed after 1945 with regard to the countries of the developing World (Berger, 2004).

The modernization theory emerged due to the decolonization of the developing nations by the colonial administration and the need to prevent communism from replacing colonialisms in these Third World countries after gaining independence (Haque, 1999). Modernization theory was therefore presented by the United States to counter the former USSR's socialistic ideology. Therefore, modernization theory is a residual political reaction against communist's ideology (Haque, 1999). This explains why the modernization theory is mostly applicable to Third World countries in comparison to the developed world.

In the view of Chase-Dunn (2000), modernization theory is about the transfer of modern technology and improvement in existing institutions and labour habits to complement industrial production. In this way, development is seen as a phased process with five key identified stages necessary for development. Reyes (2001) in making a case for these phases of development referred to Rostow's (1962) stages which are;

1. The traditional society
2. Preconditions for take-off
3. Take-off

4. The road to maturity
5. The age of mass consumption

It must be noted that traditional community lacked understanding of environmental potentials and also lacked expertise and superior equipment that could enhance production. The development of modern science and ideas as well as later land discoveries increased commerce and aggressive struggles to acquire more colonies by the European countries and this represents the precondition for take-off stage (Rostow, 1962). The beginning stage commenced with the increase in ground-breaking industries and industrial technology such as the development of the cotton textiles, gold processing plant including railway.

Turning to the stage of maturity; it thus entails extensive use of technology. This phase represents the actual growth period with development of new fields to compete with the existing sectors. As the need for greater security arises, wellbeing as well as leisure of its workforces, the age of mass consumption, becomes reality. This ushers in the prevalence of wide-ranging private consumption (Rostow, 1962).

As indicated by Guilhot (2005) for a nation to attain the stage of mass consumption; it thus needs development support and foreign support. This support is normally accompanied with democratic system of governance as demanded by developed nations giving the aid. This somewhat conventional idea took its root from the United States hegemonic conviction in human rights

2.1.2 World System Theory

From the perspective of the world system theory, international trade specialization and the movement of resources from developing nations to developed nations (core countries) stops development in the developing nations hence make them reliant on the developed nations (Szymanski, 1982). To put differently, resources for development are moved from semi-periphery or periphery zones to support the economies of the core countries (developed economies). In this regard, the world system theory perceives the world economy as a global ladder of unfair relations. Therefore, it is only the changes that control the world system that can enable a nation to change its status in the universal ladder. According to Reyes (2001), world systems theory is a development theory that deals with a diverse form of capitalism globally.

Since the 1960s, developing countries made attempts to raise their levels of life-style so as to improve their situations in general. Such developments all started when international commerce interactions assumed very critical roles comparable to their central government functions and actions which happened to be less important. These global economic interconnections compelled theorists to conjecture that new practices in the global economy with regard to capitalistic theory are very difficult to define (Reyes, 2001). Furthermore, Szymanski (1982) maintains that most World Systems' theorists believe that the capitalist world-economy is the only World System theory that incorporates the socialist nations.

Nonetheless, Onyemelukwe (2005) states that the world system theory makes it explicitly clear that it is the foreign capitalistic nations that are accountable for the development deficits in the Third World nations. Ironically, what the less-developed countries are left to do is to assume and integrate the practices as well as the systems of the developed nations. These wholesale adoptions of foreign practices and culture in the development agenda of Third World have negative

consequences due to the socio-cultural variations and this is what has accounted for the continuous under-development of the Third World countries (Onyemelukwe, 2005).

2.3 The Concept of Foreign Aid

The concept of foreign aid has received tremendous attention in research and academia due to the important roles it play in the development and improvement in the socio-economic and infrastructural activities of developing countries. In view of that, scholars have tried to define what constitute an aid and what does not. As defined by Adom (2015), foreign aid is both grants and concessional loans with a minimum of 25% grant component. Foreign aid is an international movement of capital, goods, or services to benefit other nations, normally a less developed nation (Ekiring, 2000). Foreign aid as indicated by the World Bank (1998) is typically associated with authorized development support mostly for under-developed economies in the world. The assistance may assume the following forms:

1. Capital transfers which are either in kind or cash as grants or loans
2. Technical Assistance and Training through of human resource and technological gadgets
3. Military Assistance through training advisors and equipment provision

Foreign aid exists in three forms which are humanitarian/emergency aid, charity-based aid and systemic aid. With regards to emergency aid, it is a form of aid raised and given during suffering, for instance, the aid given to the victims in the Haitian disasters. Charity- based aid on the other hand mostly sourced disbursed by charitable organizations and philanthropic individuals to needy societies, individuals and institutions. The activities of the Ghanaian based charity organizations in the country is an example of this type of aid. Turning to systematic aid, it is that type of aid

where direct payments are made to the governments of recipient countries by the donor community either in the form of either bilateral aid or/and multilateral aid (Moyo, 2009). This study focuses mostly on systematic aid because this is the type of aid that come from international donor agencies such as the IMF and the World Bank and these aids have direct impact on the national economy (Adom, 2015).

2.4 Origin of Foreign Aid

According to Ekiring (2000), the beginning of aid harks to the 18th century when Prussia supported a number of her partners to reinforce their military support and efficiency. Then the United States followed suit by providing aid support to the Venezuelans under the 1812 Act for the Relief of the Citizens of Venezuela and in 1896, the United States Department of Agriculture offered food support to poor nations so as to establish business and political relationships with them (Ekiring, 2000). This was followed by Britain under the legislation known as the ‘Colonial Development Act of 1929’ where it provided grant for infrastructural development projects for her less developed colonies (Moyo, 2009).

Nonetheless, proper foreign aid system began after the end of the World War II when George Marshall, who was then the Secretary of State, developed a scheme to support European nations from the devastations caused by the war. The World War II threw Western European nations into chaotic state. Factories or companies were shut down, and joblessness as well as poverty escalated to disturbing magnitude. The bad chilly weather which occurred between 1946 and 1947 lead to the destruction of food crops. This resulted in food shortages and inability to transport water hence worsening the European economic problem. To rescue the Western European nations from hardships, the Marshall Plan pumped \$13 billion into the economies of fourteen nations within a

five year period (1947-1952) to reconstruct the war troubled regions. The main beneficiaries of this plan were British, French, Germans and Italians whilst the least recipients were Greece, Austria and the Netherlands (Moyo, 2009).

The strategy was very successful in reconstructing Western Europe and as it stands now, it is considered as an evidence of useful US aid abroad. This stride gave the Western world hope that similar policies have what it takes to transform the southern hemisphere and assist in resolving challenges like starvation, diseases, poverty and human suffering affecting LDCs. This can be done through technological transfers as well as transfer of technocrats and capital from the global north to the global south (Kendall et al, 2004; Sachs, 2005).

2.5 Sources of Foreign Aid

As has already been noted above, foreign aid usually come from different sources and based on where they come from, can be identified as;

Private – The type of aid that is provided by societies and groups. These include faith-oriented groups, individuals and NGOs among others for specific purposes.

Official – The type of aid that is given by the government of a country using taxpayers' money. The objective of this study is ODA and this is also divided into two main categories thus, bilateral and multilateral aids.

2.5.1 Bilateral Aid

This kind of aid is perceived as a foreign donor aid obtained from one government to another, usually from a more developed one such as UK, China, Canada and the likes to a less developed one such as Zimbabwe, Ghana, Kenya among others. The caveat here is that members of the OECD which include countries such as Germany, Austria, France, Switzerland, Australia, UK, Denmark, and the United States and the United States (US) among others were the key bilateral foreign aid donors to Africa but as of now, China has assumed the position of a major donor country to African nations as well as other less-developed nations in the world (Adom, 2015). These donor nations have institutions that manage how supports are moved to the developing economies.

As for the United States of America, different governmental institutions are engaged to manage it Official Development Assistance (ODAs). It must be noted that the United States ensures that all budgets are appropriated, regulates the use of foreign aid money and also determines the reasons for which funds are disbursed for aid activities. The USAID is the department normally used by the United States for this purpose. Although the USAID is part of the United States state department machinery, it is not represented at the cabinet level. The United States military is a key foreign aid deliver from the United States aside the USAID. Stemming from the global attempts to end terrorism, the Pentagon has directed development aid to emerging economies.

Similarly, transfer of aid resources by the British government is managed via the Department for International Development (DFID). This method is dissimilar from the approach adopted by USA to disburse aid to poor nations. Although the parliament of the UK aids in shaping aid guidelines in UK, its powers are not the same as that wield by the US Congress on aid administration and policies. The Chinese government are newentrant in the business of disbursing aid, has

nevertheless, assumed the position of major donor in majority rising economies particularly in Africa. It is on record that between China between 2000 and 2014, China gave out over \$ 354.3 billion in aid to developing nations across the globe and pledged another \$ 60 billion in aid for African countries in 2018 (Zhang & Smith, 2018). The Chinese government pledged packages worth \$13 billion and \$9 billion for infrastructure development projects in Ghana and in Democratic Republic of Congo respectively (Adom, 2015). As an important member of BRICS (Brazil, Russia, India, China and South Africa grouping), the Chinese government have been providing Africa with huge supports. For instance, the EXIM Bank of China, through various concessional loan bank, has financed more than three hundred projects within Africa (Davies, Edinger, Tay and Naidu, 2008). Turning to human capital development, China has granted African scholars and bureaucrats the chance to receive various trainings in China. As of 2006, African students granted scholarship opportunities to receive various skill sets and expertise at Chinese universities exceeded 1,500. China gives its foreign support to less-developed nations via infrastructure projects which are executed by Chinese firms and workforces. In this regard, The World Bank pegs Chinese aid to Africa at about \$2 billion annually. Riddell (2007), however, asserts that the World Bank's figure is a mere guesswork because aids from the Chinese government are clothed in secrecy.

2.5.2 Multilateral Aid

This aid unlike bilateral aid is the kind of foreign support that is obtained from an institution established and owned by many governments and not a single government. Example of such institutions are; the World Bank Group (WBG), the International Development Association (IDA), International Monetary Fund (IMF), the African Development Bank (AfDB) among others. Just

like bilateral aid, multilateral aid also assumes forms of loans and grants to Least Developed Countries to help foster economic development in such states (Moss, 2011). Some of the operations and activities of these agencies and organizations will be looked at since most of them work in very close collaboration with developing countries of which Ghana is a key member.

2.5.3 The International Monetary Fund (IMF)

The International Monetary Fund was established mainly to guarantee the stability of global currency after the World War II, and as it stands now, primarily, it seeks to ensure that the international monetary system is stable. The IMF normally provides resources and directions to avert development problems in developing countries. For example, in the 1970s when less-developed countries were overburdened with debts and economic problems, the IMF responded by providing them with medium term-loans (Adom, 2015). Also, when the Structural Adjustment Programs (SAPs) in the 1980s failed to positively affect the economies of less-developed, the IMF again employed an intervening program dubbed “Enhanced Structural Adjustment Facility (ESAF)” to offer support to developing nations that were adversely impacted by the initial program.

The agenda and plans of the IMF towards less-developed nations are intended to shape policy transformation in less-developed. All three intervening programs (ESAF, PRGF and the ECF) developed by the IMF in Africa, were meant to monitor economic activities as well as decide if it is prudent to extend the support or withdraw the delivery of support to nations opposing the policy objective of the IMF (Taylor, 2007).

2.5.4 The World Bank

The World Bank which was formally known as the International Bank for Reconstruction and Development (IBRD) was established solely to rebuild the European nations from the devastations from the World War II. After attending to the devastations of the World War and rebuilding most of the European nations, the World Bank Group (IBRD) and other International Development Associations (IDAs) and their affiliates revised their directive to lessen poverty and enhance living standards globally chiefly in the less-developed nations (Stiglitz, 2002). From the 1960s to 2000s, the World Bank programs have changed greatly in less-developed particularly in Africa. The World Bank's projects in the 1960s concentrated on undertaking huge infrastructure projects under the supervision of the governments of the beneficiary countries.

An example of such World Bank projects in the 1960s is Ghana's famous Akosombo Dam construction. The radical shift in the 1970s World Bank's policies was as a result of the 1960s massive infrastructure policy failure. As the policy of the Bank in the 1970s was adopted "basic needs" approach, in the 1980s, it changed its approach to focus on management and policies. In a decade time, the agenda of the Bank changed to guiding less-developed nations on running their budgets, civil societies' promotion as well as socio-cultural issues.

2.5.5 African Development Bank (AfDB)

The African Development Bank (AfDB) was established in 1964 as a bank for African governments. The AfDB is expected to be a "regional player" with attention on local administration. This bank was initially headquartered in La Cote d'Ivoire but was moved to Tunisia in the time that the former was battling with a civil war (AfDB, 2005). The member states of this bank stand at seventy-seven (77) but fifty-three of them are African states while the remaining

twenty-four (24) of them are non-regional members. With this, Moss (2011) tends to reason that considering African countries' membership, African countries possess a significant voting power (Moss, 2011). As part of its mandates, the AfDB offers loan opportunities to middle and low-income nations. AfDB also provide infrastructure and business development to enhance national economy. Despite the fact that this bank is facing numerous challenges, it now advocates passionately for Africa in the global economic assemblies.

2.6 Overview of Foreign Aid in Ghana

According to the World Development Indicators (WDI, 2015), official development assistance which includes but not limited to foreign aid entails the transfer of resources in the forms of loan and grants from developed countries and their developmental organizations to less developed and deprived (WDI, 2015). The main goal of these official development assistance organizations in their disbursement of aid to these deprived countries is to help them in the promotion of their economies as well as enhancing the livelihood of its citizens ((Appiah-Konadu, Shitsi, Abokyi and Twerefou, 2016). In the views of Aryeetey and Tarp (2000), Ghana was able to experience unprecedented economic growth in the 1980s due to expanded capital as well as the huge volume of aid that flowed into the country from ODAs. This was curtailed due to the vicious cycle of coup d'états and counter coup d'états which ushered the country into one of its darkest periods of autocratic rule which closed the doors of the country to all avenues of aid (Aryeetey & Tarp, 2000). The county's re-emergence into democratic rule in the late 1980s and the early 1990's saw the country being opened to the inflows of foreign aids from all official developmental assistances in the areas of education, health, poverty alleviation among others. This was as a direct result of the country's adoption and pursuance of structural adjustments reform such as the "Economic

Recovery Program (ERP) and the Structural Adjustment Program (SAP)". It has been established that between the late 1980s and the early 1990's the total aid that flowed into the country increased threefold from \$150.7 million \$ 450.8 million (Boakye, 2008).

Ghana has since independence been a beneficiary of foreign aids with an average benefit of about US\$500 million annually between 1960 and 2013 (WDI, 2014). However, aid flows right after independence was of no interest in the country until the mid1960s because the Nkrumah government lacked sufficient confidence in the USA and Britain, the major donors (Harrigan and Younger, 2000). Overall net ODA to Ghana increased from US\$1,003 million in 2003 to US\$1,656.5 million in 2007. It reduced to US\$1,649.6 million in 2008 but shot up to US\$2,102.5 million in 2009. Though it was projected to increase in 2010, it fell again to US\$1,896.8 million.

Radelet (2006:7) contends that most of the foreign aids are meant to satisfy one of the following developmental objectives which are; enhancing economic growth through infrastructural developments, massing extensive support for the productive sectors of the economy for example, education, health and sanitation, political or environmental developments, helping in humanitarian crisis situation as well as the stabilization of the economy after economic crisis. In spite of all the goals that aids are expected to achieve, the yardstick by which the effectiveness of aid is assessed is the obvious economic growth of which the provision of aid is expected to achieve. This is because the general accepted consensus is that more aid is expected to lead to enhanced development and vice versa yet this is not always the case. This is because some countries that have received record breaking amount of foreign aid have recorded slow or even negative economic growth whilst other countries that have received negligible amount of foreign aid have recorded unprecedented economic growth. In summary, at the crux of this write-up, is to

thoroughly explore the various studies on the effects of foreign development assistance or foreign aid on health, education, and agriculture and poverty reduction.

2.6.1 Origin of Foreign Aid in Ghana

As already stated above, Ghana as a country upon the attainment of independence took off as a flourishing middle-income state with a robust infrastructural and economic Ghana was therefore perceived as a model nation for African progress. As a result, it was needless for the nation to depend on foreign aid to embark on its developmental projects (Adom, 2015). Ghana right after independence did not require any foreign Aid and debt obligation. This was because returns accruing from the nation's resources such as timber, cocoa, diamond and gold exceeded the nation's expenditure (Killick, 2010). Killick further asserts that the nation's GDP as at the time was similar to that of Malaysia, Singapore and South Korea. The country's surplus capital enabled the government of the country to execute mammoth infrastructural projects such as the building of the hydroelectric project, Tema Industrial Township, Accra-Tema Motorway and Tema Harbour among others (Woode, 2012).

However, this post-colonial Ghana success did not last long due to significant rise in government spending reposition the country as the economic hub of the continent by transforming the country from raw producing country to and industrialized country resulted in the massive reduction of the country's financial resources. At the turn of 1961, the country started experiencing a fall in economic growth since the GDP per income dropped from \$ 300 to \$282.716 (Killick, 2010). This economic turn down got worst when Dr. Nkrumah, the country's president was ousted from office unceremoniously through toppling in 1966 (Killick, 2010; Adom, 2015).

Between 1966 and 1983, five out of the seven changes in Ghana's political leadership were spearheaded by soldiers (Killick, 2010). These political upheavals further affected economic progress of the country by causing a depletion of the yearly GDP from 3.43% in 1961 to 0.47% in 1980 (Adom, 2015). Adom further indicates that the country's per capita growth shrank from 0.22% in 1961 to -1.90% over the same period. This actually attracted donor supports to bridge the development lapses whilst rescuing the nation from a complete breakdown. Ghana started receiving concessional aid to the tune of £47 million, £17 million and £5 million from the United States, the United Kingdom and the World Bank respectively to build the Akosombo Hydroelectric Dam in the early part of the 1960s (Anin, 2003). The total aid commitment to Ghana at the opening of the 1970s for imports, government revenue and gross investment accounted for 19%, 20% and 27% respectively. On the basis of per capita, aid amounted to about \$7.1 billion to the economy of the country. Killick (2010) thinks that this figure was far greater than the total contributions to all the Least Developed Countries (LDCs) of \$ 3.9 billion. Aid commitment to Ghana from late the 1970s, increased from \$ 40.9 million in the 1970s to \$ 190.81 million in the 1980s and rose to \$ 598.17 million in the 1990s before hitting \$ 1,306.93 million in 2008 placing Ghana among the major beneficiaries of foreign aid on the (OECD/DAC, 2008). Ghana still remains a less developed country in spite of all the support in form of ODA. The poverty rate is as high as 39.5% with GDP below 4.5% (GoG, 2006:1).

2.6.2 Foreign Aid and Development in Ghana

Ghana is one of the greatest recipients of foreign aid with regard to its developmental goals and projects. The country's economy lack infrastructure, proper savings culture as well as industrial base to cushion economic growth and development after independence. To help avert these

problems, after the independence, the American and the British governments offered Ghana grants to build the Akosombo Hydro- Electric Dam so as to provide the country a stable electricity (Adom, 2015). Also, to further propel economic growth and development through the development of the nation's human capital the governments of Canada, Britain, United States of America and Germany after independence sent tutors teachers and practical instructors into the country. (Killick, 2010).

In the same spirit, Ghana shaped the MDGs into a national development policy agenda, the Ghana Poverty Reduction Strategies (GPRS I) which spanned between 2003 and 2005 and Ghana Poverty Reduction Strategy (GPRS II) which spanned between 2006 and 2009. The focus of GPRS I was to strengthen the macroeconomic fundamentals of the national economy, usher in massive economic growth and create employment avenues, develop the human resource capacity of the citizenry, provide basic amenities to the citizenry as well the provision of good and effective governance (Killick, 2010). The GPRS II was also mostly concerned with the maintenance of macroeconomic stability, human resource development, private sector development and good governance (UNDP, 2010).

2.6.3 Foreign Aid and Development

Donor supports are given to the countries created between the 1950s and 1960s based on the premise that the achievements of the Marshall Plan can be replicated in those countries to offset the human resource capacity, infrastructural development and saving deficits in those nations. In that regard, donor schemes were established in order to transform long-established societies into modern societies via granting of donor supports (Tejvan, 2011). It has been argued that less-

developed countries lack the required investment to execute super infrastructure projects to engender economic growth and development. This is because the citizens such countries are not in the position to accumulate the required capital for onward investments in such projects (Jomo & Fine, 2006). In that regard, donor supports became the driving force for economic advancement in those less-developed countries. More so, foreign supports were granted in the 1950s and the 1960s aimed to provide the necessary resources to engineer economic development in less-developed countries that were colonized. The idea was to engage in enhanced industrialization which emphasized a paradigm shift from agrarian society to industrial one through the accelerated development infrastructures such as roads, railways, electricity whereas the available social structures and agencies like religion and cultural practices which were considered archaic, also ought be refined or rejected through western education. There was the need to establish effective and transparent political systems to lead over the not long sovereign nations. These considered bedrocks of modernization needed high levels of savings and investments (Adom, 2015).

Nonetheless, these nations did not have the requisite investments and savings and therefore, fell on donor aid in order to carry out these programmes and projects. Tejvan (2011) argues that although foreign aid can engender economic development in less-developed nations, endogenous and exogenous factors such as government bureaucracy, technology, interest rates as well as international trade must not be gainsaid. Moyo (2009) intimates that it is utterly simplistic to think that the surest way of developing the less-developed world is through replication of the Marshall style of aid. In furtherance, he sternly asserts that this notion does not consider the existing endogenous factors in the beneficiary nations which form an essential component of the development processes.

The quest to enhance development in developing countries saw the percentage of foreign aid aimed at reducing poverty in less-developed countries from donor agencies jump from 5% to 30% at the end of 1970s (Jomo and Fine, 2006). They also indicated that with regard to poverty lending portfolio, countryside farm projects, water and sewage amounted to 55% and 25% respectively whereas loans targeted at urban poverty jumped to 10%. The 1980s experienced a change in donor aid delivering means to developing countries. Foreign aids are given to stop the global economy from breaking down and to strengthen profoundly indebted developing countries from non-payment. For instance, Mexico, Angola, Congo, Zambia, Gabon and Gambia among other countries benefitted from foreign supports because they failed to honour their debt obligations in the 1980s (Moyo, 2009). This necessitated the WBG and IMF to introduce stabilization and structural adjustment programs in order to avoid global economic comatose as a repercussion of developing countries failure to honour their debts.

Stabilisation in Moyo's (2009) view is a policy aimed at reducing irregularities in an economy to a considerable degree and the SAP on the other hand, was to promote trade liberalization by sustaining measures that will lead to the elimination of unwarranted government market influences in less-developed countries. Developing countries were obligated to adopt the SAPs program as a prerequisite for official development aid. This was because both bilateral and multilateral institutions in the 1980s maintained that countries living with abject poverty strictly adhere to the policies of neo-liberalism as suggested by the IMF and the WBG before eligible for the support (Stiglitz, 2002). Easterly (2006) asserts that, donor community attached unavoidable conditions to foreign aid to ensure implementation of the free-market system in less-developed nations. Stemming from this, foreign aids in the 1980s assumed the form of budget support to help ensure the execution of economic restructuring (Ayittey, 2005). Devaluation of the currencies of

developing nations and floating exchange adoption among others were some of the conditions accompanying the reform (Hewitt, 2000). Also attached to the donor supports aside the reforms in the 1980s were state properties' privatization and restraining the functions of the state in the affairs of the economy (Taylor, 2007).

Nevertheless, as aid policy initiatives in the 1980s, were aimed at the execution of the neoliberal program at the detriment of growth and poverty reduction, majority of less-developed countries went into recession and penury by the end of the decade (Hewitt, 2000). Consequently, the decade had witnessed a compromise of the effectiveness and purpose of the aid because both the donor communities and beneficiary communities have failed to consent to the terms of the support programs due to their conflicting interests. In most instances, donors employed aid programs to effectuate their political and economic interests and these conditions were contested by the recipients as an encroachment on their sovereignty.

The 1990s witnessed a new paradigm shift in that the interest of the donor community moved to giving aid to the developing nation so as to either turn them into their allies in the global economy and to further enhance good governance via aid. Scholars have established that good governance forms the basis of sustainable economic advancements. This explains why the need to embrace promote liberal democracy is rooted in western democratic style of ensuring immense political stability and improved economic developments (Taylor, 2007). As a result, the foreign donors as well as developmental partners ensued that the existence of democracy as well as viable state institutions and structure to protect such institutions was the prerequisite condition for the receipt of aid. It is instructive to note that donor supports were concurrently utilized to create and enhance democracies and strengthen civil society in less-developed nations to support PWC's approach. For instance, previously military dictatorship countries such as Mozambique, Benin, Nigeria and

Ghanawere all compelled to accept democratic governance as part of the foreign assistance negotiation. As of 1999, donor support to Africa stood at US\$12 billion. However, greater portion of these supports had been channeled into the promotion of good governance on the African continent (Taylor, 2007).

In throwing light on poverty in the new millennium, in the year 2000, world leaders met at the Millennium Summit of the United Nations to adopt the United Nations Millennium Declaration which chronicled the targets of the global community for the new century. This centred on a world tied together by shared values and the keenness to attain peace and good standard of living for all humans with no problems (Adom, 2015). These positions birthed the eight Millennium Development Goals (MDGs) which aimed to reduce poverty explicitly by attending to fundamental human needs such as access to education, health and water (Moss, 2011). The Millennium Declaration set specific time-restricted goals to end “abject poverty and dehumanizing conditions of extreme poverty” across the globe and to make available “the right to development a reality for everyone” (Sachs, 2005).

The MDGs became a yardstick that attainment economic growth and poverty alleviation was measured against. To help realize the MDGs, the Highly Indebted and Poor Countries (HIPC) program was rolled out to lessen the debt load on low income nations. Even though the HIPC program was introduced in 1996 by the World Bank and IMF, its revision was carried in 1999 to impact on poverty alleviation, debt respite and development initiatives (IMF, 2013).

2.7 Empirical Studies on Aid and Development

This section seeks to assess the empirical review of various literatures on the impact of foreign aid on key aspects such as health, education, agriculture development and poverty alleviation initiatives. These are presented below.

2.7.1 Health

It is exceedingly crucial to explore the various studies on aid to health outcomes in the beneficiary countries. For instance, Easterly (2006) produces evidence to suggest that ODA significantly reduces the infant mortality. By employing fixed effect methodology and correcting the possible endogeneity by using lagged aid as an instrument, Williamson (2008) opined that foreign assistance to the health sector is unproductive which was established by both fixed effect and instrumental variable estimation. However, in a study which took place in 118 countries focusing on the period between 1973 and 2004, Mishra and Newhouse (2009) argued that, a 100% rise in per capita health assistance accounted for a 2% drop in infant mortality rate. In furtherance, Gebhard and Kitterman (2008) conducted a test of the correlation between health-targeted aid, infant mortality and life expectancy in beneficiary countries with data on non-OECD countries between 1975 and 2000. Based on the findings, they concluded that average-wise, aid does not help in improving health outcomes. They further asserted that foreign aid is only effectual when there is a wellstructured and good governance which basically entail democracy, transparency and sanitation.

Radelet (2006:9) conjectured that aid could also have a positive impact on development outcomes such as education, health, environment among others other than economic growth. In furtherance, Levine et al. (2004) considered health as the “best documented area where aid assisted programs

have contributed to the eradication of small pox, the near-eradication of polio, control of river blindness and other diseases, the spread of oral rehydration tablets to combat diarrhoea, and the outstanding rise in inoculation rates in the less developed countries since 1970". Away from specific case studies, there is little systematic evidence on the relationship between aid and health, education, income distribution, or other outcomes (Radelet, 2006:9). Besides, foreign aid is most likely to engender economic and social growth and development in beneficiary countries when governments pursue vital policies; resources are provided for the execution of projects that involve overhauling of the structure of the economy; when activities are promoted and issues of temporal shortages in specific human and material resources are resolved within a reasonable time period (Mikesell, 1970)

However, Croghan et al. (2006) maintained that foreign assistance, health interventions, and technical aids contributed greatly towards reduction in the infant mortality rates in their preferred countries regardless of conditions like good governance, economic development and quality health care systems. For instance, evidence from Bangladesh and Ecuador suggested positive health outcomes notwithstanding lack of health infrastructure, low levels of economic development and poor governance (Croghan et al., 2006). Similarly, MacKellar (2005) indicated that development support for health essentially increased towards HIV/AIDS and contagious disease from 1993 to 2003. MacKellar, however asserted that basic health care, reproductive health, health education, basic nutrition, family planning and other health interventions decreased in their share of total development support during the period in question. Conversely, Greco et al. (2008) found disbursements for child health and maternal health have increased from 63% in 2003 to 66 % in 2006, an indication that donors are diverting their funds toward the individual who are in dire of them.

Within a six-year period (2000 and 2006), the projected amount spent on health globally increased \$15 billion to \$45 billion resulting to the largest portion of ODA increase.(Garrett, 2009). Also, the projected overall ODA obligations bloated from \$53.7 in 2000 to \$103.7 billion in 2007. Garrett further contends that in average terms, spending on the healthcare of the populations was increased by sub-Saharan African governments.

The impact of foreign aid in the health sector has been phenomenal. For instance, the combined efforts of the UN and Global Alliance for Vaccines and Immunization (GAVI) campaigns have been occasioned with tremendous achievements with respect to reducing vaccine-preventable child illness and death rates. Illuminating this, Garrett (2009:8) indicates that in the 2000, approximately 750,000 children perished through measles and by 2007; the death rate dropped significantly to 74%, thus from 750,000 deaths to 197,000. Another remarkable milestone chalked in the health sector was the launching of a Global Fund to fight AIDS, Tuberculosis and Malaria in 2002 which saw the disbursement of 6.4 billion worth of grants for country-designed programs in 2008 (Global Fund Disbursements n.d). This happened to be a mechanism that is both without precedent and empirically obviously successful in attaining its objectives some 80% of the time. The collective donor efforts by the GFATM and the UN to tackle malaria had, by the end of 2008, reduced drastically deaths caused by malaria to 50% particularly in African and Asian countries, because of the disbursements of pesticide-treated mosquito nets and insecticide-spraying campaigns (World Malaria Report, 2008). The UNAIDS indicates that global contributions in support of HIV prevention and treatment increased six-fold between 2001 and 2007(Garrett, 2009:9).

For instance, in Mozambique, 98% of all funding for the nation's HIV/AIDS programs is obtained from foreign donors with a whopping 78% of it coming from the United States' PEPFAR program

(Garret, 2009:20). Likewise, 95% of the Uganda's funding for its HIV/AIDS programs comes from foreign donors with 73% of its coming from the United States' PEPFAR program (Oomman, Bernstein, and Rosenzweig, 2007). With this incessant dependence on the support from the United States brings to a serious question with regard to efforts sustainability, ownership as well as control of the part of the two countries, Mozambique and Uganda. This is quite clear that the failure of the United States in future to support the program is tantamount to difficulty in continuing with the program.

In Malawi, Baranov, Bennett, and Kohler (2012) investigated the indirect impacts of aid projects. Specifically, the impact of antiretroviral therapy (ART) on the indirect variables of the community's perceptions of mortality risk, mental health, and agricultural labor supply and output was investigated in this study. Through the application of a difference-in-difference identification strategy, it was established that the ART availability substantially reduced subjective mortality risk and improved mental health in rural Malawi. De and Becker (2012), however, maintained that this study lacks a selection model; suggestive that the ART allocation is unsystematic. De and Becker (2012) further asserted most of the impacts could result from other concurrent aid projects like other health clinics or rural development programs that may influence skewed mortality risk and labor force participation.

Turning to foreign aids in support of the health sector in Ghana, several accounts have pointed to its importance to the country's health care system. The country has witnessed a significant increase in aids over the years from 1996 (\$107.85 million) till 2012, where \$524.53 million was recorded in spite of some fluctuations in inflows in between the years (Amartey, 2015:25). Grants especially to this sector have relatively been increasing, particularly, in 2007 and 2008 with records of \$111.52 million and \$136.13 million respectively. More so, loans to the health sector in 2012

increased to \$500.98 million with a grant component amounting to about \$23.55 million (Amartey, 2015:25).

2.7.2 Education

Easterly (2006) contends that aid appears to lead to overall development in sectors such as education, water and sanitation, and health. To this end, Michaelowa and Weber (2007) asserted that education is ideally, a very crucial factor in obtaining overall economic development. Theoretically speaking, education aid is considered to have either a positive impact on a country or to improve some educational outcomes. Focusing on the economic outcomes, numerous studies have attempted to connect education and human capital formation by indicating that education should propel economic growth because it provides human capital (Gani and Clemes, 2003; Asiedu and Nandwa, 2007). Turning to the impact of education aid on GDP growth, Asiedu and Nandwa (2007) opined that impact of aid on education depends on the level of development of the beneficiary nation as well as the educational level at which the support is directed. Asiedu and his colleagues added that primary education aid increases growth in low income countries but with no significant consequence on post-primary education. And with respect to middle income countries, there exist negative effects on growth for aid in basic and secondary education. They nonetheless, found rise in the growth of aid in higher education.

Approaching it from a human development standpoint, Gani and Clemes (2003) conducted a cross-country regression of 65 developing nations and established that aid to education sector correlated positively with human well-being in both low and lower-middle-income countries. Similarly, Moe (2008) investigation aids dedicated to education in the Southeast countries and established a significant correlation between aids provided for primary, secondary and post-secondary education

and educational development. With the application of Generalized Method of Moments, Michaelowa and Weber (2007) investigated the impact of disaggregated educational aid on primary, secondary and tertiary education outcomes and concluded that there exists positive effects of aid at all three levels but however, these expected effects are quite low. Similarly, Dreher et al. (2008) employed OLS, 2SLS and GMM system to assess education aids (for basic school enrollment) in less-developed countries and established that aid had a robust and statistically significant positive effect on basic school enrollment rates. In Ghana, Gyimah Brempong and Asiedu (2008) found a significant positive effect on basic school completion. Drawing on a panel data set of 27 African countries, Diawara (2009) found aid to have related positively and significantly with basic and higher school education outcomes.

On the impacts of foreign on the education sector in Ghana, Amartey (2015) established that aid to education, domestic savings, and financial discipline contributed adversely to changes in the growth of the sector; but the squared term of aid to education and trade responded positively. With this, she then posits sternly that the adverse effect of aid to education somewhat suggests that only a small portion share of foreign aid given to the education sector is appropriated effectively and efficiently while a greater position is misappropriated. She further asserts that the task for better utilization and effectiveness of educational sector foreign aid rests on both donors and the beneficiary country, Ghana. Suffice it to maintain that more resources must be channelled into provision of basic education and funds must also be made readily available for improving the learning environment in the country with respect to building of infrastructure, supply of teaching and learning materials, slashing of school fees as well as provision of good management.

2.7.3 Agriculture

Agriculture all over the world is considered to be playing crucial roles in the development process so studies on foreign aid to improve the agricultural sector is imperative when thinking about aid effectiveness. But Clemens et al. (2004) posited that sectors such as agriculture, industry and infrastructure do have short-term effects on economic growth. In a study which adopted a cross-section time series econometric model to analyze the impact of agricultural aid on agriculture in developing countries by using agriculture value added as the dependent variable, Kaya et al. (2008) established a positive and statistically significant relationship between growth in the agricultural output and agricultural aid for rural development. Foreign aids have been useful in the development of Ghana's agricultural sector. Foreign aid in support of the agricultural sector in Ghana has been in a state of fluctuation with each rise alternating right after with a fall between the 1980s and the late 2000s (Amartey, 2015). Also, between the period 1999 and 2005 was occasioned with uninterrupted low inflows of aid to the sector. However, significant rise in the inflows was observed from 2008 (\$112.15 million) until 2011 where a support in the tune of \$338.83 million was granted to the sector. Average-wise, Amartey further indicates that this sector raked in significant supports of \$134.84 million from 2006 and 2010 and \$193.04 million between 2011 and 2013. Amartey further contends that the sector grants have been somewhat low as compared to the loans obtained; but, a significant rise was recorded from 2009 to 2011.

2.7.4 Poverty Reduction

Empirical investigations such as Roodman (2004), Dalgaard et al. (2004) and Berthelmy (2006) on the effect of aid inflow to poor or developing countries and to ascertain if the main object of poverty alleviation and economic development is achieved in these countries. The result of these

studies vary. In one hand, performing the study using the cost- benefit approach at the micro level indicated that ODA has a positive effect on economic growth and development. However, the study at the macro level adopted the cross-country regression model and it concluded that foreign aid do not achieve its purpose of improving economic growth. Mosley (1986) termed the conflict in the relationship between foreign aid and economic growth as the “micro-macro paradox”. This contradiction has been attributed to varied factors such as poor econometric technic implemented, inconsistent data, inability to use a considerable sample/population size and this negatively affects the trust placed on result (Boakye, 2008).

A significant number of scholars have questioned the relevance of ODA in development by referring to varied factors in their submissions. Boone (1996) for instance, referred to aid and its relevance to development as “down the rat hole”. In this regard, Appiah-Konadu et al. (2016) averred that aid is wasted when disbursed to nations that lack the required technical or managerial capacity to take up the aid and utilize it judiciously. They further submitted that aids to nearly all less-developed countries are mostly not used for the purposes for which were they granted. It with this thinking that a sizeable number of studies have indicated that aid does not contribute to economic growth in less-developed countries. In support of this Bauer (1991) proclaimed that since aids are directly disbursed to the government of the developing countries, it ends up increasing the political power and resources of the government while patronage is relative to the underprivileged society. Since the resources are channelled to fruitless and unproductive course, it will lead to political unrest and further decline in economic growth. Corroborating this assertion, Dollar and Easterly (1999) concluded that aid is not productive enough to increase economic development in African. Scholars such as Burnside and Dollar (2000); Alesina and Dollar (2000) also agreed with the above assertion which states that aid is not productive to promote economic

growth in beneficiary nations, especially African countries. Similarly, a study by Griffin and Enos (1970) with a sample of 32 Latin American Countries spanning the periods 1957-64 found an inverse relationship between aid and growth. Similarly, by drawing on the data of 22 LDCs from 1956 to 1968, Voivodas (1973) also concluded that aid has a negative impact on growth.

However, using a time series data from 1972 to 2012 on Ghana, Appiah-Konadu, Shitsi, Abokyi and Twerefou (2016), tested the hypothesis that ODA can engender growth in developing nations. ARDL approach to cointegration (bounds test) was used to examine both the long run and short run relationships between aid and economic growth. The results from the bounds test indicate a cointegration between foreign aid and economic growth in Ghana. The result revealed that both in the short and long run, labour, capital and government expenditure have a positive effect on economic growth in Ghana whereas aid and debt repayment have a negative effect on growth. A similar Ghanaian study by Boakye (2008) also employed time series data from 1970 to 2005 to assess the long and short-run relationships between foreign aid and economic growth as well as some selected macroeconomic variables as inflation and money supply in the country. It used ARDL cointegration technique to examine the probable long and short-run effects among the investigated series and a macro-econometric method used to estimate the fungibility of aid to Ghana. The analysis indicates that the impact of foreign aid on economic growth in Ghana is significantly negative which is attributable essentially to the fungibility of aid. The study therefore indicates that foreign aid helps reassign resources away from activities that produce normal goods towards activities that produce public goods because this tends to benefit people the more. Proper monitoring of aid-utilizing projects to avert the ill-management of the foreign capital resources is recommended by the study.

The most all-encompassing goal of ODAs is to basically eradicate poverty in the less-developed countries (Azam, Haseeb and Samsudi, 2016). The World Bank (2014) asserts that “our dream is a world free of poverty” and to do progressive work in more than 145 user countries that attempt to eliminate abject poverty and promote communal prosperity. This report indicates that in the developing economies, approximately 21% of people live on or under US\$ 1.25 daily, whilst the projections are 43% and 52% in 1990 and 1981 respectively. It also indicates that close to 1.22 billion people live on less than US\$ 1.25 daily in 2010 contrast to 1.91 billion and 1.94 billion in 1990, and 1981, respectively.

Albeit, for more than five decades, foreign aid has continuously been flowing from advanced nations and intercontinental aid agencies to developing nations so as to urge fiscal growth, lessen poverty and shrink income inequality (Azam et al., 2016). Azam and his colleagues further indicated that seemingly, most of the foreign aid beneficiary developing countries cannot display any improvement with regard to steady rise in income growth, consistent boost in employment and decline in poverty. Practically, as foreign aid swells up in majority of these aids’ beneficiary nations, the impact parameters encompassing unemployment and poverty levels will be on the ascendancy (Oduor and Khainga, 2009). Connors (2012) indicates that foreign aid, as currently rolled out, is unproductive and unsuccessful at reducing poverty or advancing market-based reforms in the less-developed countries. With this, Riddell (2014) indicates that in practice, there still live in the world, hundreds of millions of extremely poor people and majority of developing nations whose needs may be satisfied partly by rich “outsiders”, but has been drawn on to advance an argument that aid is crucial for development and endorsed the incorrect perception that no foreign will amount to no development in the developing world (Deaton, 2013).

To eliminate poverty, heighten economic development and enhance the standard of living, ODA inflows must be encouraged and improvement in its effectiveness must also be looked at (Hansen and Tarp, 2001). Employing a panel data from 1990-2009 simultaneous-equation models, Adamu (2013) identified positive and robust effect of ODA on economic development in member countries of the ECOWAS. The study recommends seeking further foreign for the member countries of this sub-regional group based on the conviction that will improve their economic development greatly. Similarly, Armah and Nelson (2008) found a substantial ODA-growth association for 21 sub-Saharan African countries from the period 1995 to 2003 and admitted that colossal aid to sub-Saharan Africa is one surest means to achieve the UN's Millennium goals.

Drawing on data from 118 countries, Arvin and Barillas (2002) established that "based on the state of democracy; there is no significant causal linkage between foreign aid and income per capita". For instance, Iyoha (2004) established that huge ODA inflows to Africa only translated into very little or temporary stimulation of economic growth and poverty mitigation. Using a panel data from 58 countries between 1990 and 2001, Masud and Yontcheva (2005) found multilateral aid to decrease infant mortality however no proof that bilateral assistance facilitate the reduction infant mortality and illiteracy rates. Similarly, with the use of 2SLS technique to analyse data from sub-Saharan Africa from 1990 to 2001, Nakamura, and McPherson (2005) established that significant effect of aid on poverty alleviation but real per-capita income has the strong and very substantial impact on poverty lessening. Furthermore, looking at the period from 1971 to 2002 in a study, Chong et al. (2009) found no indication to the effect that aids helped in poverty. Elsewhere in Pakistan, Azam (2014) found foreign aid to have impacted on negatively economic growth from 1972 to 2012. Page and Shimeles (2014) questioned the essence of aids in Africa and maintained

that they are problematic because massive aids was sent to nations and there was no evidence of growth.

Appiah-Konadu et al. (2016) found growth and poverty reduction not to be the foremost motive for providing aid. Lending support to this, Berthélemy (2006) considered the strategic motives and self-interest of donors as what could be best explicated aid allocation. With this, Clemens, Radelet and Bhavnani (2004) categorized ODA into 3 to establish that its impacts on growth vary significantly. They further maintained that emergency and humanitarian aids have no effects on growth. A significant number of scholars have researched into the implications of foreign aid on development as well as the interrelations between them. In Nicaragua, Vos and Johanasson (1994) analysed the macroeconomic effects of aid and established that it was feeble and had a negative correlation with export volumes. With simple negative correlation, they also established a strong correlation with period of little foreign aid inflow (the 1970s) as compared to the year of significant inflow in foreign aid (the 1980s and 1990s). This is not similar to the case of a typical aid-associated Dutch disease. Similarly, In Nigeria, Ogun (1995) assessed the relationship between foreign aid and actual exchange rate and established that aid inflows accounted for the downgrading of the currency. Employing the recently developed technique to co-integration, the autoregressive distributed lag approach, Outtara and Issah (2003), adopted time series data from Syria to test the hypothesis that foreign aid inflows generate “Dutch disease” in the beneficiary state. The study established a strong correlation between foreign aid inflows and real exchange rate. Nyoni (1998) by applying a model of the RER for Tanzania during the period of 1967-93 found a strong association between aid and RER depreciation. He further adduces evidence to suggest that the RER fell more sharply over the period 1985-93 than in the earlier nine-year period, in spite of the major increase in ODA flows.

2.8 Conclusion

This chapter looked at the review of related literature on the concept of foreign aid on development in beneficiary nations. In that regard, the modernization and the world system theories were reviewed in relation to the study in this chapter. The origins of foreign aid as well as the origin of foreign aid in Ghana were also looked at. The chapter further looked at the various types of foreign aid as well as their sources. The chapter further looked at some of the empirical studies conducted on foreign aid and its impact on Ghana's development and other countries. The chapter ended by looking at the methodology that was employed in the conduct of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section of the study looks at the various methods that were employed in conducting the study, the research design used, the population of the study, the sample selected for the study among others. The section also looks at the data collection tool, data collection method, method of analysis and the ethical requirements of the study.

3.1 Research Approach

It has been established by Saunders et al (2007) that there are three main research approaches that exist for the conduct of any research. The three main approaches available for every research work are; quantitative, qualitative and the mixed method approaches. The quantitative approach is when either primary data is collected from participants of a study mostly with the help of semi-structured questionnaires and their responses analyzed statistically and presented in numbers, figures or both whilst the qualitative research is mainly focused on a commitment to seeing the social world from the point of view of the actor and aims at gaining understanding of the underlying reasons and motivations (Malholtra, 2007). The mixed methodology approach is the combination of the quantitative and the qualitative approaches with the goal of getting an in-depth understanding or knowledge about a phenomenon (Saunders et al., 2007; Bryman & Bell, 2011). The objective of this study was to quantitatively establish the relationship between foreign aid and economic development in Ghana. In view of that, time series data on variables such as Net ODA received

and HDI as a measure of economic development. Also key component of HDI such as Education index, Life Expectancy index and income index were taken from 1990 to 2017.

3.2 Sources of Data

The kind and type of data that were consulted for the study were primarily from the secondary sources. One of the key materials necessary for the success of any research work is the availability of data. Gathering quality and reliable data is major challenge being faced by researchers in Ghana and other part of Africa. This is basically as a result of the lack of capacity and priority of building a national database by the relevant authority responsible to gathering and keep historical development records. In that regard, the study solely used the secondary source of data from external sources particularly renowned multilateral development agencies; the World Bank, OECD and UNDP for the conduct of the study. Data on ODA was sought from the Organization for Economic Corporation and Development (OECD) while data for HDI was obtained from the United Nations Development Programme (UNDP). The World Bank also publishes data on ODA, thus the data from the OECD on ODA were compared to that of the World Bank. The purpose of doing this was ascertain confidence on the data and the conclusion that will be drawn from it. Official development assistance (ODA) was a measure of provision of technical assistance, concessional loan and grant by multilateral development agencies such as the World Bank, United nation etc, members and agencies of the Development Assistance Committee (DAC) and by non-DAC countries. The aid is aimed at promoting the economic development and welfare of developing countries. HDI served as the measure of economic development because welfare of citizens does not only depend on economic variables but also on level of education, quality of health care and level of income.

In order to acquire a comprehensive data for the study that will give any meaningful outcome from the analysis of the collected data, the study looked at data from 1990 to 2017 which is twenty eight (28) years dataset for the study.

3.3 Tool for Analysis

The data acquired from the website platforms of the above stated organizations were analyzed with correlation matrix. Correlation is used to determine relationships or association between data. Correlation is measured by the correlation coefficient whose value ranges from -1 to 1. It determines the degree of association between two variables and measures linear relationships. A correlation coefficient of -1 depicts a perfect negative correlation which means that two variables move in opposite direction. Negative correlation is also known as inverse correlation. Correlation coefficient of zero indicates no relationship whereas correlation coefficient of 1 depicts a perfect positive relationship – which means that as one variable moves either upward or downward, the other variable moves in the same direction. The value of the correlation coefficient also determines the degree or strength of association. Thus, there is a weak positive relationship if correlation coefficient is farther from 1 and strong positive relationship if the correlation coefficient is closer to 1. The same principle applies to inverse correlation.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.0 Introduction

This section analysis the results of the findings of the study based on the aims and objectives outlined for the study. The study looked at the establishing the relationship between ODA and economic development in Ghana from 1990 to 2017. Human development index published annually by the UNDP served as the measure of economic development. The key component for HDI are life expectancy, education and income will be analyzed to futher gain an understanding of the relationship between ODA and HDI. Based on that, specific time series data on selected world development indicators were selected and tested for the study. To establish the possible relationship (if any) between ODA and the improved living condition of the general populace, the key indicators of HDI will be traced against ODA inflows for the period being studied.

4.1 Descriptive Statistics

The table below presents the descriptive statistics of the variables used for the study. For this study, we assess the relationship between ODA and Human Development Index (HDI). The HDI is an all-inclusive measure of economic growth as well as welfare and human capital development.

Table 4.1 Descriptive Statistics

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|-----------------|------------|---------------|------------------|-------------|---------------|
| FDI | 28 | 1,115,103,000 | 339,913,000 | 628,570,000 | 1,792,120,000 |
| HDI | 28 | 0.514036 | 0.046046 | 0.455000 | 0.592000 |

Source: Researcher's Computation

The ODA variable represents Net ODA received by Ghana for twenty eight year (28) from 1990 to 2017. From the table above, it can be seen that averagely \$1.12billion worth of ODA is received in Ghana. The table also shows that the amount received annually by Ghana as ODA do not vary widely as explained by the standard deviation. The maximum amount of ODA received for the period amounted to \$1.79 billion and the minimum is \$0.63 billion.

The Human Development Index (HDI) of Ghana, which is a composite index that measure life expectancy, level of literacy and income among others falls within 0.51 with a standard deviation of 0.05. The standard deviation for the mean indicates Ghana's HDI does not vary much over time. The minimum and maximum HDI index attained by Ghana is 0.45 and 0.59 respectively.

4.2 Correlation Matrix

This section looked at the correlation matrix that exists between ODA and HDI. The results are presented in the subsequent tables below. The first table looked at the correlation between Net ODA received and HDI. This was done because it was expected that an increase in foreign aid in the country was going to translate in the increase of other economic variables in the country which will subsequently positively affect economic development (HDI). Presented in table 5.1 is the correlation matrix between foreign aid and HDI.

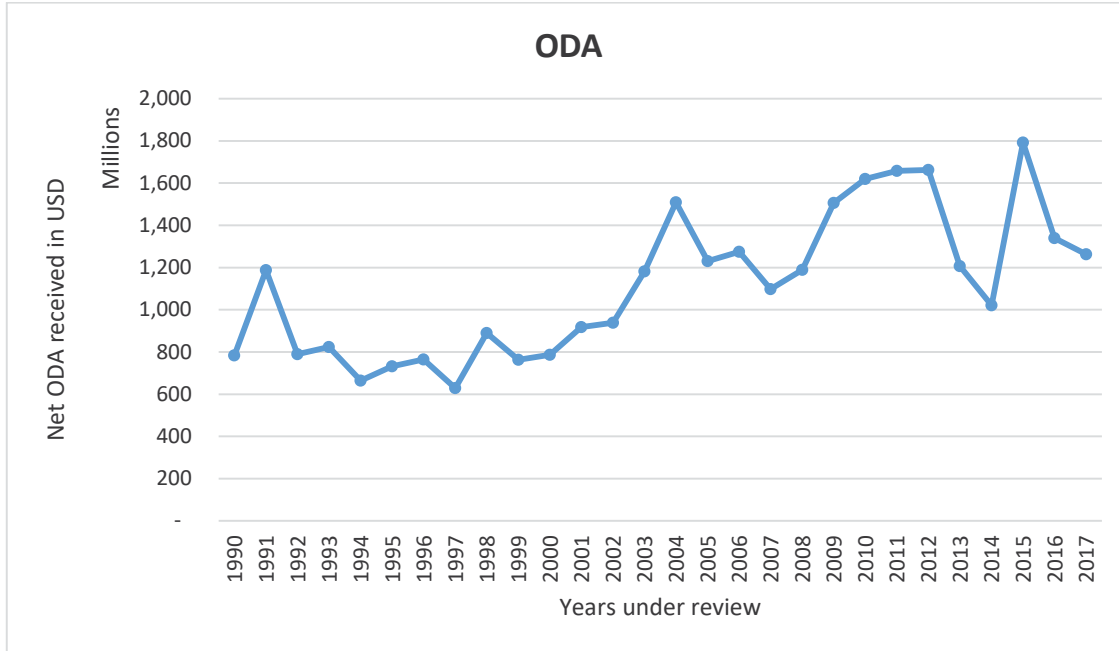
Table 4.2 Table showing Correlation between ODA and HDI

| | ODA | HDI |
|----------------|-------------|------------|
| ODA | 1.0000 | |
| HDI | 0.7446 | 1.0000 |
| P value | 0.000005519 | |

Source: Researcher's Computation

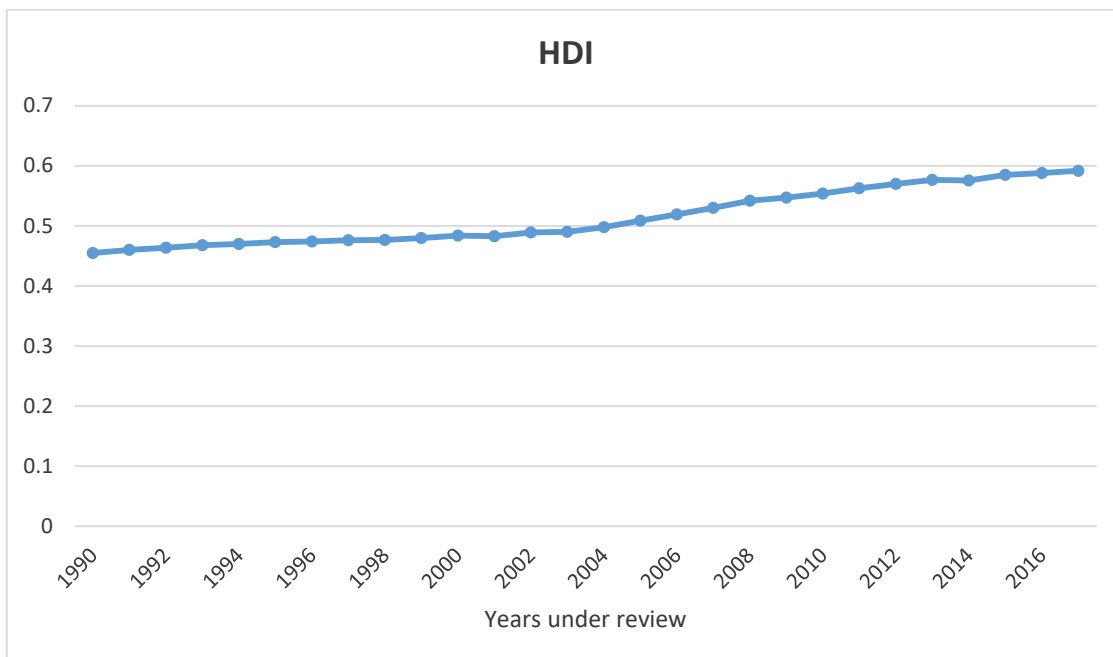
A correlation between foreign aid and HDI is about 0.7446 over the sampled period. This indicated that there is a moderate and positive relationship (this is basically because the correlation coefficient is close to 1 as stated above). This mean that an increase in ODA will result in an increase in HDI and vice versa holding all other variables constant. The coefficient is also significant at 5%. This means that the more foreign aid the country receives, the positive effect it will have on the economic development measured by human development index. This means that an increase in foreign aid in the country will also lead to an increase in the human development index.

Figure 4.1 ODA Trend Analysis



Source: Researcher's Computation

Figure 4.2 HDI Trend Analysis



Source: Researcher's Computation

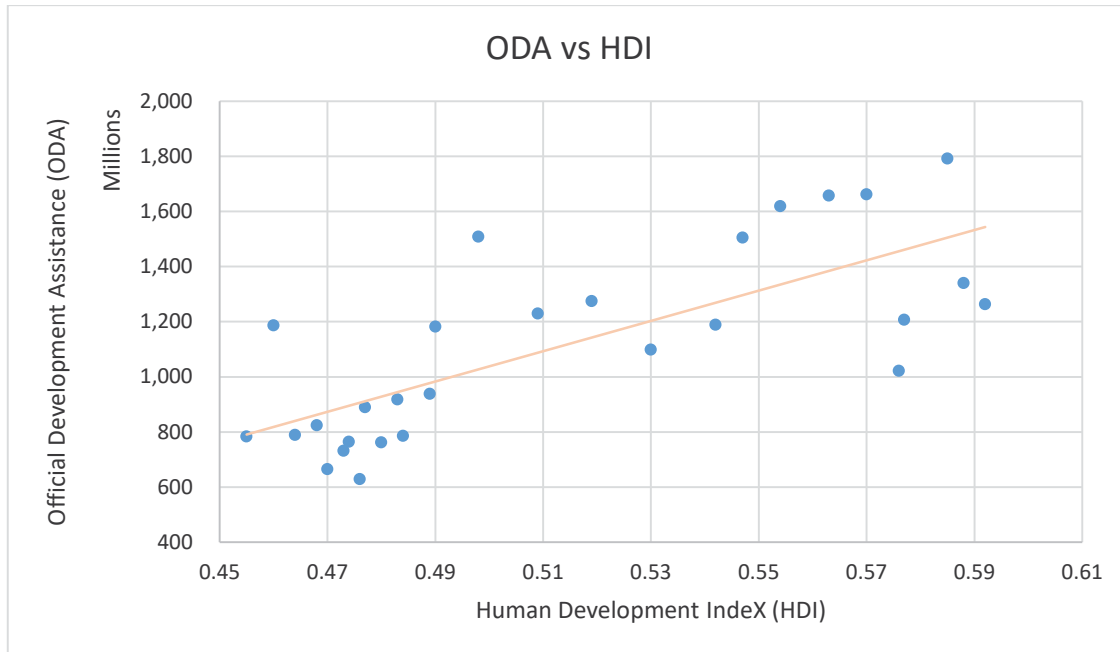
Figure 4.1 shows the amount of Net Official Development Assistance (ODAs) received in the country during the years under review. Between 1990 and 2000, the net ODA received was around the range of \$0.760 billion. However, from 2001 to 2010, the average amount received increased to \$1.25 billion. The average net ODA received in Ghana further increased from to \$1.42 billion between 2011 and 2017 with a maximum amount of \$1.79 billion received in 2015.

HDI on the other hand (see figure 4.2) has experience a constant growth of approximately 1% annually over the period of study. However, in 2005 also, the growth rate increased to 2.2% as seen by the increase in the slope of the curve. The highest percentage increase of 2.21% was recorded in 2008. It shows that ODA and HDI do exhibit some positive relationship over time.

4.3 Scatter plot

A scatter plot represents a pictorial relationship between two variables. To make comparison, a line of best fit has been included in the scatter plot.

Figure 4.3 Scatter Plot



Source: Researcher's Computation

From the above table we observe that there is a positive and increasing relationship between ODA and HDI. The data points are close to the line of best fit hence this further proves that there is a positive relationship between ODA and HDI.

Table 4.3 Itemization of the 3 components of HDI

Human development index components (1990 – 2017)

| Year | Education index | Life expectancy index | Income index |
|------|-----------------|-----------------------|--------------|
| 1990 | 0.375 | 0.565 | 0.445 |
| 1995 | 0.402 | 0.577 | 0.455 |
| 2000 | 0.427 | 0.569 | 0.468 |
| 2005 | 0.454 | 0.595 | 0.49 |
| 2006 | 0.469 | 0.603 | 0.493 |
| 2007 | 0.492 | 0.61 | 0.496 |
| 2008 | 0.511 | 0.617 | 0.505 |
| 2009 | 0.516 | 0.624 | 0.509 |
| 2010 | 0.526 | 0.63 | 0.514 |
| 2011 | 0.533 | 0.635 | 0.528 |
| 2012 | 0.541 | 0.639 | 0.535 |
| 2013 | 0.548 | 0.644 | 0.545 |
| 2014 | 0.541 | 0.649 | 0.545 |
| 2015 | 0.556 | 0.653 | 0.552 |
| 2016 | 0.558 | 0.658 | 0.553 |
| 2017 | 0.558 | 0.662 | 0.561 |

Source: UNDP 2019

Table 4.4 Table showing Correlation between ODA and HDI

| | ODA | Education Index | Life Expectancy index | Income Index |
|-----------------|--------|-----------------|-----------------------|--------------|
| ODA | 1 | | | |
| Education Index | 0.7528 | 1 | | |
| Life Expectancy | 0.7295 | 0.9729 | 1 | |
| Income Index | 0.7277 | 0.9812 | 0.9751 | 1 |

Source: Researcher's Computation

An analysis of the above correlation table reveals that there is a strong and positive relationship between the ODA and Education index, life expectancy index and income index. This gives further insight that Aids have a positive impact on economic development. The table shows that Net ODA received over the period of study have a stronger correlation with education followed by life expectancy index and income index.

From 1990-2017, it is noted that indicators of wellbeing such as education, health (life expectancy) and extreme poverty indicators also improved quite significantly (see table 5.3 above), following a similar path as growth in Net ODA inflows. For example, life expectancy has improved more than 15%, from HDI score of 0.565 to 0.639. Improvements in educational attainment was not left out either. Ghana's score on education also registered positive changes from 0.375 to 0.551 in the past 25 years.

Poverty has also declined, and this is indicative of the score of income in the HDI reports since 1990, from 0.445 to 0.561 as at 2017. Ghana was among the first countries in SSA to attain the millennium development goal 1 years ahead of schedule, by reducing the percentage of the population living under \$1.25 per day by more than half since 2000. This relates well with a number of studies on ODA and poverty reduction.

4.4 Discussion of Findings

The study aimed at examining the relationship between ODAs and the economic development in Ghana. It further sought to assess the impact of ODAs received on the three key components of HDI in the alleviation of poverty, increase in life expectancy and education index among the

people. The study further sought to recommend alternatives and guidelines for enhancing the coordination of ODAs interventions in the country.

The study found out that ODAs play very significant role in the development interventions in the country by providing funds to support all aspects of the country's economy. According to Azam, Haseeb and Samsudi (2016), the most all-encompassing goal of ODA programs is to basically eradicate poverty in the less-developed countries. In that regard, Hansen and Tarp (2001) Roodman (2004), Dalgaard et al. (2004) and Berthelmy (2006) all established that foreign aid helps in both the economic and social developments of recipient countries. Adamu (2013) as well as Armah and Nelson (2008) identified positive and strong effect of foreign aid on economic growth in member countries of the Economic Community of West African States (ECOWAS). This clearly shows that Foreign Aid has a lot of developmental impact on the recipient country.

Nonetheless, Appiah-Konadu et al. (2016), Burnside and Dollar (2000); Alesina and Dollar (2000) also identified aid as being unproductive in promoting growth in the beneficiary countries, African countries in particular. Boakye (2008) also established that the impact of foreign aid on economic growth in Ghana is significantly negative which is attributable essentially to the fungibility of aid. This finding by Boakye (2008) was also supported by Appiah-Konadu et al (2016) who found growth and poverty reduction not to be the foremost motive for providing aid.

On the impact of economic programmes supported by ODAs in the alleviation of poverty among the people in the country, the study found out that ODAs have been very instrumental in embarking on economic programmes that aims at alleviating poverty in the country. This has been done through the promotion and development of Agriculture initiatives, development of Infrastructure such as hospitals, schools, and roads among others. It has been postulated that foreign aid is most likely to engender economic and social growth and development in beneficiary countries when

governments pursue vital policies; resources are provided for execute projects that involve a overhauling of the structure of the economy; activities are promoted and issues of temporal shortages in specific human and material resources are resolved within a reasonable time period (Deaton, 2013; Connors, 2012). More so, Morrissey (2001) has asserted that foreign aid can contribute to economic growth of a country through a number of mechanisms with some of them being; increment in both physical and human capital investments, increment in the capacity to import capital goods and technology and further increment in technology transfer that enhances the productivity of capital and promotes endogenous technical change.

It has been generally agreed by most scholars that fundamental role of developmental partners and foreign aid are to meet by basic human needs such as food, shelter, education and health (Clemes, 2003). In the same vein, Radelet (2006) have stated that foreign aids are meant fuel economic growth in the recipient countries via infrastructural development, provision of financial and technical support to the productive sectors of the economy such as agriculture or entrepreneurship, promote literacy and education through the provision of needed educational materials, provision of relief in time of humanitarian crisis as well as the stabilization of an economy after economic shocks. Kaya et al (2008) established a positive and statistically significant relationship between growth in the agricultural output and agricultural aid for rural development. Nonetheless, Connors (2012) has indicated that foreign aid, as currently rolled out, is unproductive and unsuccessful at reducing poverty or advancing market-based reforms in the less-developed countries and this is supported by Riddell (2014).

With regards to the impact of ODAs interventions on development of education and health in the country, the study again found out that ODAs have had a significant positive relationship with these two indicators (education and health), suggesting a possible positive impact of foreign aid

on the development of education as well as health in the country. According to Easterly (2006), aid appears to lead to overall development in sectors such as education, water and sanitation, and health with Michaelowa and Weber (2007) asserting that education is ideally, a very crucial factor in obtaining overall economic development. This finding was also confirmed by Mishra and Newhouse (2009) as well as Gebhard and Kitterman (2008). In their studies, Gani and Clemes (200, and Asiedu and Nandwa (2007) all established a positive relationship between aid and educational development. Dreher et al (2008) and Moe (2008), also established that aid had a robust and statistically significant positive effect on basic school enrollment rates. Gyimah Brempong and Asiedu (2008) found a significant positive effect of aid on basic school education enrollment. All these studies converge on the findings that aid significantly leads to an improvement in educational development of the recipient countries.

With regards to health, Levine et al. (2004) considered health as the best documented area where aid assisted programs have contributed to the eradication of small pox, the near-eradication of polio, control of river blindness and other diseases, the spread of oral rehydration tablets to combat diarrhea, and the remarkable rise in inoculation rates in the less developed countries. Croghan et al (2006) maintained that foreign assistance, health interventions, and technical aids contributed greatly towards reduction in the infant mortality rates in their preferred countries. MacKellar (2005) also established that aid donations and contributions significantly led to the reduction of HIV/AIDS and contagious disease from 1993 to 2003. Greco et al. (2008) found donor disbursements for child health and maternal health have increased from 63% in 2003 to 66 % in 2006 which also saw a significant reduction in maternal and infant mortality rates. Garret (2009:20) also found that 95% of the Uganda's funding for its HIV/AIDS programs comes from foreign donors with 73% of its coming from the United States' PEPFAR program and that this has

greatly helped in the fight against the HIV/AIDS epidemic in the country without which the fight against HIV/AIDS would have been lost (Oomman, Bernstein, and Rosenzweig, 2007).

Nonetheless, Gebhard and Kitterman (2008) in their study to test for the correlation between health-targeted aid, infant mortality and life expectancy in beneficiary countries with data on non-OECD countries between 1975 and 2000 established that average-wise, aid does not help in improving health outcomes. They further asserted that foreign aid is only effectual on the conditions of good governance which entail democracy, transparency and sanitation. In spite of this contradictory finding, all the other findings of the various reviewed studies support the findings of this present study that Foreign Aid has a positive impact on educational and health developments in the country since a reduction in Foreign Aid leads to a corresponding reduction in educational and health growth in the preceding period.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of findings of the study that was done in line with the aims and objectives of the study. It also considered the conclusion of the study following the findings of the study and based on that, specific recommendations for policy making.

5.1 Summary of Findings

The study sought to establish the relationship between ODA and economic development in Ghana. In order to establish this relationship, HDI was used as a measure for economic development. In achieving the object of the study, data on Ghana's ODA from the OECD database from 1990 to 2017 was sampled and compared to the HDI for Ghana published by UNDP.

The data were analysed with the use of a correlation matrix, scatterplot, chart and tables to examine the relationship between ODA and economic development. The study reveals that there is a strong positive relationship between ODA and Ghana's HDI for the period under study. It further narrowed down to establish the relationship between ODA and three key indicators of HDI; education, life expectancy and income.

At the end of the analyses of the acquired data for the study, it was found out that a positive significant relationship exists between ODA and HDI, which was used in measuring economic development. The study again found out that aid have a significant impact on the key component of HDI; educational enrollment, life expectancy and income.

5.2 Conclusion

The main aim of the study was to establish the relationship between ODA and economic development in Ghana. It further aimed at recommending alternatives and guidelines for enhancing the coordination of ODAs interventions in the country. In view of that, secondary data in the form of time-series data were acquired from OECD, the World Bank and UNDP.

At the end of the study, a significant positive relationship was established between foreign aid and economic development measured by HDI.

The study again found out that foreign aid has a lot of positive impact on the development of education and health outcomes in the country by increasing life expectancy with regards to health and increasing educational enrollment with regards to education. Following the findings of the study, certain recommendations were suggested for all stakeholders in ODAs activities in the country.

5.3 Recommendations

The main objective of Aid is to improve the economic development. Aid is mostly directed to developing countries to assist bridge the funding gap, however the impact of aid has not been felt as much as expected and this is basically because the funds received are not judiciously spent on the sole purpose for which they are meant for. This has been a major concern to the various donor and has also resulted in the decline in the amount of aid being given to most developing countries. In recent time, there has been a decline in the amount of Aid given out to the various developing country hence the need for policy makers and Government of Ghana to pay close attention to the unitization of ODA received and also device other alternative means to be self-reliant rather than

be solely dependent on Aids from developed countries. Based on the findings of the study, the following recommendations have been suggested;

There is the need for the government of Ghana to harness the natural resources of the country and generate income from domestic sources and these must be effectively and efficiently utilized in order to increase the pace of economic development of the country thereby speeding the poverty alleviation development in the country and stop the massive reliance on ODAs aid.

The nation can also revamp and promote the development of its industries and usher in a period of rapid economic development through discipline and commitment as occurred in countries like Singapore, Malaysia and China which through massive industrialization, are at par with global economic powers. Doing this will revamp the national pride and make the nation an ideal economic destination on the continent and make it move from a 'begging nation' to a 'helping nation'.

Looking at the immense role that ODAs play in all areas of the national economy, there is the need to be cautious in the call for a Ghana Without Aid mantra and come out with strategic steps that will be taken to fill in the vacuum in the areas where ODAs assistance support the economy so that the country's economy is not derailed if the aid stops coming.

There has not been much to show for in spite of all the aids that the country receives annually. In view of that, there is the need to establish a national Aid secretariat where they will be tasked with monitoring and evaluating the initiatives being undertaken by various aids in the country and arrest individuals who divert aid funds for their personal use.

Even though every aid comes with specifications, there is the need to hold officials who are entrusted with those aid funds responsible when those goals and objectives for which the aid funds were disbursed are not achieved in order to serve as deterrent to others.

There must be the establishment of a national development plan that outlines a specific number of years that the nation will become self-reliant and stop going to the international domain to beg for aids and hand-outs that kills our national pride as a nation.

REFERENCES

- Adom, A.Y (2015). *Analysis of the role of foreign donor aid in Ghana's economic development and poverty alleviation*. Doctoral thesis submitted to the University of South Africa.
- AfDB Research Department. (2009). *Africa and the global economic crisis: strategies for preserving the foundations of long- term growth*. Working paper series No. 98. Tunis: African Development Bank.
- Ayittey, G.B.N. (2005). *Africa Unchained: The Blueprint for Africa's Future*. New York: Macmillan.
- Berger, M. T. (2004). *The Battle for Asia, From decolonization to globalization* London, Rutledge Curzon.
- Chase-Dunn, C. (2000). *The Effects of International Economic Dependence on Development and Inequality: A Cross-National Study (1975)*. *From Modernization to Globalization: Perspectives on Development and Social Change* J. T. Roberts and A. Hite. Oxford, Blackwell: 210-228.
- Degnbol-Martinussen, J and Engberg-Pedersen, P. (2003). *Aid: Understanding international development cooperation*, London: Zed.
- Easterly, W. (2001). *The Elusive Oquest for Growth*, Cambridge: The MIT Press.
- Easterly, W. (2006). *How will greater foreign aid help the poor this time?* Heritage Lecture No.950 1-6.
- Ekiring, R. (2000). *Impact of foreign aid on poverty alleviation in developing countries: with an implication to Uganda*. The Netherlands: Maastricht school of management.
- Government of Ghana. (2006). *Ghana partnership strategy: aid harmonization and effectiveness matrix*. Accra: NDPC.
- Guilhot, N. (2005). *The Democracy Makers, Human Rights and International order*, New York, Columbia University.
- Haque, M. S. (1999). *Restructuring Development Theories and Policies, A Critical Study*, New York, State University of New York Press, Albany.
- Hewitt, T. (2000). *Half a century of development: In Poverty and development into the 21st century*. Edited by Tim Allen and Alan Thomas. Oxford: Oxford University Press.
- IMF. (2013). *Heavily indebted poor countries (HIPC) initiative and multilateral debt relief initiative (MDRI) – statistical update*. USA: International Monetary Fund.
- Jomo, K.S. and Fine, B. (2006). *The new development economics after the Washington Consensus (ed)*, New Delhi: Tulika Books.

- Kendall, P.C., Suveg, C., Hudson, J.L., Brewer, G., Flannery-Schroeder, E., and Gosch, E. (2004). *Cognitive-behavioural therapy for anxiety-disordered youth secondary outcomes from a randomized clinical trial evaluating child and family modalities. Journal of anxiety disorders*.USA. University of Georgia press.
- Kilick, M.O. (2007). *Africa's Development: The Imperatives of Indigenous Knowledge and Values*. Doctoral thesis submitted to the University of South Africa.
- Martinussen, J. (1997). *State, society, and market: a guide to competing theories of development*, London, Atlantic Highlands.
- Moss, T.J. (2011). *African development: Making sense of the issues and actors. (2nded.)*. Colorado: Lynne Rienner publishers, Inc.
- Moyo, D. (2009). *Dead aid: Why aid is not working and how there is another way for Africa*. England: Penguin Books.
- Nyoni, T.S. (1998).*Foreign Aid and Economic Performance in Tanzania*, World Development, 26.
- OECD. (2005). *Harmonisation, alignment, results: Report on the progress, challenges and opportunities, background paper for OECD High level Forum*. Paris: OECD.
- Ogun, O. (1995).*Real Exchange Rate Movements and Export Growth: Nigeria, 1960-1990*, African Economic Research Consortium Research Paper.
- Onyemelukwe, C. C. (2005). *The Science of Economic Development and Growth, The Theory of Factor Proportions*,London M. E. Sharpe.
- Ouattara, B. and Issah, H. (2003).*Foreign Aid Inflows And Real Exchange Rate: Evidence From Syria*, Manchester School Discussion Paper 00331.
- Patrick, S. (2006). *U.S. foreign aid reform: will it fix what is broken? Center for global development*.
- Reyes, G. E. (2001). *Four main Theories of Development: Modernization, Dependency, World - Systems, and Globalization*, NOMADAS 4: 1-12.
- Rostow, W. (1960). *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University.
- Rostow, W. W. (1962). *The process of economic growth*, Oxford, Clarendon Press.
- Sachs, D.J. (2005). *End of poverty: economic possibilities of our time*, New York: The Penguin press.
- Stiglitz, J. E. (2002). *Globalization and its Discontents*, London, W. W. Norton.

- Szymanski, A. (1982). *The Socialist World-System. Socialist states in the world-system* C. K. Chase-Dunn. Beverly Hills, Sage Publications: 57-84.
- Tejvan, P. (2011). *Difference between economic growth and development*. Retrieved from www.economicshelp.org on 4th December, 2018.
- United Nations Development Programme (UNDP). (2010). World development report. New York: United Nations Publication.
- United Nations Development Programme (2011) Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty, Page No. 84 – 120 http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Towards_SustainingMDG_Web_1005.pdf
- Vos R. and Johansson, S. (1994). *Macroeconomic Impact of Aid in Nicaragua*, Department of Economics Reprint Series No. 134 (Stockholm: Handelshogskolan I Stockholm).
- Wallerstein, I. (1979). *The capitalist world-economy: essays*, London, Cambridge University Press.
- Woode, R. (2012). *Third world to first world-by one touch: Economic repercussions of the overthrow of Kwame Nkrumah*. Trafford publishing.
- Adebayo, A.A. (1997). *The Role of NGOs in Poverty Alleviation: A Case Study of Farmers Development Union (FADU) in Poverty Alleviation in Nigeria*, Selected Papers for the 1997 Annual Conference of the Nigeria Economic Society. Pp.397-414.
- Boone, P. (1996). Politics and the Effectiveness of Foreign Aid. *European Economic Review*, (40), 289-329.
- Burnside, C. & Dollar, D. (1997). *Aid Policies and Growth*, Macroeconomics and Growth Division Policy Research Department World Bank. Retrieved on 4th November, 2018 at; http://www.worldbank.org/html/dec/Publications/Workpapers/WPS_1700series.
- Clemes, M. (2003). Aid Type and Its Relationship with Human Well Being, *International Journal of Social Economics*, 30 (6).
- Organization for Economic Cooperation and Development (OECD, 2015). *Voluntary Aid for Development: The Role of Non-Governmental Organizations*. Paris: OECD Publications.
- Organization of Economic Cooperation and Development. (OECD, 2009). *International Development Statistics*, CD-ROM.
- World Bank. (2003). *World Bank Indicators*. CD ROM.