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EXPLORING THE CONSEQUENCES OF FOREIGN AID ON ECONOMIC PERFORMANCE IN SUB-SAHARAN AFRICA

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A research report submitted to the Faculty of Management, University of the Witwatersrand, in 50% fulfilment of the requirements for the degree of Master of Management (in the field of Governance).

December, 2021

Supervisor: Dr Halfdan Lynge

Abstract

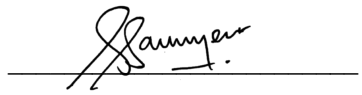
Economic growth is embedded in the DNA of governments with the objective of creating shared prosperity between the state and society. Fundamental principles of political economics dictate that capital is an essential aspect of creating economic growth. In Sub-Saharan Africa (SSA), capital has often been in the form of foreign aid provided by donors. These donors often attach governance conditions to their aid, to bolster the effectiveness of aid which, it is believed, will promote economic growth and development. One of the governance conditions is the participation of civil society in public discourse and the legislative process between the state and society. To facilitate the vertical accountability between the state and society, Civil Society Organisations (CSOs) were established globally, and particularly, in Sub-Saharan Africa, to represent the interests of society, as governments enact policies that should enable economic growth. This study investigates the conditioning effect of CSO consultation on the impact of foreign aid on economic growth. Furthermore, data from 41 SSA countries, between 1960 and 2018, for which data was available, are utilised.

The main purpose of the study was to examine CSO's effect on the nexus between aid and growth as the nexus itself has been well examined. Some studies have also investigated CSOs but this study presents novel arguments on the role of CSOs in the aid-growth discourse. The study used time series cross sectional analysis to determine the conditioning effect of CSO consultation on aid and economic growth by utilising over 1,700 observations. Contrary to general assumption by donors and policymakers, the results of the econometric analysis show that while foreign aid statistically contributes positively to economic growth in SSA, the conditioning effects of CSO consultation yielded a negative relationship between foreign aid and economic growth. The results were largely consistent with varying timeframes and country classifications.

Keywords: foreign aid, civil society organisations, economic growth, GDP, political factors, sub-Saharan Africa, econometric model, quantitative analysis

Declaration

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Management (in the field of Governance) at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other university.



David Toluwani Sawyerr

December 2021

Dedication

This research is dedicated to my parents, Samuel and Esther Sawyerr who have always valued the pursuit of education. Also, dedicated to everyone seeking to contribute to Africa's development.

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First, I acknowledge the help of God.

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List of Acronyms

ACTIVA	Association of Mozambican Professional and Businesswomen (*Associação das Mulheres Empreendedoras e Executivas de Moçambique*)
AfCFTA	African Continental Free Trade Agreement
AID	Foreign Aid
AU	African Union
COW	Correlation of War
CSO	Civil Society Organisations
CSRO	Civil Society Resource Organisations
DFI	Developmental Financial Institutions
ECOWAS	Economic Community of West African States
EU	European Union
FDI	Foreign Direct Investments
FEM	Fixed Effects Model
GDP	Gross Domestic Product
GGLS	General Feasible Generalised Least Squares
GMM	Generalised Methods of Moments
IMF	International Monetary Fund
IRT	Item-Response Theory
ITO	International Trade Organisation
LS	Least Squares

NEITI	Nigeria Extractive Industries Transparency Initiative
NGO	Non-Governmental Organisations
ODA	Official Development Assistance
OECD	Organisation for Economic Development
OLS	Ordinary Least Squares
REM	Random Effects Model
SDG	Sustainable Development Goals
SSA	Sub-Saharan Africa
TAC	Treatment Action Plan
TSCS	Time-series cross-sectional
UN	United Nations
USD	United States Dollar
V-DEM	Varieties of Democracy
WDI	World Bank Development Indicators
WTO	World Trade Organisation

CHAPTER 1. Introduction

1.1. Overview

Sub-Saharan Africa (SSA) has been a foreign aid recipient for decades (Adedokun, 2017; Izevbigie & Isikhuemen, 2020). However, it remains one of the poorest regions in the world (Adedokun, 2017; World Bank, 2021). Although many scholars have debated and studied the effectiveness and usefulness of aid across various countries and regions; through different time periods; and by employing different research methodologies; it has been argued as one of the key mediums for economic- growth and development (Alesina & Dollar, 1998; Asongu & Jellal, 2014; Blair & Winters, 2020; Easterly, 2003).

With the end of the third wave of democratisation in the late 1980s and early 1990s (Bates, 2010; Everett, Hardick, & Johnson, 2021; Isakhan & Stockwell, 2011), most African countries democratised, although the majority never became fully democratic (Chisadza & Bittencourt, 2019). With this democratisation, came the significant rise of CSOs (Mexhuani & Rrahmani, 2017; Omede & Bakare, 2014) that sought to achieve civil society participation, hold governments accountable and optimise the state-civil relationship, while ensuring economic growth and shared prosperity for all.

Today, nearly all countries in SSA encourage (or at least appear to encourage) the creation and formation of Civil Society Organisations (CSOs) (Bailer, Bodenstein, & Heinrich, 2013; Green, 2017; Omede & Bakare, 2014), with the African Union (AU) having created a specific division that helps countries strengthen the contribution and integration of civil societies. It has been mostly assumed that civil society has a positive impact on the relationship between foreign aid and economic growth. This is premised on the assumption that CSOs hold the government accountable and ensure that funds allocated or received are spent effectively. This stance is argued by numerous scholars including Okonjo-Iweala & Osafo-Kwaako (2007) and Omede & Bakare (2014).

This assumed relationship has been studied in some countries in SSA, but without conclusive results, with Muchie (2002, p. 2) stating that: “civil society is neither good nor bad”. However, without delving deep into the history of foreign aid and civil society (see CHAPTER 2 for in-depth discussion), donors (both bilateral and multilateral) have assumed that civil society

would have a positive effect on foreign aid's effectiveness and impact. For this reason, donors have long insisted that CSOs be included in the policy and public debates, often through formalised or registered CSOs. These formalised and registered CSOs were, nonetheless, largely funded and sustained by the donors themselves. This construct has led to further questioning on whose interests CSOs carry as their core mandate.

The true effects and impact of civil society have never been tested, although, there is some anecdotal evidence that suggests that CSOs may not have the expected positive effect. It was therefore relevant to draw from a historian's and political economist's perspective to test the assumption that CSOs' involvement has a positive effect on foreign aid and economic growth. This study, therefore, tests the effect against data from 41 countries in SSA during the period 1960 to 2018. The findings challenge the assumption that civil society involvement in policy debates has a positive effect. A tentative interpretation is that ordinary and self-funded CSOs do not have the required skill and capacity to positively influence the allocation and use of aid. Furthermore, donor-funded CSOs are biased towards their donors with little impact on the societies they are intended to represent, as evidenced by Obuka et al. (2021) and Omede & Bakare (2014) in the Nigerian context.

This study has policy implications. Firstly, it suggests that CSO formation, funding and governing policies need to be examined to ensure that the societies they are intended to represent are represented appropriately. Secondly, it proposes that aid should be managed centrally by an agency that will be responsible for ensuring vertical accountability. This research will therefore focus on determining how CSOs – particularly CSO consultations – condition the effect of foreign aid on economic growth in SSA.

1.2. Background

By the end of the third wave of democratisation in the late 1980s and early 1990s (Bates, 2010; Everett, Hardick, & Johnson, 2021; Isakhan & Stockwell, 2011), most African countries democratised, although the majority never became fully democratic (Chisadza & Bittencourt, 2019). With this democratisation, came the significant rise of CSOs (Mexhuani & Rrahmani, 2017; Omede & Bakare, 2014) that sought to achieve civil society participation, hold governments accountable and optimise the state-civil relationship, while ensuring economic growth and shared prosperity for all.

Financial flows between countries and regions have been facilitated by globalization, meaning that in recent times, it has become easier for organisations to direct investments and aid efficiently and quickly into jurisdictions that meet their requirements (Alemu, 2017; Nwaogu & Ryan, 2015). The flow and transfer of capital into the continent has mainly been in the form of foreign aid, remittances, and foreign direct investment (FDI) (Mhlanga & Christy, 2006). These capital flows have been associated with the growth and development of the SSA region. The main function of governments is to enact public policies which will stimulate economic growth that will, in turn, improve the quality of life of its population. Therefore, it is important to understand how the current policies have fared; to determine what the impact of the current capital flow to the economy has been; and to attempt to predict what policy changes are required to meet the desired economic growth rate taking into account the potential influences brought by CSOs.

The SSA region's reliance on foreign capital (foreign aid, FDI, or any other form thereof) can be attributed to historical factors such as civil war experienced by some nations, the utilisation of debt to finance the rebuilding of these economies, the high costs of education and basic health, workforce dependency on primary resource exploitation, primary factors of production such as agriculture, and, lastly, the lack of an evolved access to medical and social services (Doraisamy, 2013). Foreign investors, the main contributors of FDI, require the recipient country to demonstrate some level of political stability that will ensure adequate returns on the respective investments. Unfortunately, some countries in SSA do not possess the required political stability to attract sufficient FDI and, therefore, rely on foreign aid as a key source of funding for growth and development (Adeola & Evans, 2017; Mijiyawa, 2015).

Foreign aid, is one of the most debated and controversial topics in the field of economics, political economics, and public policy, and has essentially into three main schools of thought. Nwaogu & Ryan (2015), Okada & Samreth (2011), Minoiu & Reddy (2009) and Sachs (2005), among others, are proponents of foreign aid, and state that it offers consequential benefits to the receiving or to the beneficiary country, in the form of either long- or short-term economic development and growth, and reductions in unemployment and corruption. Leshoro (2013), Asongu (2012), Moyo (2010) and Easterly (2007) argued that foreign aid is bad for the recipient country, as it creates dependency, increases corruption and leads to insignificant economic development. In the middle of this debate are Farah, Önder, & Ayhan (2018) and Alemu & Lee (2015), who indicate that the association between economic growth and foreign aid is not

simple, but is rather determined in combination with other factors, such as the political and economic factors of the beneficiary country.

Building on the work of Burnside & Dollar (2000), Alemu & Lee (2015), Asongu (2012), Asongu (2014) and others, this study employed an economic growth theory and foreign aid theory (a subset of economic growth theory) derived from the field of political economics of development, to fully explore the conditioning effect of CSO consultation and the consequences of foreign aid on economic performance in SSA. The studies by these CSOs have impacted the effectiveness of aid in SSA. Scholars acknowledge that certain political institutions and the political environment significantly contribute to and determine how effective foreign aid is in stimulating economic growth. This study draws from these principles and uses CSO consultation as the socio-political factor in determining how it has influenced economic growth.

Pankaj (2005) indicates that there is a shift in the political economy and international development fields with the International Monetary Fund (IMF)/World Bank-led global adjustment towards liberalisation, privatisation and globalisation. The recent discourse has to some degree shifted foreign aid away from the spotlight and has put foreign direct investment and foreign trade at centre stage (Pankaj, 2005). However, despite this shift in the recent discourse, aid is still regarded as one of the key elements for resource transfers in SSA.

Understanding the implications of civil-society participation and consultation on foreign aid in today's economic performance of a country or region is important, as this understanding provides an additional reference point in formulating economic policies on how foreign aid can and should be used for the public good, at present and in future.

1.3. Research Problem

SSA is one of the most underdeveloped regions in the world. The myriad of socio-economic and political challenges persists despite the billions in aid that has been received. One of the reasons provided for the ineffectiveness of aid in the region is the corruption attached to the utilisation of the aid by many of the recipient governments. This has necessitated the demand by donors for the inclusion of CSO's in the aid space. However, despite the latter, very little has been done to understand what the actual impact of these CSO's have been on the effectiveness of foreign aid in the region.

The SSA region has undoubtedly received substantial foreign aid, and yet, it remains an underprivileged and relatively poor region with high levels of corruption (Asongu, 2014) and questionable democracies. The economic debate around the efficacy of foreign aid and the effect it has on the socio-economic state of the recipient country has largely yielded mixed results. To adequately frame public policy that benefits the entire country from a social, political and economic perspective, it is therefore vital to comprehend the historical effect and the consequences of foreign aid on the economic performance of the country and the broader region.

Although economic growth in SSA over the past years has been positive, with GDP growth rates ranging between 2% and 8%, scholars and economists have asked whether this reflects the true potential of the region. SSA displays high levels of unemployment and a lack of industrialisation, with a poor manufacturing sector. These factors trigger the enquiry of whether foreign aid has been pivotal to relieving the economic challenges encountered by emerging nations. The SSA region has a population of about 1.22 billion (OECD, 2018) and a GDP per capita of USD 4,097 in 2018 (Plencher, 2020), as opposed to a GDP per capita of USD 61,117 in North America in 2018. The conclusion by Fasanya & Onakoya (2012) and other scholars indicates that foreign aid has played a positive role in bolstering economic growth, but this is questionable in the SSA context.

Over the past decade, the capturing, production and development of high-quality data has grown exponentially around the globe with multilateral organisations like the IMF, the World Bank, and the African Development Bank capturing public macroeconomic and development data. Additionally, there has been a growing number of academic institutions such as the Varieties of Democracy Institution (V-Dem) that have compiled datasets to adequately capture democracy and socio-political variables and factors that are otherwise not easily observable. There are also new techniques of accurately collecting, recording, and storing data for most of the countries in the world. This study leverages these datasets to look at historical data and perform quantitative analysis to help inform policy makers. This new and improved data forms the basis of this study, as it employs recent and updated data points for analysis. An interesting nuance on econometric and data analysis is that the accuracy and volume of data and statistics are expected to grow and that growth of data is caused by technology advances and the internet, which has made capturing data accurately easier (Marr, 2020). This will also allow for more

complex analysis to be performed on political-institutional variables that have not been successfully measured in the past.

1.4. Research Question and Objectives

This study, therefore, sought to answer the following research questions:

- how has the inclusion of CSO's have influenced the impact of aid on growth?

The specific objectives of the study are as follows:

1 To provide an in-depth understanding of foreign aid and CSOs in SSA.
2 To determine the impact of CSOs on economic growth in SSA.
3 To determine the conditioning impact of CSO consultation on the interaction between foreign aid and economic growth in SSA.
4 To determine whether the impact of CSO consultation on the interactions between foreign aid and economic growth differs across political regimes.

1.5. Significance of the Study and Contribution to Literature

Understanding the socio-political and economic environment required to make economic growth and prosperity available to the public is the underpinning rationale of most policymakers. In the African context, the optimal political environment is not yet known. Although there is a copious amount of literature that gives civil-society actors significant credit for enhancing and driving democracy, this study seeks to understand their role in the foreign aid-growth debate.

Therefore, this study explored the conditioning effect of CSO consultations on how foreign aid affects SSA's economic growth. As explained in most literature (Ejones, Agbola, & Mahmood, 2021; Leshoro, 2013), a mostly used proxy for economic performance is economic growth. The impact of foreign aid will be determined using TSCS analysis. The outcome of this research will inform policy makers on how foreign aid has impacted the country at a macro-level, with a backward-looking perspective. It will also guide and inform policy makers on how to optimise CSOs in developing the most appropriate socio-political landscape, and to establish public policies and accountability mechanisms for the efficient monitoring and use of foreign aid, to maximise inclusive economic growth. The general assumption is that good policy, civil society organisation engagement and reduced corruption are the key factors that allow foreign aid to be effective in triggering good economic performance.

By comparison, the attention that financial and economic factors receive from governments and institutions is significantly higher than that provided by socio-political factors. It is equally important to understand the socio-political environment that is required to enable foreign aid and other forms of capital inflows to thrive and achieve their maximum value. The advantage is that an increased amount of data, new and advanced statistical tools and additional socio-political and democracy features are being provided; and these are providing a basis for correcting historic studies by utilising newer and better data, which is of critical importance. With the implementation of the United Nations Sustainable Development Goals (SDGs), coupled with negative interest rates in developed markets (Berentsen, van Buggenum, & Ruprecht, 2020; Heider, Saidi, & Schepens, 2021), and an expanded development and climate-focused mandate for developmental financial institutions (DFIs); countries in developed markets are arming their arsenals with concessional loans and grants directed towards climate, society and environmental projects (referred to as 'ESG Compliant' projects).

A substantial portion of these projects and objectives will be financed via some form of foreign aid and therefore, any additional understanding of the subject is a motivation that can adequately inform policy makers (donor and recipient alike) to decide on the governing structure and utilisation of the aid. In the spirit of incorporating societal perspective into building economic growth models and sociological systems that support the growth model, this study will provide an academic perspective to improve such economic growth models.

After surveying the published literature, this study contributed to academic literature in three distinct ways. Firstly, it makes use of additional data points by incorporating the study period from 1960 to 2018. This period has been comprehensively considered in other studies. In the last decade, some recent studies were performed by Eregha & Oziegbe (2016) for the period 1970 to 2013, while Izevbigie & Isikhuemen (2020) considered the ECOWAS period for the period 2005 to 2017. This study's analysis extends beyond the smaller timeframes most studies have used and considers the period from 1960 to 2018. The starting period from 1960 onwards is particularly relevant, as discussed later in chapter 2.3. This study expands the debate of civil participation via civil societies, and the effects thereof.

This study contributes to the existing body of knowledge in three distinct ways. First, the study employed the most recent set of data from the period 1960 to 2018, which represents a large set of additional data points (observations amount to over 1,700) of much better quality, given the enhancements in the World Bank data collection and reporting procedures. The starting

period, 1960, was selected as that is the starting point for most of the World Bank data. Additionally, the inclusion and involvement of non-governmental agencies for data collection such as the V-Dem Institute provided a good source of political and democratic variables that was utilised in this study. The nuance and novelty in this study is that some of the data employed was not previously available, at least not in its current form, to many other scholars, academics and researchers in the past.

Second, following Gillanders (2016) and Burnside & Dollar (2000), the study employed time-series cross-section (TSCS) analysis, which is a more advanced statistical technique for determining causal relationships. The TSCS analysis brings a wide array of benefits (Troeger, 2019), including an increased number of observations and degrees of freedom when compared to pure time series or pure cross-sectional analysis. This allows for more complex arguments to be tested (Troeger, 2019). Complex estimation procedures in most instances improve the estimation quality.

Third, scholars such as Burnside & Dollar (2000), Asongu (2014), Gillanders (2016), Ikpesu (2020), and Nwaogu & Ryan (2015) have studied the topic of foreign aid and its impact on economic performance in the context of other economic variables such as FDI, remittances, corruption, the human development index, the inflation rate, exchange rates, and others. Burnside & Dollar (2000) explored a study on the impact of foreign aid on economic growth, with good policy as a conditioning effect. This study, on the other hand, examined the consequences of foreign aid on economic growth with CSO consultation and participation as the conditioning effect. CSO consultation was selected as the conditioning factor considering the important role often given to CSOs in terms of holding governments accountable. CSOs have been labelled as agents of democracy and represent a wide range of the population (Bailer, Bodenstein & Heinrich, 2013; Mexhuani & Rrahmani, 2017).

It is known that when it relates to aid conditionalities, donor governments or organisations tend to condition policy-making processes and other political environmental factors, some of which include civil society consultation and participation as a mechanism for achieving civil participation. This study explores how CSO consultation affects foreign aid's contribution to the economic performance of the region. It is important to note that works by other scholars, such as Asongu & Nwachukwu (2017) and Burnside & Dollar (2000), have also considered how socio-political factors (other factors excluding CSOs) influence economic and social development. This study, therefore, builds on their work.

The Washington Consensus which formed the basis of most donors' aid conditionality requirements attempted to generalise neoliberal policy reforms (covering policy and institutional reforms), has been largely placed at the back of economists' and public policymakers' minds. Initially, the Washington Consensus only sought to reform fiscal discipline, financial liberalisation, trade liberalisation, deregulation, privatization and other competitive reforms. Further iterations of the Washington consensus attempted to strengthen good public and corporate governance (Rodrik, 2006). One way in which this was possible was by engaging with CSOs.

This study adds a novel variable to the aid-growth discourse. The novel variable is CSO consultation as a key consideration on the aid-growth phenomena. This study introduces a new political-institutional variable. Some have considered socio-political variables such as corruption and democracy (Forson et al., 2015; Okada & Samreth, 2011), While others have considered economic variables such as the exchange rate and FDI (Ikpesu, 2020; Nwaogu & Ryan, 2015).

Lastly, this study utilises a more sophisticated econometric analysis. It uses time series cross-sectional (TSCS) analysis. Additionally, it introduces conditioning effects to the regressors utilised in the regression analysis. Forson et al. (2015) presented the study at a country level by employing a time-series analysis for the period 1970 to 2013. Gillanders (2016) considered the topic across 31 SSA countries over the period 1973 to 2005 by employing a time-series cross-section (TSCS) analysis. The econometric analysis utilised is the TSCS, which is more complex but provides a more accurate statistical representation of the conditioning effects of CSO consultation.

1.6. Organisation of the Study

This study is arranged in six distinct chapters. This chapter, the introduction, provides an overview of the study, the current state of foreign aid concerning SSA and positions the research question and objectives of the study. Chapter 1 also identified the knowledge gap. Chapter 2 focused on the literature review, presenting a brief historical account of Africa's democracy process, the theoretical framework underpinning this study. Chapter 2 also provides an overview of aid conditionalities and the reasoning to why they were implemented. It also provided the status quo of CSO in SSA, their role in development and finally, a review of the empirical literature. Chapter 3 focuses on the research methodology employed, the sources and

uses of the data and the data analysis process. In chapter 4, the results are presented and discussed. Chapter 5 discusses the finding and provides interpretation of the results. Finally, chapter 6 concludes, provides policy recommendations, and proposes areas for further research.

CHAPTER 2. The Literature Review

2.1. Introduction

This chapter starts by providing an overview of key economic growth principles which are utilised in the research methodology, followed by a brief overview of the history of democratisation and foreign aid in SSA. The historical context is essential for understanding the drivers of foreign aid and how it has impacted the continent to date. Additionally, this chapter provides a background on foreign aid, economic growth, CSOs and how socio-political factors affect growth. The approach of the literature review will be in two broad categories, firstly, covering the theory and key fundamentals, and secondly, the empirical literature. The literature presented in the theoretical discussion explores the building blocks of foreign aid, civil society constructs and provides a view on associated theory such as foreign aid theory, aid conditionalities, and the broader influence of politics on foreign aid and economic growth.

The empirical literature review will present an overview of the various literature that has explored the relationship between foreign aid and economic performance. The empirical review will also explore studies conducted to determine how political factors such as corruption and democracy have affected economic performance in SSA. Finally, the gap in literature is highlighted.

2.2. Highlighting Some Key Growth Principles

There is a plethora of economic growth theories, each with a different variation and this sub-chapter of the literature review focuses on some fundamental and essential economic growth theories that form the basis of this study's analysis of aid. Omolara (2019) employed Rostow's model, not without criticism and defined the growth process as a five-step approach. First, the traditional society; second, the pre-condition for take-off into self-sustaining growth; third, the take-off itself; fourth, the drive to maturity; and last, the age of high mass consumption (Omolara, 2019). The take-off stage is where most SSA countries find themselves, where there is positive change and transition in the political economy of the country and the country is achieving capital mobilisation. There are contestations to the Rostow model, which is in the form of a one-dimensional modernisation theory-based model of development. The arguments against the model state that the division of economic-history into five stages is unsubstantiated

and that Rostow's model is flawed (Itagaki, 1963; Khan & Marinaro, 2017). While the model has its proponents and sceptics, it simply demonstrates SSA's economic standing. However, it is important to understand the economic principles behind the various growth theories.

Sharipov (2015) and Popa (2014) examined various economic growth models and theories to understand the key contributors and forms of economic development and growth. The classical theory of economic growth as developed by Adam Smith (1723-1790), David Ricardo (1772-1823), Karl Marx (1818-1883), John Stuart Mill (1808-1873) and others, carries a general message that markets regulate themselves (Omolara, 2019). The theorists assigned the factors of production to land, labour and capital, saying that these factors contribute to total productivity and by so doing increase people's wealth. Adam Smith and David Ricardo were early scholars of economic growth. They observed that an increase in people's wealth is dependent on land, labour and capital. Foreign aid is often classified as a form of capital going into a country (Nwaogu & Ryan, 2015) and is often taken into account as a growth factor. There is a general understanding of measuring economic growth by the products produced and that is underpinned by neoclassical growth theories, which refer to capital accumulation as an instrument of economic development (Fedderke & Simkins, 2012; Omolara, 2019; Popa, 2014; Sharipov, 2015). Economic growth can exhibit three main traits; namely, nil, negative and positive economic growth (Popa, 2014).

The most basic Solow Model of economic growth can be described by the Cobb-Douglas production function (Jones, 1998; Jones & Vollrath, 2013). It divided the production function inputs into two categories, capital and labour. Later, the Cobb-Douglas production function was adjusted and amended to include human capital, augmented human capital through technology, and skilled labour, which then gave way to the neoclassical growth model (Jones, 1998). The traditional "AK" model which has been defined by most books as the endogenous growth model was augmented by Jones (1998) and Dalgaard, Hansen & Tarp (2004). Their augmentation argued that foreign aid can be construed as an endogenous growth factor. Dalgaard et al. (2004) argued that foreign aid being assumed as exogenously given was unrealistic. This is because the difference between "rich" countries and "poor" countries was the total productivity factor. Therefore, the role of foreign aid is not stationary in economic growth and recipient countries' policies matter.

The classical growth models take productivity, capital and labour as the factors for growth (Baily, Schultze, Jorgenson, & Hall, 1990). These factors are considered endogenous. Dalgaard

et al. (2004) and Jones (1998) defined aid as an endogenous factor, as discussed above. Eregha & Oziegbe (2016) underpinned their study, utilising a modified version of the endogenous growth model, where production is a function of labour (L), domestic capital stock (K) and foreign aid stock (A), as illustrated in equation 1.

Equation 1: Modified endogenous growth model

$$Y = f(L, K, A)$$

The neo-classical and Keynesian macroeconomics scholars have identified household expenditure, investments and savings as factors that contribute to economic growth (Alper, 2018), with foreign aid and FDI having a direct impact on investments; therefore impacting economic growth. The economic growth model was later adjusted and augmented for polity by Burnside & Dollar (2000). This gives rise to the current complex and modern economic growth theories that take capital, labour, aid, polity, technology, research and development, skilled labour, land, savings and other factors into consideration.

Considering more recent economic growth theories, the endogenous growth theory presents itself in two categories: firstly, human capital is an important determinant of growth, and secondly, research and development (technology) play a key role in growth. This is evidenced by the rise in technology within the digital era and the associated economic growth experienced in Africa and other emerging markets (Omolara, 2019).

The topic of new economic growth theory encompasses not only technological advances but also states that "political and social institutions in their own right might come to shape the shoulders on which stand current attempts to advance the frontiers of knowledge" (Fedderke, 2002, p. 22).

2.3. Brief history on Africa's Development and Democracy

"Freedom is meaningless if people cannot put food in their stomachs" (Mandela, 1994). This statement underpins the concept of how democracy has been understood in Africa. To further contextualise the statement, Bratton & Mattes (2001) ascribed the freedom to vote for whoever the society wants as an essential pillar of democracy. Anecdotally, from a neopatrimonial lens, 'politicians' can also ascribe freedom to being able to 'put' food in people's stomachs. This sets-up the basis for corruption. However, from a historical perspective, the fight for democracy

has also been primarily linked to freedom. Furthermore, Bratton & Mattes (2001) conducted an open-ended questionnaire in Ghana in 1999 that sought to ask a sample of Ghanaians what they thought about democracy and most of the responses were 'civil liberties and personal freedoms'. Before examining concepts of foreign aid and its effectiveness in economic growth, it is important to understand the democratic history in SSA as it contextualises the emphasis that this study places on civil society and CSO consultation and moreover their role in the pre- and post-democracy setting. The colonial history and the geographical contributed significantly to its current political and socio-economic state. Whether a country's colonial history arises from Europe's colonies settling there or not contributes to the distribution of income, and thus profoundly affects the economic development of the country (Austin, 2008).

2.3.1. Reversal of Fortune

Acemoglu, Johnson & Robinson challenged the notion presented by most economists that Africa's economic development can be explained by its recent past. They argued that colonial history and geography played a role thereof (Acemoglu, Johnson, & Robinson, 2002, 2012; Acemoglu & Robinson, 2012; Austin, 2008; Bolt & Bezemer, 2009). Acemoglu et al. (2002) used the theory of reversal of fortunes to argue that the invasion of Europeans into Africa starting in the fifteenth century created a 'reversal of fortunes'. This meant that richer African nations become impoverished, while the European nations became richer, as they exploited the natural resources and benefited from the investments. This intervention created significant changes in the institutions and societies that were colonized. It also created an "institutional reversal" that allowed for more investments to be made into poorer regions.

Preceding the reversal of fortune theory, numerous other theories attempted to explain the societal and economic situation in the world. This study will of course only focus on SSA's relevance to these theories. Diamond (1999) argued the relevance and importance of geographic factors that contributed to the Neolithic Revolution. The Neolithic Revolution meant that there was a rush for regions with good characteristics for agriculture and this led to early civilization in those areas. Similarly, Sachs (2001) linked development to the disease environment, technology, climate and physical geography. In SSA, this is relevant because European colonizers instituted extractive institutions that sought to extract valuable commodities from Africa and placed them in their homes (Acemoglu et al., 2002). Furthermore, countries or colonies with 'bad institutions' were maintained, thus allowing Europeans to settle there.

While this study attempts to test the concept of CSO consultation in Africa considering the foreign aid-economic growth debate, one needs to acknowledge that Africa is large, with massive differences between institutions across countries. The differences in institutions were created by the form of colonialism which influenced the type of colonial settling experienced by countries in SSA (Marx, 2017). All these factors affected economic development in SSA. Acemoglu et al. (2002) indicate that a reversal of income occurred over the last 500 years with most of it happening in the late 18th to 19th centuries. They argued that the reversal of fortune on income has played a major role in the shape and form of institutions and that these institutions indicate the rate of economic development.

2.3.2. Freedom from decolonisation

Decolonisation, the transition from colonial rule to democracy and independent states in Africa occurred primarily between the years 1945-1960 (U.S. Department of State, 2017) with 1960 being considered the 'African year of independence' or the 'Year of Africa' (Everett et al., 2021; France 24, 2010). The 1960s were a turning point for the liberation of Africa where 17 countries celebrated their independence from colonial rule (Everett et al., 2021). Still in the same time period, when the imperial colonial masters were evicted as the leaders, local societies that had chiefs and military heads became led by these chiefs and military heads retained some form of democracy for a short while and then immediately descended to an autocratic regime (Bates, 2010). According to Bates (2010), these chiefs exploited their political position to acquire land and extract value for personal gain with no restraints on their powers that had previously been placed on them by the imperial colonisers. This long battle and struggle of authoritarianism was met by a considerable amount of apathy by international organisations who sought to impact their theory of democracy on Africa (Fayemi, 2009).

The fundamental concept of rich countries (like Germany, France, and Britain) giving their colonies money began in the early 19th century (the 1920s and 1930s). However, the concept of foreign aid being utilised to meet people's basic needs was introduced under the influence of Robert McNamara in the 1960s (Phillips, 2019). This was when aid started flowing more frequently into Africa. Decoupling foreign aid as a promotor (or impediment) of foreign aid is difficult. Brown (2005) argued that while international actors are not necessarily active in the modern-day theory of democratisation, the role of donors in stimulating (or preventing) democratisation and the rapid transition from an authoritarian state to a multiparty state may

have impeded democratisation in SSA. Between the 1960s and the 1990s, foreign aid propped up dictators and authoritarian leaders (Brown, 2005).

To ensure that foreign aid was utilised to stimulate and promote democracy, donors started attaching conditions to aid (Barya, 1993; Dunning, 2004). Some of the mechanisms under which foreign aid conditions were implemented fell under the Washington Consensus (Grier & Grier, 2021). Initially, aid conditionalities sought to reward neo-liberal policies that advanced deregulation, privatisation and openness, with future iterations focusing on democratisation, 'good' governance and other social factors (such as adequate social safety nets) (Brown, 2005; Rodrik, 2006; Grier & Grier, 2021). This reward through foreign aid created the 'masking' of authoritarian states to make them appear democratic, in order to qualify for foreign aid.

Without going deeply into the definitional arguments of transitioning from authoritarian states to democratic states, most countries in SSA experienced partial transitions to democracy (Brown, 2005). In the 1990s, foreign aid was pouring into Africa with increased enforced political conditions (Gibson et al., 2015), and this led to most states between the 1990s and 2010s being anocracies (Chisadza & Bittencourt, 2019).

2.3.3. The political economic situation in SSA

Presenting an argument for foreign aid, politics and economics is nearly impossible without understanding the political economy of development. Historically, economics has been a monolithic science and political economy has sought to use politics and other social sciences to explain certain economic phenomena (Milonakis & Fine, 2009). Milonakis & Fine (2009) stated that the prime underpinning rationale of their account is to make a case for political economy to be back on the agenda of economists. This is because economics had been divorced from other social sciences. Therefore, a good understanding of some political economy of development concepts is essential in utilising political, economic, and social sciences in addressing how economic development happens (or fails to happen). This sub-chapter of the literature review explores how colonialism, democracy, poverty and development aid can be contextualised as explanatory factors affecting economic growth or the lack thereof.

Democracy is defined as a system of government that allows and permits their population or citizens to communicate their desires with respect to government and public institutions (Fayemi, 2009; Lioba & Absulhai, 2008). Theoretically, this means 'for the people, by the

people'. The extent of democracy in SSA varies from state to state, with other countries lying lower-down in the democracy ranking exhibiting some autocratic or semi-autocratic tendencies. Autocracy is the direct opposite of democracy and the tendency there is for the governance system to be ruled by only a few (Fayemi, 2009). The SSA region does have some autocratic and semi-autocratic states; some examples of these being Sudan, Angola, Mali, Uganda, Rwanda and Gabon to name a few.

How democratic a state is may inform how much civil participation and engagement there is in the elections of leaders and the implementation of public policies. The caution is that the existence of CSOs does not mean that a state is democratic. O'Driscoll (2018) and Obuka et al. (2021) postulated that authoritarian or corrupt regimes select the CSOs carefully with appropriate representation, to give the appearance of democracy and social vertical accountability. Understanding how democracy interlinks with economic growth is crucial. However, before reviewing the literature, one needs to understand what Africans think of democracy, as this speaks to what society strives to attain as an end goal to democracy. Bratton & Mattes (2001) investigated whether democracy was intrinsic or instrumental in Africa and found that there was a lot of public support for and satisfaction with democracy. Their study revealed economic goods, political goods, and general performance of the state as explanatory factors for the citizens' support of democracy. There is a public expectation from state leaders to 'deliver goods' in a democratic nation; as opposed to the situation in an autocratic nation, and therefore the public have a larger engagement in determining the path of the state in a democratic state.

The theory of social contract states that both the state and citizens have a moral obligation and that the government should be held accountable by its state (Koenane, 2018). There is therefore a responsibility held by the government to include the public in policy formation. Brown (2005) posited that without conditionality, aid helps authoritarian regimes to suppress democracy and repress opposition. He argued that international actors (donors) play a role in promoting (or preventing) democracy in SSA and that the former can be achieved by donors understanding and remaining committed to the process.

The relationship between democracy and political conditionality remains largely unclear and it is argued that while political conditionality helps a state transition to democracy, the 'democracy' may be a mere formality and remain purely electoral with no structural change and no consultative processes (Brown, 2005). On the contrary, Jones & Olken (2004) posited

that national leadership matters in determining economic growth. They found that the effects of leadership were very strong in autocratic state and less so in democratic institutions. In autocratic settings, the national leaders are more able to implement changes as there are fewer constraints to their powers (Jones & Olken, 2004).

Today, SSA is generally largely made up of hybrid regimes that have both authoritarian and democratic features. According to Campbell & Quinn (2021), the global coronavirus pandemic is causing a decline in democracy in SSA and they call for international stakeholders to combat the trend. According to data from Freedom House (2021), only eight African states are considered 'free', with half of these eight being small island states: Cape Verde, Mauritius, Sao Tome and Principe, and Seychelles. Others, such as Botswana, Ghana and South Africa enjoy high levels of economic and social development and stronger democratic institutions (Freedom House, 2021).

2.4. Foreign Aid and Conditionality

2.4.1. Foreign aid's journey in SSA

Section 2.3 framed the democracy process from a historical context and introduced foreign-aid and aid conditionalities, mainly democracy. To delve deeper into foreign- aid and aid conditionalities, a definition was initially presented. Foreign aid as a phenomenon is widely debated. Some scholars define foreign aid as humanitarian and disaster support, economic aid, military support and healthcare support provided to countries (Quiviger, 2020). Foreign aid is further classified into private development assistance which is generally targeted to NGOs or not-for-profit institutions; and official development assistance (ODA) which can either be on a bilateral or multilateral basis targeted to a single or multiple countries (Pankaj, 2005; Quiviger, 2020). For the purposes of this study, foreign aid refers to financial assistances provided by governments of quasi-government organisations to facilitate or promote economic development and welfare of the recipient countries (Early & Jadoon, 2019). This definition is consistent with Net ODA, as defined by the World Bank. Net ODA refers to the amount of money disbursed to a country either as loan format on concessional terms (net of principal) and grants by official agencies (World Bank, 2020c).

From a historian's perspective, the origin of foreign aid begins with the United States and Britain. It was seen as an institutionalized activity to build international relations and advance the economic and political ambitions of the US and Britain post World War Two (Williams,

2013). In Britain, the British Colonial Development Act of 1929 provided for monies to be spent on development projects in British colonies (Little & Clifford, 1965; Williams, 2013) of which a large portion of SSA was at the time. In parallel, other countries such as China developed other theories and fundamentals surrounding growth and aid, one of these theories is the Mao Zedong's Third World theory. It posits that theoretical evolution beginnings can be traced to post World War II which led to the establishment of China's 'Five Principles of Peaceful Coexistence' (Vieira, 2019). These principles meant that the Chinese government was to focus on international aid and mutual benefit. Examples of how the initiative was implemented and reoriented from national political objectives to economic objectives and the classical example is the Belt and Road initiative (Vieira, 2019), and the same can be said for other countries (Brown, 2005).

Based on existing literature, in section 2.2 the study argues that the modern-day concept of foreign aid really begins in the 1960s when Robert McNamara became the head of the World Bank, and the definition and concept of foreign aid became clearer. Before the 1960s, the idea of large-scale financing dates back to the 1930s (Erixon, 2003) where the concept was to finance development and spur investments in less developed countries. The rationale quite simply has always been that poor countries are believed to be stuck in a vicious cycle of poverty which is led by insufficient savings and limited resources for investments (Erixon, 2003). This concept was further developed into the 'poverty trap' argument, where arguments have been made for and against aid.

The journey of foreign aid into Africa has mostly been about poverty reduction and betterment of people's lives as shown in discourses by Easterly (2007), Girma (2018), and Sachs et al. (2004) who use the Poverty trap theory as an explanatory factor as to why the SSA region has remained poor. Furthermore, they provide ideas on how to break the poverty trap (development aid is considered one of the solutions). Sachs (2005) indicates that most African economies need to break the 'poverty trap' and that there is a fixed process for that to happen. Development Aid (foreign aid) helps with the 'big push' and assists the country with capital accumulation at a household level and at a country level and this, in turn, bolsters economic growth (Sachs, 2005).

2.4.2. Theoretical building blocks of foreign aid

From a theoretical lens, the field of development economics does not recognize foreign aid theories as an independent theory (Pankaj, 2005). The foreign aid theories are rather

consolidated as subfields of economic growth theory, and, therefore, this study is grounded on the economic growth theory. Two main strands of thought underpin foreign aid debates. The first is made up of proponents, such as Sachs (2005), who is referred to as an "aid optimist" whose studies have supported that foreign aid is the "big push" required to stimulate economic growth. The second is made up of sceptics, such as Easterly (2007) and Moyo (2010), who are referred to as "aid pessimists". They argue that foreign aid makes a limited contribution to the recipients' economic development and growth, if any at all. A key argument for the 'aid optimists' is that countries in SSA (and the world) are poor because they are in debt, are politically unstable, lack infrastructure, have unfavourable socioeconomic and environmental conditions and as a result, lack economic growth and development (Sachs, 2005). These countries are said to need some help, and this help can be in the form of financial aid, debt cancellation or financial injection as this provides them with the foothold into development.

The contrary argument is that foreign aid has "hampered, stifled and retarded Africa's development" (Moyo, 2010, p. 15). Moyo (2010) indicated that foreign aid originated out of Bretton Woods in July 1944 after the ending of the Second World War where governments agreed to form a financial and monetary management programme. These origins of aid have evolved to the formation of the World Bank, the International Monetary Fund (IMF), and the International Trade Organisation (ITO) (Moyo, 2010; World Bank, 2020b). Easterly, Levine, & Roodman (2003) are 'aid pessimists' reduced the confidence that aid promotes growth in countries with sound policies, which was a direct contradiction to the extraordinarily influential study by Burnside & Dollar (2000). The culmination of these papers formed the theoretical frameworks of foreign aid as an academic concept.

The theoretical blocks that underpin this study are encompassed in the theory of economic development with a particular focus on the economic development model that demonstrates savings and capital formation as essential elements for growth and therefore development (Ranis & Fei, 1961; Schumpeter & Backhaus, 2003). Foreign aid is sometimes referred to as that "capital accumulation" that can trigger economic growth. Traditional economic growth is then associated with triggering the creation of jobs, reduction of perceived corruption and increases in democracy and political stability.

An in-depth study was performed by Alesina & Dollar (1998) on who gives aid and to whom. Although it is an old study, it is still quite relevant as the thinking from donor countries has progressed minimally, if at all. Their study revealed considerable evidence that governments

donate for political and strategic reasons such as the colonial past and political alliances rather than purely altruistic reasons. For example, they found that the colonial past, UN Friend (the alliances formed by the voting preferences of countries), economic openness all played a role in who receives foreign aid. The effects and conditioning of politics, societal factors and institutional convergence are critical in understanding aid and the implications on state-society relations (Blair & Winters, 2020). Foreign aid is from particular donors is not delivered in a vacuum and there are political and societal dynamics at play and these dynamics tend to affect the effectiveness of aid, while the population's engagement with the government may change with foreign aid or the absence of aid. Blair & Winters (2020) as a prominent question as to what role do the views of civil society organisations and political entrepreneurs play in shifting the citizens' attitude to aid?

The argument as to whether aid contributes to economic growth and under what conditions does it is still as relevant as ever, particularly, using newly available data that was not available in older studies. A key limitation of this field of study is that there is no clear guidance from theory, and therefore, there is a vast amount of plausible model specifications than there are data points (Easterly et al., 2003).

2.4.3. Foreign Aid Conditionalities

A historical approach of aid conditionalities was taken by Dunning (2004) who examined the effects of foreign aid on democracy in Sub-Saharan Africa for the period of 1975 to 1997 concluded that foreign aid conditionalities have worked in Africa post the Cold War period. However, the conditionalities are credible under certain global geostrategic circumstances. In certain studies, foreign aid did not appear to hinder democratisation and this could be attributed to donors being more willing to impose socio-economic and political conditionalities on the recipients of aid (Bermeo, 2016; Blair & Winters, 2020; Dunning, 2004).

To better understand aid and conditionalities, it is important to ask the most basic question: what is aid conditionality? To answer this question, the term 'aid conditionality' needs to be broken into two parts: first, aid (which is already defined) and conditions. Conditionality refers to the conditions imposed by donors and lenders as part of the explicit or implicit preconditions to the advancement of a grant or loan (Shah, 2017). Colloquially, conditions refer to 'something that must be true or be done before another thing can happen' (Macmillan, 2009). In its truest sense, there seems to be some form of coerciveness in the definition where the main feature is that a donor is looking to impose or induce certain goals and targets to the recipient country

and such targets normally mean the adoption of certain policies that would not rank in priority of the recipient country (Selbervik, 1999). The rationale for providing these conditions ranges from economic, altruistic, military, political, and humanitarian objectives and considerations (Shah, 2017).

It is known that donors (agencies and governments) attach conditions to the aid provided to recipients. What is not known is how effective these attached conditions are in achieving specific goals and these goals are normally economic or political goals (Selbervik, 1999). The exact relationship between politically conditioned aid and democratisation remains quite unclear (Brown, 2005), some of the countries that exhibited failure or a non-functional aid conditionality can be attributed to countries with very poor governance such as Liberia, Somalia, Sudan and Sierra Leone while other 'authoritarian' regimes implemented policy reforms that would sweep in donors (Bratton & Walle, 1997; Brown, 2005).

Easterly (2003) generalises that donor agencies and organisations that attach aid conditionalities their donations; said conditionalities are typically in the form of non-interference with market pricing, privatisation of state-owned enterprises, macroeconomic stabilisation and trade openness. While other donors attach conditions to their aid as a mechanism for addressing institutional failures or distorted politics and therefore implement political conditionalities rather than economic conditionalities (Morrissey, 2015).

A study by Bearce & Tirone (2010) states that aid conditionality is more likely to induce recipient governments to pursue political and economic policy reforms when the marginal political cost of said policy reform is quite low. They also posited that these reforms are less costly for autocratic leaders, who are not necessarily 'fighting' for the popular vote. They further argue that autocratic political leaders are therefore more inclined to attract aid by implementing policy reforms that spur growth in authoritarian governments than in democratic states. Since Burnside & Dollar (2000) investigated the effects of aid on growth, the question of aid conditionalities has been studied in-depth, with Wright & Winters (2010) stating that international politics and aid conditionalities affect aid allocation and the usage thereof. They also indicated that analysing the politics of redistribution and rent-seeking, might explain the causal pathways through which conditioned aid may or may not lead to economic reform, development and growth.

The Washington Consensus was effectively a playbook for donors on what conditionalities to impose or attach to the financial aid provided (Grier & Grier, 2021; Serra & Stiglitz, 2008). However, additional to the Washington Consensus was the 'political conditionality' of aid. This is described by Barya (1993) as a set of political recommendations that would encourage democracy and create a new economic world order. Barya (1993) went on to say that the political conditions were generally aligned with the implementation of programmes that would permit civil societies to form a part of the socio-political arena. He argued that there is a contradictory perspective and misalignment of interests amongst the actors involved: first, the donors; second, the government and other African institutions; and lastly, the public with the popular view. This contradiction provides an opportunity for civil societies to play a role to ensure that governments are accountable to them and that policies conditioned by foreign donors are beneficial to the masses.

Aid conditionality is a critical element to understand when studying aid as policy reforms and socio-economic targets are normally attached to aid by donors. While recipient countries try to maintain a level of sovereignty, for the aid to continue pouring in, there needs to be (or appear to be) compliance to said conditionalities. Therefore, when studying the impact of foreign aid on economic growth with socio-political factors (such as civil society organisation consultation) as conditioning factors of aid, the understanding of aid conditionalities provides an analyst with a wider set of instruments in their arsenal to explain the conditioning effect, if any.

2.5. Origins and the Status Quo of CSOs in the Context of Aid

2.5.1. Overview of CSOs in Africa

Civil Society Organisations (CSOs) encompasses voluntary associations, non-profit organisations, non-governmental organisations, social movements, networks, or any other structure and may stretch through organisations, institutions or individuals (Cooper, 2018; Green, 2017). CSOs' activities are geared towards protecting the interests of citizens globally, nationally, regionally or locally (Obuka et al., 2021). Furthermore, CSOs play a critical role in political, social and economic development activities (Omede & Bakare, 2014). "Civil society groups are agents of development in any nation" (Omede & Bakare, 2014, p. 1). This is particularly true in the SSA region where development has been the main theme of contemporary economics and political economy, and therefore understanding the interaction

between CSOs, their role in economic development and the support SSA countries receive from donors is critical.

CSOs are not only actors intermediating between the state, the market, and citizens but are also the platform for challenging and contesting state-given notions of what is permissible politically (Tandon & Mohanty, 2009). Kohn (2002) added that civil society is the requisite terrain where citizens can defend the distribution of power and organize to contest the state. CSOs are therefore an integral aspect of democracy and socio-politics. Their ability to influence is dependent on the amount of social capital, effectiveness of socio-political institutions, the state-society relations, accountability and legitimacy (Bailer et al., 2013; Katz, 2006).

Some political parties, one may argue, are simply political civil society organisations that seek to represent the political interests of a certain group (Mexhuani & Rrahmani, 2017). Mexhuani & Rrahmani (2017) went on to argue that democracy and the normal functioning of the democratic system is not 'owned' or controlled by political parties only but also by civil society organisations and they form an integral part of a functioning democracy. Burnside & Dollar, (2000), as discussed later, concluded that foreign aid is effective or has a positive relationship with economic growth where there is good democracy. On this basis, CSOs are an important part of understanding democracy and explaining whether their role contributes to ensuring foreign aid's effectiveness in respect of growth. Muchie (2002) posited that civil society are neither good nor bad and became popular post the third wave of democratisation when elements the planning state, the interventionist state and the development state were put aside, and the principles of association were escalated. With the rise of globalisation, civil societies were tasked with ensuring long-term sustainable development by peace-making, fostering security and cooperation, ensuring service delivery and holding government accountable (Muchie, 2002; Robinson & White, 1997).

The arguments for and against civil societies are extensive. In the Somalian context, CSOs have been hailed to have positively contributed to the collapse of the state who was unable to manage the country and ensure the protection of livelihoods (Muchie, 2002). In the context of the oil and gas industrial sector in Nigeria, the CSO are critiqued for having failed to ensure that the interests of the population living in and around the exploration areas were protected (Obuka et al., 2021). Asuelime (2017) stated that in the South African context, in the attempt to move South Africa towards the trajectory of a democratic developmental state, the role of

CSO has grossly been under-represented and side-lined. He further argued that a 'strong state' is developed by having fully interactive political institutions where the state and autonomous civil institutions can collaborate to ensure that the shaping of public policies is in the interest of every stakeholder. Additionally, CSO played a critical role in delivering a democratic agenda to South Africa following the fall of the apartheid regime (Asuelime, 2017; Gathiram, 2003).

The concept of participatory democracy is brought to fruition by CSO. One claim is that CSOs provide the bottom's up approach, due to the reach of CSOs at grassroots level and therefore their role is in the development, planning, and implementation of policies from the bottom-up (Asuelime, 2017; Paley, 2001; Pawar & Cox, 2010). This concept has been well embraced by international donor and lending institutions in setting up the conditions upon which they would lend. In the early 2000s, the Inter-American Development bank developed a division called the 'State and Civil Society Division' that was responsible for developing and implementing a programme that strengthened and maintained Civil Society participation mechanisms (Paley, 2001).

While CSOs rose to prominence in the 1980s globally, they became primarily active and relevant in the African context in the 1990s (Cooper, 2018). Cooper (2018) went on to classify CSOs into two groups: organised and organic. Organised CSOs are more formally established types of civil societies with a key focus, and organic CSOs are the new actors comprising of online activists and social movements. The most common form in Africa is the organised CSO with the organic CSO only recently growing. Some of the challenges faced by organic CSOs are censorship and limited telecommunication via voice and the internet (Giles & Mwai, 2021). Kleibl & Munck (2017) stated that the most prevalent form of CSO in Africa is Eurocentric, Western and Northern imposed on local African reality. They further argued that 'official' or rather, 'organised' CSOs are occupied and largely formed by Western-type NGOs further deeming local community-based CSOs in Africa irrelevant. This further raises the argument of who's interests these organised CSOs hold considering that they are formed by Western or European organisation, due to some form of condition attached aid to improve governance and civil participation. This is particularly relevant in section 2.5.2 where the role of CSOs in development is discussed.

To demonstrate the importance of CSOs in Africa, a few examples are provided. A well-known CSO in South Africa is the Treatment Action Campaign (TAC) which was founded in 1998 by the activist Zackie Achmat. The TAC has been credited with leading the movement that forced

the administration to provide anti-retroviral drugs to HIV-positive citizens in South Africa (Mclennan, 2001; TAC, 2021). TAC has been funded by some of the largest donor agencies such as the United Kingdom Department for International Development (TAC, 2014). In Mozambique, the Association of Mozambican Professional and Business Women (ACTIVA) is a CSO responsible for inclusive economic development that supports women's roles. It was established in 1990 to promote gender-sensitive legislation that would empower and enable women to become business owners and active participants in the economy (FAO, 2020). From 2015 into 2016, the Mozambican government was reported to have obtained debt without the necessary parliamentary approvals and this caused several CSOs (26 CSOs) to call the government to accountability, some of the prominent CSOs included ACTIVA and the Budget Monitoring Forum (FMO, 2016; Jubilee Debt Campaign, 2016).

In the Nigerian context, the Nigerian Extractive Industries Transparency Initiative (NEITI) is an initiative established by the Federal government to develop a National Stakeholder Working Group that would provide CSOs with the platform for engaging directly with the state (Obuka et al., 2021). NEITI was formed to ensure that the financial flow of funds in the Oil and Gas sector in Nigeria was transparent and to ensure that the government was accountable to the citizens (Ekhator, 2014; Obuka et al., 2021). CSOs are recognised by most African governments as an autonomous body that represents the public with the African Union having a 'Civil Society Division' that assists and ensures that CSOs' principles, policies and programmes are effective and allows for their strengthening and cooperation (African Union, 2021). This further highlight how CSO are in some instances a channel for aid (i.e., TAC) and how CSOs play a role in holding the government accountable, particularly, when it concerns financing in the form of aid and loans (i.e., ACTIVA, NEITI).

2.5.2. The role of CSOs in economic development

Civil societies can play a role in development, economic development, and democracy (Asuelime, 2017; Gathiram, 2003). However, some factors affect their effectiveness and ability to impact change. Starting with a helicopter view of the make-up of society in general, Johanson (2020) described the make-up to be consisting of three main components, first, the economy; second, polity; and third, civil society. Combining all these components forms the main society in a country. The economy refers to financial and economic aspects of the country such as government revenue, government expenditures and other macroeconomic features

(Johanson, 2020; Lange, Haines, & Thomas, 2015). Polity encompasses the policy-making aspects of the government and places significant emphasis on public administration and service delivery (Johanson, 2020; Kaid & Holtz-Bacha, 2008). Civil societies, therefore, seek to bridge the gap between the people, polity, government and the economy (Salamon, 2010) and therefore find themselves at the centre of socio-economic development.

Going back to the role of CSO in development and further adding a layer of complexity, namely, misaligned interests, Van Dyck (2017) argued that CSOs are constantly facing questions about their legitimacy, relevance and accountability from funders, government and beneficiaries as the gap between these actors is widening. This widened gap causes further misalignment between the interests of the stakeholders involved but particularly, the suffering stakeholders being the beneficiaries. Furthermore, traditionally organised CSO (which literature shows are mostly Eurocentric, as shown in section 2.5.1) are reliant and funded on a short-term funding basis which creates an unintended incentive of the CSO focusing on obtaining future funding from the donors and therefore neglecting community buy-in and ensuring development sustainability (Cooper, 2018; Green, 2017; Van Dyck, 2017). As a result, traditional organised CSOs are labelled illegitimate and out of touch by the groups, they are supposed to be representing. Green (2017) went on to say that some of the CSOs only pursue prestige or money. To illustrate this, a quick anecdote from the Asian continent where the Prime Minister of India has accused environmentally based CSOs who opposed large-scale investments of being 'foreign puppets' who are working against the national interest of India (Green, 2017).

When assessing the impact of CSOs on development and growth, it is crucial to understand the reasons for some of their failures. Some of the key causes of failure were highlighted by Connolly (2017) who proposed that CSOs employ a top-down approach. there is a lack of political will, so they are perceived as foreign agents who are unable to work through opposing opinions reaching across the aisle from varying coalitions. The top-down approach is consistent with the way CSOs are formed and therefore their accountability is to the top and policies are determined at the top. A core challenge in the setup of CSOs lies in the discrepancy between what international development stakeholders aim to achieve and how they aim to achieve it (Van Leeuwen & Verkoren, 2012). Van Leeuwen & Verkoren (2012) argued that while stakeholders try to strengthen the relationship and social contract between civil societies and

the state, practically, they tend to focus on apolitical service delivery, neglecting the role of the state.

These are some of the challenges that may hinder the effectiveness of CSOs. Not to add fuel to the fire, another feature that further complicates the success or failure of CSOs is the desired impact. The effectiveness and the role of CSOs in development can be considered from two perspectives, which makes assessing the impact of civil society challenging (Riddell, 2013). The first perspective is whether CSOs have an impact on the reduction of poverty. The second is whether CSOs have an impact on democracy and governance (Riddell, 2013). The paradox was well highlighted by O'Driscoll (2018). He posited that foreign aid provided through civil societies by donors simply promotes political pluralism; at least in the modern days. The aid process does not seem to be rooted in true social pluralism with no real social base. Therefore, it has a limited effect on representation of social demands and public policy change. This causes CSOs to have a top-down approach rather than a bottoms-up organisation further, limiting their connection to the people they are supposed to represent.

Recently, in Mozambique, a CSO called Friends of the Earth International ("FOEI") accused the French government, banks and oil companies of thrusting Mozambique into a fossil fuel trap where the country would have to be reliant on fossil fuels for economic development, by emitting more than 49 times the carbon emissions currently emitted by Mozambique (FOEI, 2020b; News24, 2020, p. 2). FOEI's mission states that they are fighting for a future that will be "founded on social, economic, gender and environmental justice and be free from all forms of domination and exploitation, such as neoliberalism, corporate globalisation, neo-colonialism and militarism" (FOEI, 2020b, p. 7). However, when the FOEI annual financial statements are reviewed, one of the key donors is the Dutch Government through their Ministry of Foreign Affairs having contributed in excess of EUR 1 million in the 2020 financial year (FOEI, 2020a). While FOEI market themselves as an independent CSO, the inherent funding obligation from donors cannot be overlooked.

Obuka et al. (2021) examined the obstacles that hinder effective participation and contribution of CSOs in the Nigerian extractive industry. Their study found three main obstacles. First, effective participation by CSOs in the industry is prohibited by lack of cooperation amongst the CSOs with varying interests. Secondly, CSOs have been politicized and their participation in the working group that is responsible for ensuring transparency in the extractive industry is heavily politicised. Thirdly, CSOs like any other organisation tend to be more accountable to

their donors and not so much the citizens they are meant to represent. While Posner (2004) and Ikelegbe (2013) respectively stated that CSOs play a foundational role in the contribution to public service and good governance and that CSOs can act as an analytical tool for development and politics. However, these assertations are not the outcomes uncovered by Obuka et al., (2021) who concluded that while the obstacles for effective participation are self-inflicted, their impact on the extractive industry and the economy at large is yet to be felt.

Omede & Bakare (2014) examined the impact of CSOs on sustainable development in Nigeria and found that, despite their shortcomings, CSOs have materially impacted on the social and political life of citizens in Nigeria. Their argument hinges on the roles played by CSOs in electoral reform, the doctrine of necessity clause, freedom of information act, fuel subsidy removal and other key thematic issues affecting the country. CSOs such as the Right to Know Movement, Media Rights Agent and the Open Society Justice Initiative led the submission of the Freedom of Information Bill through legislative chambers and successfully got the bill enacted. Political instability has largely affected CSOs in developing countries and in Nigeria particularly. Eight issues have contributed to the myriad of challenges faced by CSOs: (1) disconnection from rural organisations, (2) lack of unity, (3) inadequate funding, (4) government patronage, (5) lack of internal democracy, (6) lack of skills for CSOs, (7) corruption and personal enrichment, and (8) lack of state support and partnership (Odeh, 2012; Omede & Bakare, 2014). These are mostly political factors and justifies the selection of the CSO consultation process as a key element in understanding and explaining the impact of foreign aid on the economic performance of SSA and what accountability mechanisms are in place to govern the flow of capital from donors to the end-user.

Employing a more historical approach, Ashman, Brown & Zwick (1998) introduced the concepts of Civil Society Resource Organisations (CSROs) to the broader theme of CSOs. They posited that while CSOs and CSROs have the interest of citizens at heart, they have dual functionality. Firstly, CSOs have to generate financial resources and secondly, they have to deploy said financial resources and therefore act as a bridge between the resource rich donors, agencies or organisations with the resource poor societies. Ashman et al. (1998) concluded by stating that although CSOs and CSROs build capacity and implement good governance, their impact on social and economic development will usually be undermined. In developing markets such as SSA, most CSOs are NGOs and these NGOs have been criticised to have weak ties to the society and the citizens which undercuts their ability to build social capital.

Borrowing from social network theory, society members identify better with individuals of a similar social identity, who share a relatively equal bond such as ethnicity, language, profession, status, family (Blau, 1994; Granovetter, 1977). Such relationships are often characterized by emotional bonds of friendship, intimacy, and reciprocity, and they tend to endure over time, earning the name *strong ties* (Blau, 1994; Granovetter, 1977). The CSOs with either weak ties or strong ties have different impacts and that affects their ability to influence social and economic development.

For CSOs to be effective, Chikohomero (2018) states that CSOs need to partner with Governments without undermining their watchdog status. It is in the benefit of both the Governments and the CSOs to work together as an environment that focuses on mutual interest is more likely to enhance service delivery than an environment of antagonism. This study has illustrated that CSOs are critical as a socio-political factor that can influence the quality and magnitude of social and economic development and therefore, understanding the interplay between CSOs and their involvement in the foreign aid channelling ecosystem will enable both the public and private sector to develop frameworks that maximize foreign aid.

2.6. Effects of foreign aid on economic growth

SSA is a region with immense natural resources, and even though the past few years have shown economic growth on an incline, it is still inadequate to meet its development requirements (United Nations, 2020). The SSA region has also shown an increasing number of people living in poverty, elevated public/sovereign debt levels, and lack of sufficient infrastructure. With these, financial elements would not be the only explaining rationale for economic growth, or lack thereof, in SSA.

While financial factors such as foreign aid, foreign direct investment, remittances, savings, investments and financial development amongst others have been shown to affect economic growth (Bonga-Bonga & Ahiakpor, 2016; Fedderke & Simkins, 2012), there are other non-financial factors that also contribute to economic growth. Adeyini (2018) investigated the institutional quality and the impact on economic growth in SSA by utilising data from 1996 to 2013 in 28 countries. He concluded that institutional quality does not have a significant impact on economic growth, however, it does strengthen the base and foundation from which financial factors such as FDI and other factors such as huge population may play a role.

Fasanya & Onakoya (2012) concluded that for the case of Nigeria, there was a positive correlation between foreign aid and economic growth. The theoretical approach was premised on the neoclassical growth model which highlights that output is a function of labour, capital and knowledge. Considering the period of 2000 to 2014, structural transformation played a critical role in economic growth as it did in the period of the 1980s and 1990s. Considering two Sub-Saharan Africa countries, South Africa and Kenya, it was found that human capital had a positive relationship with economic growth (Rangongo & Ngwakwe, 2019). It is, therefore, crucial to consider non-financial metrics when looking at the economic growth in SSA as other factors contribute to economic growth directly and indirectly.

There is no shortage of literature examining the effect of foreign aid on economic growth. The literature spans many decades. As indicated in the introduction, there are mixed results from the empirical literature analysed and some of the studies are discussed. A good take-off point for examining the effect of foreign aid on economic performance is the widely influential paper by Burnside & Dollar (2000) where they examine the relationships between foreign aid, economic policies and economic growth (GDP per capita growth rate). They utilise aid receipts relative to the GDP and policies that affect economic growth as variables and interact with them to determine the conditioning effect. Their study examined the period of 1970-1973 to 1990-1993 using a panel of 56 countries. First, they further conclude that foreign aid has little impact on economic growth. Second, they found that aid has a more positive impact on economic growth if the country has a good policy environment. Some of the other conclusions they make is that foreign aid that is managed multilaterally is generally apportioned in favour of good policy. The study and base models by Burnside & Dollar (2000) has formed the basis of this study and many other studies with various iterations and modifications done to it.

Siavhundu (2020) determined the relationship between foreign aid and economic growth by employing the ordinary least squares (OLS) regression methodology using a 26-year time series study between 1991 to 2016 in Zimbabwe. His study revealed a negative impact of foreign aid on economic growth in the short run. The study further recommends that Zimbabwe ought to allocate the foreign aid received into revenue generating real sectors and in the short run not to rely on foreign aid. To the contrary, a study by Tadesse (2011) in Ethiopia concluded that between the years of 1970 and 2009, a positive correlation with economic growth was found. The study employed a multi-variate co-integration methodology utilising OLS. The

economic growth theory that underpinned the study was the Harrod-Domar model which is premised on the Keynesian economic growth theory.

Asongu & Jellal (2014) employed an extension of the endogenous growth model postulated by Barro (1990). Barro (1990) determined economic growth by the size of public expenditure. The extended model of Asongu & Jellal (2014) considers public expenditure to be composed of both taxes and foreign aid. Furthermore, contributing to the arguments made earlier, on foreign aid as an endogenous growth factor; they utilised the estimation model, namely, the two-stage least squares instrumental variable (2-stage LSIV). Asongu & Jellal (2014), like Burnside & Dollar (2000) considered foreign aid from a policy perspective, albeit fiscal policy. They examined the potential foreign aid has in stimulating private investment and fixed capital through fiscal policy formulation and mechanisms. Asongu & Jellal (2014) studied 53 African countries between the years of 1996 and 2010. They employed a 2SLS estimation technique on the linear regression. Their linear regression in the first stage took into consideration fiscal behaviour as the output and aid as a fiscal instrument. Their second stage regression considered investment as the output and fiscal behaviour and other control variables as the regressors. Their study found that there is empirical justification for utilising aid in stimulating private investment and fixed capital and that these two factors form a key element for economic growth. Asongu & Jellal (2014) provided two caveats for their study; first, that government expenditure should be taken into account as corrupt officials use government expenditure to channel illicit funds, and second, that aid is broken down into concessional loans and grants, as it helps narrow-down the true instrumentality of the aid components.

Eregha & Oziegbe (2016) performed a study that investigated the effects of ODA on GDP growth in SSA. While their study is quite close to the aim of this study, they investigated the volatility of foreign aid and its impact. However, they considered foreign aid in the form of ODA and its effect in different regions of SSA. They determined that aid had a positive and insignificant effect on East and West Africa and non-oil producing countries, but the effect was positive and significant for Southern and Central Africa and oil-producing countries. They recommended that good governance and an effective policy framework are required to make the best of the aid received.

Adedokun (2017) investigated the effect of foreign aid and governance on the economic growth for the period 1996 to 2012 for SSA by using the generalised methods of moments (GMM) as the estimation technique. The study primarily independently investigated the effect of foreign

aid on growth and then the complementary effect of governance on growth. The study concluded that 'one cap does not fit all' in SSA. In East and West Africa, associated with good governance, there was a higher effectiveness of aid on growth. However, in West and Central Africa the effectiveness of aid was limited. A rather interesting conclusion is that the size of foreign aid complemented by good governance (political factors contribute to this) played a role in making aid more effective.

Adusah-Poku (2016) approached the study in a unique form. This study identified four types of Foreign Capital Inflows (FCI), namely, remittances, FDI, foreign aid and foreign investment portfolio (Fambon, 2013; Orji, Uche, & Ilori, 2014). He asked the question - which form of FCI enhances economic growth in SSA? The empirical results from applying a time series cross country study using a panel data of 45 SSA countries from 1990 – 2010 indicated that foreign aid, FDI and personal remittances all contributed to economic growth in the long run. His study found that only personal remittances contributed to economic growth in the short run. This could be attributed to the nature and structure of remittances as they are directly injected into the recipient's income stream and are generally utilised immediately. Like most of the scholars Adusah-Poku (2016) recommended that FDI be targeted in its use to where the recipient country has a comparative advantage over its peers as this has far reaching benefits. Lastly, he also recommended that SSA governments implement sound fiscal and monetary policies aimed at macroeconomic stability.

To reiterate, the topic of foreign aid has been widely investigated with varying results. One of the differences shown in the studies was how countries are categorised for analysis. Alemu & Lee (2015) looked at the relationship between aid and economic growth, focusing on low-and middle-income countries in Africa. They studied the period of 15 years between 1995 – 2010 by employing a dynamic GMM. Their results supported their hypothesis that aid contributes to economic growth in low-income countries and not in middle-income countries. The stronger institutions and better management systems of macroeconomic conditions in middle-income countries led donors to giving smaller amounts of aid, thus causing middle-income countries to be more reliant on FDI (Alemu & Lee, 2015; Nwaogu & Ryan, 2015). This is because middle-income countries tended to benefit more from FDI, and revenue generated from larger exports. The middle-income countries also tended to benefit more from natural resources revenue. Conversely, by utilising Granger causality testing methodology, Tekin (2019) investigated the causality relationship amongst ODA, openness-to-trade and economic growth

in low-income countries and found that for some low-income countries (Chad, Madagascar, DRC, etc.), the coefficient of aid was negative, suggesting that foreign aid negatively impacts economic growth in those countries. Even by employing newly developed and better estimation techniques, there are still estimation limitations and issues to be addressed (Tekin, 2020).

A study that is better aligned to my research; like that of Burnside & Dollar (2000) is that of Cai, Zheng, Hu, Pray and& Shao (2018). They investigated whether international aid promoted growth in Africa. Their results concluded that international aid does indeed promote growth. However, aid's effectiveness is dependent on the countries' political stability. They also indicated that the quantum of aid also affects its effectiveness. Specifically, countries whose aid to GDP ratios were below 69% were found to benefit growth economically from aid more when the ratio was below 27%. The marginal impact on economic growth can be maximised and anything less did not adversely move the needle (Cai et al., 2018). They utilised an OLS two-way fixed effect estimator (county and time).

The causal relationship between EU aid inflows and GDP in Ghana, while controlling for corruption and openness-to-trade was found to be insufficient (Forson et al., 2015). EU aid and trade openness alone may not be sufficient to stimulate growth, but also institutional factors such as good governance (reduced corruption levels) may play a role in facilitating economic growth in Ghana. In the long-run, EU aid had a negative coefficient and did not stimulate economic growth (Forson et al., 2015). Their study has significant implications for the conjecture that corruption stifles growth in Ghana which can also be said for parts of SSA.

Gillanders (2016) explores the effect of aid in SSA by considering human and economic development. He applied the panel data through an estimated pooled OLS and found that his results were low in between aid pessimists' and optimists' arguments. Aid was found to stimulate economic growth but not in a substantive form. On the other element, aid was found to marginally contribute to the variables that proxied human development (Gillanders, 2016). The variables for human development that Gillanders (2016) used were growth rate and life expectancy as a proxy, and these responded well to aid shocks in democratic states. The data employed was for the SSA region, cutting across 31 countries between the years of 1973 – 2005.

Wamboye, Adekola & Sergi (2014) studied the effects of foreign aid, legal origin and economic growth in the least developed African states. Their study revealed that both quantity and quality

matter when it comes to growth-enhancing aid. Their study was different from other literature in that they considered the legal origins of the recipient countries. They found that aid is more likely to benefit former British colonies, regardless of the estimation model or the data sample used. They employed the systematic GMM estimation technique to over 16 variables looking at both the former British and French colonies. By carving out the legal origin, they found that only sustained aid above a certain threshold was beneficial to economic growth. To further summarise their findings, they can be broken down into three: (i) doubling the amount of bilateral foreign aid is not beneficial to the African least developed countries, regardless of their legal origin; (ii) the amount of multilateral foreign aid is beneficial only to states with British legal origin; and (iii) the growth-enhancing effects of foreign aid are more likely to be reflective in former British colonies, as opposed to French colonies, regardless of the data sample and estimation model specifications.

The above provides a summary of the literature examining the effects and impacts of foreign aid on economic growth with various other quantitative iterations. There is however other relevant (to a lesser extent) empirical literature that also puts into perspective the question of aid and institutional or political effects on economic growth or performance.

2.7. Influences of political-institutional variables on growth

Standard economic growth models, like those offered by neoclassical economic theory, do not consider political-institutional variables, such as political instability. However, Barro (1991) indicated that institutions have a critical role to play in the economic performance of countries and not only human capital and technology. By employing the theory of incentives and organisation, it was determined that elements of economic governance such as enforcement of contracts, oversight, and anti-corruption organisation are essential for achieving better economic growth and development in developing countries (Dixit, 2015). It is through these lenses that political factors such as democracy (specifically participatory democracy) and corruption will be interacted and tested against foreign aid, in determining the effect on economic performance these factors have.

A. Political stability and growth

Vijayakumar (2013) posited that without a well-structured government-administered policy framework, governments cannot make significant contributions to the economy. While his study focused on the nexus of poverty, employment and growth in forty-one countries in the

world, he acknowledged that the political landscape severely affected his econometric model. Some of these political factors include youth unrest, civil conflict, government corruption and lack of political freedom. There is a growing amount of literature that states that the refusal or lack of participation of the citizens in its economic and social activities, as well as the ignorance of population (particularly the poor) regarding political engagements affects economic growth.

On the other hand, while most argue that politics plays a role in the economic performance of a country, (Radu, 2015) found no evidence that political determinants contributed directly to economic growth during the period 1990 – 2010 in Central and Eastern European countries. She does, however, acknowledge that other economic factors do play a wider role in stimulating growth, while also acknowledging that this result could be unique to the Central and Eastern Europe region. The political variables considered were political freedom, political stability and political certainty.

A study by the IMF for the period of 1960 – 2004 covering 169 countries, determined that higher levels of political instability yielded lower per capita growth rates (Aisen & Veiga, 2011). They also found the transmission mechanism to be that political instability lowered productivity rates (hindering growth) and reduced human and physical capital. These studies were corroborated by Hussain (2014) from the World Bank and other academic scholars (Dixit, 2015; Omolara, 2019). It is with some degree of confidence that it can be said that politics does have a hand in how the economic landscape of the country is structured and whether it exhibits economic growth.

B. Democracy and growth

In this section, other literature relevant to the study are examined to illustrate and contextualise the fact that political factors that influence the political environment play a significant role in the effectiveness of aid. While the focus of this study is the role of civil society, which in itself is a feature of democracy, other studies considered other aspects of democracy and corruption. Brown (2005) explored foreign aid and democracy in Africa. He argued that because every actor in the democratisation process has different or competing commercial, economic and strategic interests, it is difficult for the underlying rationale to be aligned. He expressed that there are structural endogenous impediments to foreign aid and its conditionalities to be assessed in order to be effective in Africa and that foreign aid and conditionality alone cannot be used as a policy change instrument. He identified three broad factors that disable foreign aid

donors from making an impact on enhancing democracy in Africa, namely; lack of understanding, lack of commitment and other priorities.

Gibson et al., (2015) argued that when the World Bank switched to providing technical assistance (a specific form of aid), this reduced the amount of African incumbent's patronage resources driving them to bequeath political rights to the political opposition. They further argued that the greatest democratic transition point in African history came at a time when the World Bank increased their technical assistance from 20% (1970-1995) to 32% (1991-1995) (Gillanders, 2016; McMahon, 1997). Gillanders (2016) also found evidence that the composition of foreign aid has a role in Africa's democratic transition into Africa's Third Wave.

To make an example of the complexities when it comes to aid, consider the case of Mozambique. Manning & Malbrough (2012) found that building on the depth of relationships forged between donor countries and recipient countries during the wartime humanitarian emergency aid contributed to Mozambique's transition from war to peace. Foreign aid to Mozambique has had positive and negative effects. On the positive side, budgetary support in the form of aid helped Mozambique's exceptionally large donor pool to find common interest, and provided the basis for mutual accountability between donors and the government (Manning & Malbrough, 2012). On the negative side, almost all aid was targeted at one overarching goal which was poverty alleviation. The extent of support for democracy and governance was limited to poverty alleviation (the goal).

C. Corruption and growth

When it comes to corruption, the literature also varies. A study investigating 52 African countries from 1996 to 2010 found that foreign aid contributed to corruption (Asongu, 2012). Asongu (2012) found evidence that development assistance (aid) fuels corruption in Africa. He conducted the 2SLS instrumental variables model and the Systematic GMM to estimate the relationship between aid and corruption. The model included net ODA and control of corruption and corruption perception indexes as variables. His study contradicted the study by Okada & Samreth (2012) that found foreign aid to generally reduce corruption in developing nations.

Using panel data from 1986 – 2006, Charron (2010) illustrated that for the period from 1997 onwards, multilateral aid had a strong association with reduced corruption levels and that

bilateral aid had no significant effect. Pre-1997, higher levels of ODA were associated with higher levels or corruption (Charron, 2011). The relevance of 1997 is that most international organisations had acceded to the 'Anti-Corruption Movement', and it appeared as if the Anti-Corruption Movement played a role in curbing corruption at that time.

Efobi, Beecroft & Asongu (2019) sought to provide a clearer picture of the effects of foreign aid on corruption. They utilised data from the OECD, the World Bank and Freedom House datasets. They utilised the dynamic system GMM and quantile regressions to estimate the relationship between aid and corruption. Their results stated that foreign aid flows for the real development of economic infrastructure and multi-sector consistently curbed corruption. This was consistent across the entire African region. On the other hand, this result stands for both the entire sample, and foreign aid flows to debt relief and social infrastructure tended to induce corrupt practices in the sampled countries.

D. Aid, human capital (employment) and growth

To illustrate that human capital also plays a role in the aid-growth discourse, Fashina, Asaleye, Ogunjobi & Lawal (2018) investigated the link between aid and human capital in promoting economic growth in Nigeria. In their study, Fashina et al. (2018) concluded that increasing the flow of aid into Nigeria only affected growth in the short run. Arndt, Jones & Tarp (2006) considered the relationship between foreign aid and economic development in Mozambique from 1980 to 2004. From an employment perspective, their study found that while aid might have contributed to economic growth, investment in secondary school education played a key role in the increasing development. They argued that investment in education at secondary school level and beyond is critical to support the future of development and to meet the demands of modern technology. Furthermore, given the resource richness of the country, Arndt et al. (2006) say that Mozambique will need to develop its capacity to maximise the benefits from the natural resources. Building capacity to maximise the benefits derived from natural resources means investing in specific technical skills, building human capital and creating employment in the value chain.

Page & Shimeles (2015) argued that while Africa registered solid growth in GDP per capita in the two decades proceeding 2015, the worry is that the impact of said growth has not translated into employment growth. They argue that foreign aid has been partly responsible for high levels of unemployment as there was little to no evidence that aid was channelled to employment-

creating sectors. They found that larger amounts of aid went to countries with a lower level of employment creation pace and from an allocation perspective, aid was directed to support education and health. That finding supports the need for aid to be allocated to human capital building sectors and programmes.

2.8. Civil Societies as a Conduit of Growth in SSA

While there is no specific study that has explored the interaction between civil society consultations and foreign aid and their combined effect on economic growth, there are studies that have explored the effect of civil society engagement and CSO consultations on economic growth. In the northern areas of North America (including the USA and Canada), civic engagement through civil societies was found to have a net positive impact on economic growth during the period 1990 to 1995 (Mencken, Bader & Polson, 2006). Mencken et al. (2006) considered two main factors of civic engagement; the share of the population involved or engagement and civic association, and the number of civil society and associations per capita. Both of these factors had a positive significant effect on economic growth. This study employed a weighted least squares research methodology and their data sources included sources such as the '*1990 Encyclopaedia of Associations*' and church memberships among other sources. This further illustrates the need for a study like this, where the civil-society data used differs from existing studies, so as to provide a varying perspective.

O'Driscoll (2018) suggested that in authoritarian regimes, CSOs that are 'allowed' to exist are most likely to be ethnic and religious in nature. This is because such regimes are less likely to interfere with political processes and systems as their main interests are not concerned with holding the government or ruling regime accountable. As already alluded to, there are studies that investigate the role of CSOs in democracy and development (Asuelime, 2017; Ikelegbe, 2013; Omede & Bakare, 2014). There are also studies that have investigated the role of aid on economic growth, as discussed in section 2.6. Bringing all these principles together is the nuance that this study brings.

Harangozo, Csutora & Kocsis (2018) explored alternative routes that governments could pursue to address the sustainable development crisis. Their study indicated that in a negative growth environment where there is a decline in government revenue and productivity, there is a shift towards localisation and local actors tend to play a bigger role in the economy. This shift may in turn suggest the development of alternative economic growth pathways, such as introducing new economic activities which may in turn spur economic growth and resilience.

In addition to alternative economic growth paths, Mlambo (2020) investigated the role of civil societies in regional integration from an Afrocentric perspective.

From a societal and political perspective, civil societies are essential to the process of economic development, given that their representation comes from a diverse set of stakeholders and their fundamentals are underpinned by democratic representation, the rule of law, engagement and citizenship, and international cooperation (Mlambo, 2020; Straker, 2012). A factor that contributes to economic growth in SSA is regional integration (Ejones, Agbola & Mahmood, 2021; Vamvakidis, 1998) and civil-societies have an integral role to play in the regional integration process; and by so doing, contributing to economic growth.

Johnston & Blenkinsopp (2017) introduced a concept referred to as 'civic entrepreneurship', which involves the engagement of the state, businesses and civil society as actors for economic growth and public good. Johnston & Blenkinsopp (2017) further argued that in the context of the UK, where local entrepreneurship partnerships are created by these three actors, these partnerships serve as an economic growth accelerant. This is an alternative vehicle that could be utilised in the African context to stimulate economic growth. The warning for the creation of these partnerships is that CSOs should not lose their distinctiveness and their ethos of being the guardian of public good. Further extrapolating from the political-institutional variables which also include CSO consultation and its effects on foreign aid and economic growth, three hypotheses can be made: the null hypothesis, being that foreign aid has no effect on economic performance; the first alternative hypothesis - that foreign aid has a positive effect on economic performance, regardless of the CSO consultation. The second alternative hypothesis, being that foreign aid has a positive effect on economic performance, only when CSO consultation processes are conducive to it.

2.9. Conclusion

According to Nastios (n.d.) said "efforts to improve donor quality by strengthening performance feedback can undermine efforts to improve recipient quality" (Howes, 2014). This statement is particularly important and frames the literature review examined in this chapter. In order to comprehend Nastios's statement, this chapter began by providing the fundamentals of economic growth models which are utilised in the econometric analysis. Thereafter, a historical account of Africa's democratisation history was provided in the context of development aid. These two factors have been studied in-depth, but the layer of complexity and innovation that this study brings is highlighted by the introduction of civil societies. The

literature review then proceeded to provide a background on CSOs and their role in development in SSA, citing some relevant examples. Lastly, the study reviewed the empirical literature on the effects of foreign aid on economic growth and other socio-political factors such as democracy, corruption and mainly civil society organisations.

Considering the various model formulation (discussed in sections 2.6 and 2.7), estimation techniques, conditioning effects and underpinning theoretical frameworks, this study employs a more socio-political model, utilising the most recent and innovative data set in adding to the foreign aid debate. This study addresses the literature gap in several forms; firstly, by utilising the most recent data set over a prolonged period, secondly, utilising a new dataset from V-Dem that has not been extensively used in studies of this nature, lastly, the theoretical lens employed is from a political economy of development and not from a purely economic perspective as most studies have explored it. Section 2.4.1 and 2.4.2 also illustrated how the foreign aid topic is a complex web of entangled theories and ideologies spanning across many socioeconomic and socio-political factors.

Although the socio-economic and political landscape to understand this study is complex, this chapter examined the literature both through a theoretical and conceptual lens and from an empirical literature review lens, to ensure that the knowledge gap is clearly identified, and that gap was found to be the involvement of CSO in the aid-growth debate. This study adds further nuance to the existing aid-growth debate by presenting civil society consultation as a crucial feature in understanding aid's effectiveness. The following chapter presents the methodology that was utilised in answering the hypotheses.

CHAPTER 3. Methodology

3.1. Introduction

This study adopts a post-positivist paradigm and employs a quantitative econometric strategy to estimate the conditioning effect of politics (more specifically, CSO consultation) on how foreign aid affects economic performance in SSA for the period 1960 to 2018, where economic performance is measured as GDP per capita growth rate. The post-positivist approach acknowledges that not everything is knowable and that social settings involving humans are complex. Therefore, the central aspect of post-positivism assumes that 'reality' can be examined probabilistically (Krauss, 2005).

Apuke (2017) stated that quantitative research deals with analysing quantifiable variables in order to answer the research question. Furthermore, enlarging on the definitions of quantitative research by Aliaga & Gunderson (2006) and Leedy & Ormrod (2001) describe quantitative research as the process of explaining a phenomenon through the gathering of numerical data and analysing it with the aid of mathematical and statistical tools. For the purposes of this study, the key phenomena under investigation are foreign aid, economic performance and CSO consultation. Therefore, a suitable research method is time-series cross-sectional quantitative analysis. A justification for the use of this research strategy is based on the empirical literature discussed in the review. The reviews illustrate that a quantitative research method is suitable in determining the statistical relationship of foreign aid to various economic growth and performance factors, at a macro-economic level. The research design that this study utilises is cross-nationally comparative between the countries in the SSA region.

The literature also shows that the different quantitative processes utilised affects the result yielded. Varying methods on the estimation technique, research design, period considered, regressors and control variables. This has led to the mixed results established in the literature on the actual effects of foreign aid on the economy. Therefore, in order to validate the results from this study, various robustness tests are conducted to ensure that the different techniques do not yield substantially varying results. Quantitative analysis is also the best research method when the objective is to test a specific hypothesis, to explain and describe research objectives, and lastly to isolate causal effects (Johnson & Christensen, 2014).

In an attempt to adequately answer the research question – how CSO consultation processes condition the effects of foreign aid on the economic performance of economies in Sub-Saharan Africa—the study employs time series cross-sectional analysis of data from 41 countries for the period 1960 to 2018. Synthesising from the literature reviewed, six possible hypotheses can be deduced. One, foreign aid has no effect on economic growth. Farah et al. (2018) demonstrated this in the case of Ethiopia.

Two, foreign aid has a positive effect on economic growth. Alemu (2017) tentatively proved this in the case of low-income African countries.

Three, foreign aid has a negative effect on economic growth. Leshoro (2013) employed a conditional unrestricted error correction model for South Africa during the period 1980 to 2009 and determined that aid had a negative effect on growth in both the short and long run. While there are no direct studies conducted on the conditioning effects of CSO consultation on aid-growth nexus, some hypotheses are implied in some literature and therefore inferred to this study.

Four, CSO consultation has no conditioning effect on the impact of foreign aid on economic growth. Five, CSO consultation has a negative conditioning effect on the impact of foreign aid on economic growth. Obuka et al. (2021) posit that in the Nigerian extractive industry, civil societies have had negative to no effect on the development of the sector.

Lastly, CSO consultation has a positive conditioning effect on the impact of foreign aid on economic growth. Mlambo (2020) drew from the Organisation of African Unity (OAU) that was established in 1963. He argued that civil societies (such as the African Economic Community and the New Partnership for Africa's Development) played a role in regional integration. He then argued that regional integration stimulated development and economic growth on the continent.

This study argues that certain political conditions enable foreign aid to contribute to the economic performance of a country or region. This study is based on the argument emanated from Burnside & Dollar (2020) who state that good policies and fiscal monetary and trade policies enabled foreign aid to contribute to economic growth. This study's modified stance is therefore that foreign aid conditioned by CSO consultation and consultative policy making allows for a positive contribution to economic performance.

3.2. Data Description

3.2.1. Data sources

This quantitative research study employed secondary data drawn from available statistical databases such as the Varieties of Democracy (V-Dem) (Coppedge et al., 2020) and the World Development Indicators (WDI) (World Bank, 2020c). These sources together form the basis of the study's economic and political data. These data sources recorded statistical data on an annual frequency, and this is the frequency used throughout the study.

The data comprised foreign aid variables from 1960 to 2018. The data frequency will be on an annual basis. The universe of potential variables that could be utilised consists of a wide array of macroeconomic statistical data that is used for measuring economic growth and political factors. The key variables forming the base model comprised three variables that measure foreign aid, economic development (in the form of GDP growth), and a socio-political factor (CSO consultation). Several variables were of interest for this study. However, to develop a robust and functional model, the variables were narrowed down by testing and then filtered down to the variables of interest, as listed in Table 1. The V-Dem data comprised data for 202 countries dating back to 1789, on a variety of democracy principles, namely, liberal, participatory, deliberative and egalitarian (V-Dem Institute, 2021). The data utilised for this study consisted of 41 sub-Saharan Africa countries as per ‘

Appendix A: Countries under study (Regional Classification)’ for a period of 59 years from 1960 to 2018. While there are alternative data sources, the V-Dem data and the WDI data sources provided a centralised and structured data presentation that could be easily utilised in statistical software for in-depth analysis.

The WDI is compiled on the basis of data reported by organisations and governments on a bilateral and multilateral basis. The data collection and compilation process is managed by the Development Data Group and the quality of the data is dependent on how well the national systems perform at an individual level. The main source is data supplied by individual countries and various organisations.

A. V-Dem data collection process

Political and democratic factors are not easily measured. Unlike some other kinds of data, political and democratic features are not directly observable (Coppedge et al., 2020) and therefore require sophisticated collection techniques. According to Coppedge et al. (2020),

there is no general consensus on what democracy means and their democracy principles are guided by six main principles, namely; electoral, liberal, participatory, deliberative, egalitarian, majoritarian and consensual. The V-Dem data is coded by over 3,000 country experts. These experts provide judgement on different concepts and cases, depending on the observation being measured. To reduce the biases, the observations were derived from a minimum of five experts. Coppedge et al. (2020) addressed possible expert-coded data concerns by employing the Bayesian Item-Response Theory (IRT) estimation strategy, which was developed by Marquardt & Pemstein (2018). In social-scientific settings, data is often collected using multiple experts. However, the responses of the experts vary depending on the interpretation, experience and expertise of the experts and therefore the mean of their responses yields inaccurate statistics. The model developed by Marquardt & Pemstein (2018), the IRT, takes into account expert disagreements when aggregating the data produced by the experts.

Marquardt, Pemstein, Seim, & Wang (2019) also investigated the reliability of experts (in the V-Dem methodology context) when collecting data in the socio-political context. They concluded that expert-coded data that have been aggregated by the IRT estimation strategy are reliable in the context of cross-national panel. They also concluded by stating that the IRT models are safe to use for aggregating expert coded data. This therefore justifies the use for the V-Dem data for the political and democracy variable for the purpose of this study.

B. Expert-Coded Data Limitation

As discussed in the previous sub-chapter, not all features of society and politics can be visually or quantitatively measured, and a large portion of the variables utilised in Equation 4 is derived from non-observable features of politics, society and democracy. The data was sourced from V-Dem (explained earlier), where most variables are expert-coded. A key limitation of expert-coded variables is the comparability across time and space (Coppedge et al., 2020). In the context of this study, the experts who coded in the data in Mozambique may have different experiences and expertise from that of the experts who coded the same variable for Rwanda and this poses a bias. Given that the use of expert-coded data is common in the field of political economy there are models developed to reduce the concerns around expert-coded data, one specific model utilised by V-Dem is the Bayesian Item-Response Theory estimation strategy.

The Bayesian Item-Response estimation strategy is used to convert ordinal responses provided by the experts into continuous estimates, which can easily be used for analysis. The fundamental logic underpinning these models is that an unobserved trait exists (or personalities

and inherent character). The model takes these traits (in V-Dem's case, expert ratings) together, and the trait is then quantified. The dataset is then presented with a best estimate of the value for an observation as well as an estimate of uncertainty (Coppedge et al., 2020). A combination of the Item response theory (IRT) models, which involves a class of mathematical models used to predict an expert's response and characteristic is combined with the Bayesian analysis, using Bayes' Theorem, taking into account a respondent's set of beliefs and how the parameters measured are affected (Baldwin, 2011; Leventhal & Stone, 2018; Natesan, 2011). Therefore, the potential bias (available in normal response theory) is therefore adequately mitigated by employing the discussed estimation strategy.

3.2.2. Variables

To fully appreciate the model specified for this analysis, this study first provides the specification of the model, followed by the descriptive statistics of the variables employed, after which the model is specified. Twelve distinct variables are specified.

A. Dependent variable

There is still a wide debate on the best way to measure economic activity and this was adequately captured by Davidson (see Davidson, 2001 for an overview). This debate is however suppressed as acceptable measures of economic activities have been broadly agreed; demonstrated by the large number of studies that use the same sources of: the WDI, International Financial Statistics, Penn World Table (Chughtai, Malik, & Aftab, 2015; Cracolici, Cuffaro, & Nijkamp, 2010). Chughtai et al. (2015) quantitatively examined the measurement of economic, social and environmental performance and determined that GDP is in fact a good proxy for economic growth and a basic condition for assessing social performance. This justifies the use of GDP as a good proxy for economic performance.

The dependent variable used to measure economic performance is GDP per capita growth rate. The GDP per capita growth rate represents the year-on-year increase on GDP. A negative GDP growth rate denotes a contraction of the economic performance of a country in any given year. A positive GDP growth rate denotes an expansion of the country's economic production in any given year. The variable is denoted as a percentage.

As far as the economic growth variable is concerned, contemporary economists and political analysts widely use GDP and GNP as their measure of economic growth. GDP measures the total productivity in the form of goods and services produced by a country in a given time

period (Intelligent Economist, 2019). This study uses GDP as a measure of economic performance in line with various literature. This is also supported by Nwaogu & Ryan (2015), Burnside & Dollar (2000) and Easterly's (2003) study on capital inflows (aid, FDI or any other economic factor) and economic growth in developing countries. Emerging economies in SSA have witnessed an average growth of circa 5%-6% per annum, which in comparison, is significantly higher than what developed markets experience. Therefore, generally, GDP growth rate as a dependent variable is well-investigated and commonly used as a measure of economic performance (Adedokun, 2017; Ajide & Eregha, 2015; Asongu, 2012; Cracolici et al., 2010; Leshoro, 2013). Although, with caution, a variation of the dependent variable is used as an independent variable. The variation is the lagged GDP per capita growth rate. In time-series analysis, econometricians are aware of the critical dependence between cause and effect (Coen, Gomme, & Kendall, 1969). Coen et al. (1969) stated that in econometric systems, there is probably auto-correlation between present observations and previous observations. There is therefore a need for the introduction of lagged variables. Lagged variables, mathematically, refer to current value of GDP growth rate as a regressor, being dependent on the previous value of the GDP growth rate. The introduction of the lagged variables solves for serial regression and 'true dependence' where the effect is only observable after a certain time (Honoré & Kyriazidou, 2000; Yaffee & Lu, 2003). The use of lagged GDP growth rate is standard practice in several TSCS studies. It has been used by Adedokun (2017), Burnside & Dollar (2000), and Gillanders, 2016) in the aid-growth studies; and a lot more scholars utilise lagged variables in broader TSCS econometric analysis.

B. Independent variables

One of the main independent variable is foreign aid (AID), also referred to as Net Official Development Assistance, the data is sourced from WDI and refers to the disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies, by multilateral institutions, and by other states, to promote economic development and welfare in countries and territories.

It includes loans with a grant element of at least 25 percent (World Bank, 2020). Net official aid refers to aid flows (net of repayments) from official donors to countries and territories. Data is denoted in current U.S. dollars. The model defines the variable AID as the Net Official Development Assistance as a percentage of the GDP of the same period, as utilised by Leshoro (2013) and others. The other main independent variable is Civil Society Organisation

consultation as sourced from V-Dem. The development of this variable applied the IRT estimation strategy by converting the data from ordinal (i.e., 0, 1 or 2) into continuous estimates, as described statistically in Table 1. The definition of CSOs by Bernhard et al. (2015) is consistent with the definition by Odeh (2012), as described in the literature. CSOs are an important concept in political economy and different political regimes utilise CSOs to varying degrees, and their impact varies, depending on the CSOs make-up, function and interests. The existence of CSOs is not a sufficient feature for the presence of democracy, as CSOs are compatible with both democratic and authoritarian political systems (Bernhard et al., 2015). The extent to which they are utilised or given a voice is important. The underpinning democratic principles, as outlined by Coppedge et al. (2020) that justify the selection of this as the main independent variable as a proxy for 'democracy and politics' is the participatory and deliberative core values of democracy. A variation of this variable is the interaction between CSO consultation and foreign aid.

C. Control variables

In addition to the independent variables, the analysis included seven control variables, First, trade is utilised as a control variable in the specified model. According to the World Development Indicators (2020), the trade variable is measured as the sum of exports and imports of goods and services, measured as a share of GDP.

Second, the political corruption index is a variable developed by aggregating public sector corruption, executive corruption, legislative corruption and judicial corruption and is sourced from the V-Dem Dataset. It taps into several 'types' of corruption such as 'petty' and 'grand' corruption, bribery and theft, and lastly, corruption aimed at influencing law-making and implementation (Coppedge et al., 2020; McMann, Pemstein, Seim, Teorell, & Lindberg, 2016).

The variable answers the following question: *How pervasive is political corruption?* The variable is scaled from 0 to 1, with 0 being the lowest. This variable was selected as it comprehensively encompasses various types of political corruption that can influence the ability or inability of aid to contribute to economic performance. Other studies that have examined the effects of corruption on foreign aid, or vice-versa, include Asongu (2012); Asongu & Jellal (2014); Efobi et al. (2019) and Okada & Samreth (2012). The selection of this variable as a control variable is justified in that corruption plays a role in the effectiveness or ineffectiveness of foreign aid and in the stimulation of economic growth.

Third, the accountability index is sourced from the V-Dem dataset and seeks to answer the following question, *To what extent is the ideal of government accountability achieved?* Asongu & Nwachukwu (2017a) and Burnside & Dollar (2000) argued that good governance is required for foreign aid to be effective and for economic development to be achieved. Government accountability is a crucial cornerstone in achieving good governance and therefore understanding the extent to which Government is accountable in SSA explains the effect of foreign aid on economic performance. Government accountability is defined as the constraints placed on the government's use of political power (Lührmann, Marquardt, & Mechkova, 2017). The accountability index captures the extent to which governments are accountable to other state institutions (horizontal accountability); to citizens (vertical accountability); and the media and civil society (diagonal accountability).

The inclusion of this variable as a control variable is underpinned by the definition of democracy by Schmitter & Karl (1991) expressed as a "*system of governance in which rulers are held accountable for their actions in the public realm by citizens, acting indirectly through the competition and cooperation of their elected representatives*". Based on this definition, government accountability is closely linked to democracy and can (or cannot) provide an environment that is conducive for foreign aid to be effective. The multi-directional relationships of the accountability variable between all the society actors are illustrated in Figure 2.

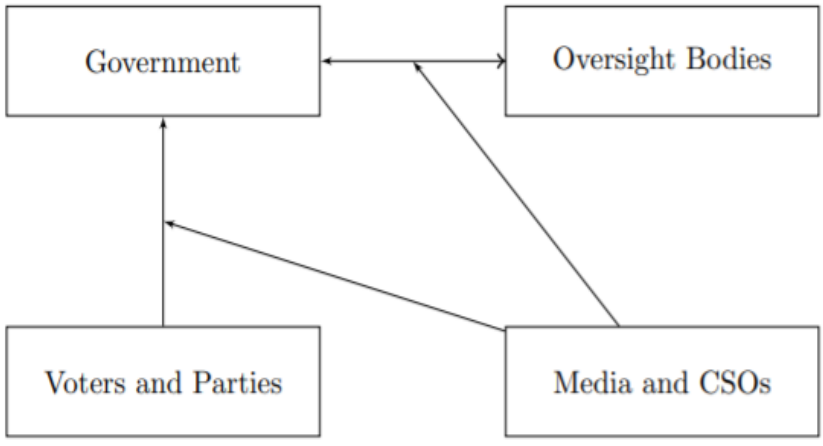


Figure 1: Direction of government accountability relationships

Reprinted From "Constraining Governments: New Indices of Vertical, Horizontal and Diagonal Accountability" by Lührmann et al., 2017, *Social Science Research Network,* 9. Copyright 2017 by Lührmann et al.

Fourth, Bratton & Walle (1997) and Sigman & Lindberg (2017) defined a neopatrimonial regime as that which includes presidentialism, clientelism and the use of state or public resources for personal gains. The three factors captured by the variable are clientelism, presidentialism and regime corruption. The measurement of this variable seeks to answer the question, *To what extent is rule based on personal authority*?

The variable is scaled from 0 to 1, with 1 being the most 'neopatrimonial' countries. Neopatrimonialism has been synonymous with Africa and therefore, the selection of this variable as a control variable is justified. Given that neopatrimonialism measurement varies significantly in SSA, it is interesting to see how it plays a role in the specified model and whether it is statistically significant to economic growth. The variable is sourced from the V-Dem dataset.

Fifth, the equal distribution of resources index variable measures; *How equal is the distribution of resources?* This index was selected as a control variable because lower poverty rates and fair distribution of food, housing, education, water and healthcare ensures that the citizens are able to participate in politics and government (Sigman & Lindberg, 2015). To achieve political equality there is a need for more equal distribution of resources across social groups (race, gender, political affiliation, etc.) (Berman, 2006; Sigman & Lindberg, 2015).

The equal distribution of resources variable is based on the core democracy value of egalitarian democracy that stipulates the level of inequality and inhibits the use of formal political rights and liberties (Coppedge et al., 2020). In the context of this study, this variable plays a role in determining the extent to which resources are equally distributed in SSA and whether countries with better distributed resources fared better with respect to economic growth. The variable is denoted on a scale from 0 to 1, 1 being countries with higher levels of resource distribution.

Sixth, the educational equality variable seeks to answer the following question: To what extent is high quality basic education guaranteed to all, sufficient to enable them to exercise their basic rights as adult citizens?

The responses are based on how equal access to education is, with responses ranging from 0 to 4, with 0 being that high quality education is extremely unequal and 4 being that high quality education is very equal (Coppedge et al., 2020; Pemstein et al., 2019). The measurement scale for this is based on ordinal, which was converted by the Bayesian IRT into a scale, as illustrated in Table 1.

The data was sourced from the V-Dem dataset. Sauer & Zagler (2014) investigated the relationship between education inequality (or the level of distribution of education) and economic growth. Their study applied the GMM estimator to a panel of 134 countries for the period from 1950 to 2005 (55 years) and determined that high inequality in the distribution of education yielded depressed macroeconomic returns. Their results also indicated that in countries with a high level of education inequality, education played a role in economic growth and therefore in the SSA context, the hypothesis is that education will play a role in the countries' economic performance, given the higher education inequality in the region.

Seventh, the health equality variable was derived from answering the following question: *To what extent is high quality basic healthcare guaranteed to all, sufficient to enable them to exercise their basic political rights as adult citizens*? The responses to the question based on how equal access to health is, ranging from 0 to 4, with 0 being that health quality is extremely poor and unequal and 4 being that basic health care is generally equal, with less than five percent of the citizens being completely unable to exercise their basic political rights.

This variable was selected as a control variable because good basic healthcare is required for economic development, and this can be illustrated physically. The more the population is sick and unable to participate in economic activities the more they are unable to contribute to the total production of the country and unable to generate income for themselves and their families. This can be an explanatory factor on how SSA economic growth fares and therefore the selection of this variable as a control variable is justified.

3.2.3. Descriptive statistics

Table 1 shows the descriptive statistics of the variables utilised in the main specified model. The variables in Table 1 are highly volatile with the standard deviation ranging from 1 to 0.088. The most notable is civil society organisations consulted by policy makers, which has a standard deviation of up to 1.2x meaning that the extent to which CSOs are consulted varies widely across jurisdictions.

GDP growth rate varies from a contraction of 94.2% per annum to an expansion of over 100% per annum. An interesting fact is that, based on SSA data from 1960 to 2018, no country has ever grown their economy by more than 110% per annum. This is expected, as economic growth is not an easy task to achieve for policy makers.

Table 1: Descriptive Statistics of Variables

Variable	N	Mean	Std. dev.	Min.	Median	Max.
gdp_growth_rate	2,108	0.013	0.088	-0.942	0.011	1.007
AID_GDP	1,986	0.096	0.099	-0.002	0.069	0.944
electoral_democracy	2,319	0.309	0.196	0.014	0.247	0.842
political_corruption	2,339	0.619	0.224	0.056	0.636	0.974
trade	1,954	0.638	0.321	0.063	0.567	3.114
Govt_accountability	2,339	-0.013	0.777	-1.948	-0.086	1.611
Neopatrimonial_index	2,339	0.629	0.225	0.12	0.668	0.979
Equal_distribution_resources	2,339	0.37	0.198	0.034	0.353	0.928
educational_equality	2,339	-0.705	1	-3.209	-0.778	2.31
health_equality	2,339	-0.772	0.966	-2.89	-0.874	2.51
civil_participation	2,339	0.515	0.259	0.031	0.52	0.961
civil_society_consulted	2,339	-0.024	1.199	-2.215	-0.125	3.207
gdp_growth_rate_t-1	2,108	0.013	0.088	-0.942	0.011	1.007
AID_GDP_t-1	1,986	0.096	0.099	-0.002	0.069	0.944
trade_t-1	1,918	0.637	0.322	0.063	0.566	3.114
AID_GDP_t-1:civil_society_consulted	1,986	0.011	0.168	-1.241	0.004	1.282

Note: t-1 = 1 year lag of the specified variable. The other variables are as described in Section 3.2.2. AID_GDP_t-1:civil_society_consulted is the interaction variable between Foreign aid and CSO consultation. Source: Author's representation from data

Furthermore, according to the data shown in Table 1 the mean GDP per capita growth rate for SSA in 58 years is 1.3%, which when compared to the average for the region in 2018 was a

contraction of 0.3% (World Bank, 2020a). The highest single point in time GDP per capita growth experienced by the region in the period under study was in 1970, where the GDP per capita growth rate maxed at 7.164% (World Bank, 2020a). Figure 2 shows how the GDP growth rate has evolved over the period of 1960 to 2018. The linear equation trendline shows that generally, in the SSA region, there is positive growth, as shown by the positive coefficient of 0.0003.

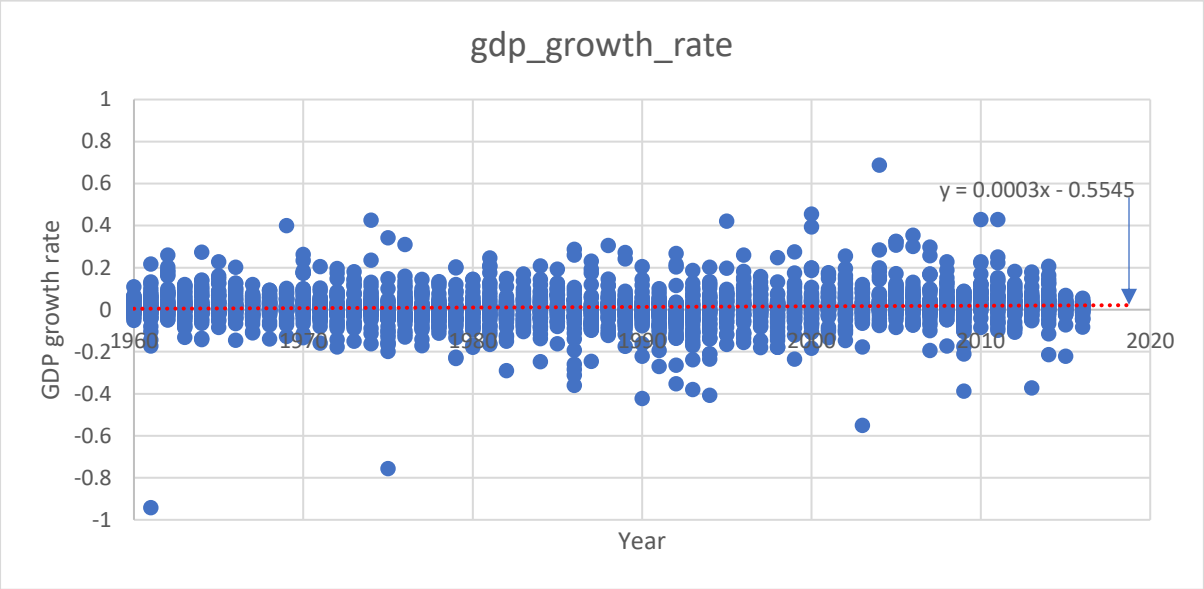


Figure 2: GDP growth rate over time

Source: Author's representation adapted from World Bank (2020a)

The AID_GDP variable has an effective minimum of 0, meaning that the region is generally a net recipient of aid region for the period under study; and a maximum of 0.944 which represents that almost 94.4% of Rwanda's GDP was financed by foreign aid. On the contrary, the lowest foreign aid recipient in SSA is South Africa, with its maximum foreign aid as a share of GDP being 0.447%.

Figure 3 shows the dispersion of the AID variable over time. It can be deduced that from the period of 1970s to the mid-1990s, there was a significant growth in the allocation of foreign aid. Looking at the line equation of the trendline (y = 0.0004x – 0.6557), foreign aid has been on a slight increase over the period under study. This further substantiates the arguments made in chapter 2.4.1. With regard to the CSO consultation variable, the most CSO consultative state in SSA is Gabon, scoring 3.207 in 2017.

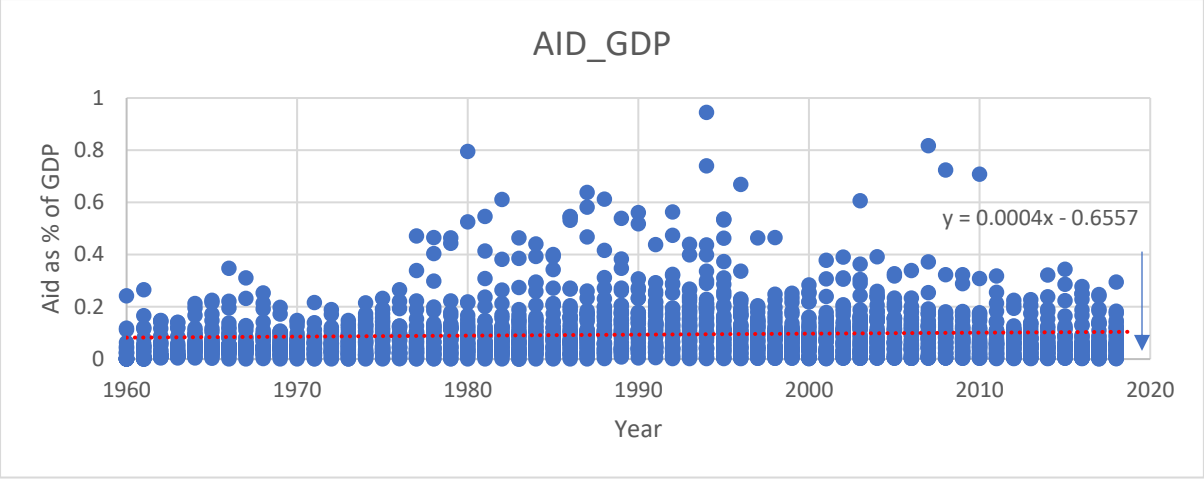


Figure 3: Aid/GDP over time

Source: Author's representation adapted from World Bank (2020c)

Figure 4 and Figure 5 show the histogram of GDP per capita growth rate and AID_GDP variables. The GDP growth rate is classified visually as a normal distribution with the mean being almost 1.3% growth per annum. Most of the distribution is in the +/- 10% range. The AID_GDP histogram, as expected, is a positively skewed histogram as aid normally represents a percentage of GDP and most of the AID is at approximately 20% of GDP.

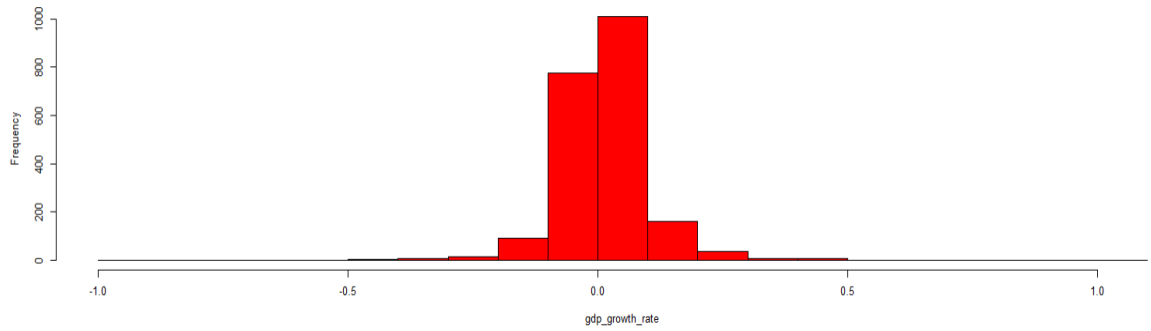


Figure 4: Growth Rate histogram (Source: Author's representation)

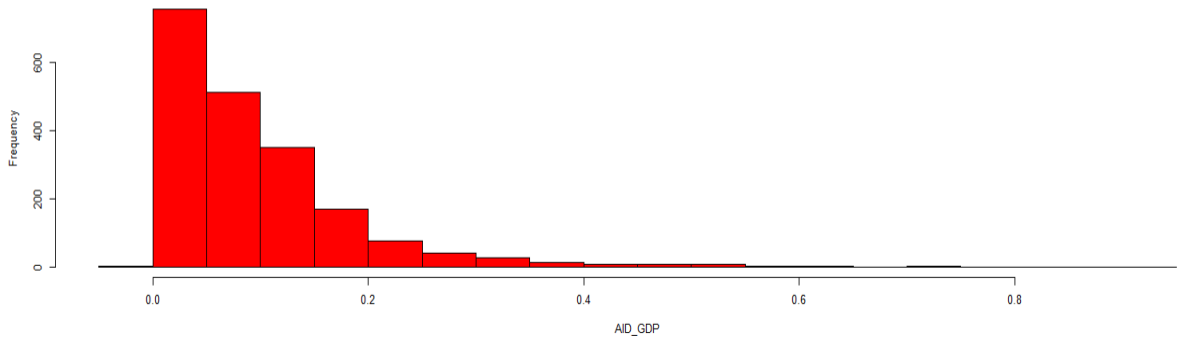


Figure 5: AID histogram (Author's representation)

3.3. Econometric Model

3.3.1. Base model

The simplified version of Burnside & Dollar's (2000) main econometric model is shown in Equation 2. Equation 2 forms the basis of the econometric model developed for the purposes of this study.

Equation 2: Simple Burnside & Dollar (2000) econometric model

$$g_{it} = y_{it}\beta_y + p'\beta_p + a_{it}p_{it}\beta_1 + \varepsilon_{it}^{g}$$

In the model above, *i* indexes countries, *t* indexes time, g_{it} is per capita real GDP growth, y_{it} is the logarithm of initial real per capita GDP, a_{it} is aid receipts relative to GDP, and p_{it} is a vector of policies that affect growth. Their model also takes into account other exogenous variables that might affect growth and the allocation of aid. Furthermore, to account for the impact of business cycles, their model included fixed-time effects.

In order to further specify the econometric model, a series of tests are conducted. The tests determine whether the model is specified as a fixed effect or random effect model, if there is serial correlation, a test for heteroskedasticity, a test for time effects and a test for cross-sectional dependency.

A. Fixed Effects vs Random Effects Model

The Hausman test was conducted to determine if the appropriate model is a Fixed Effects Model (FEM) or a Random Effects Model (REM) (Greene, 2008). The Hausman test has the following null hypothesis:

H_0: The preferred model is the REM.

According to Greene (2008), the Hausman test tests whether the unique errors are correlated to the regressors. The test runs the fixed effects model, saves the estimate and runs the same process for the random test. The results of the Hausman test are illustrated below:

Table 2: Hausman Test Results

Item	Value
chisq	127.62
df	12
p-value	< 2.2e-16

Based on the Hausman test, the p-value is less than 0.05. Therefore, the null hypothesis can be rejected; and the appropriate model to run is the Fixed Effects Model.

B. Test for Serial Correlation

The Breusch-Godfrey test was utilised to determine serial correlation at any order (Wooldridge, 2012). Williams (2015) defines serial correlation as the state when error terms from different time periods are correlated. Simply put, this means that the error in any particular year is carried on to the next year and future periods. This error becomes more prevalent in panel data such as the set of data used in this study. The null hypothesis is therefore stated as:

H_0: There is no serial correlation.

The original regression model for this study is shown in Equation 3 before it was adjusted for serial correlation.

Equation 3: Mis-specified Econometric Model

$$GDP\ growth\ rate = GDP\ growth\ rate\ + AID * electoral\ democracy + trade + political\ corruption + government\ accountability + neopatrimonial\ index + equal\ distribution\ of\ resources + clean\ elections + legislature\ corruption + education\ equality + health\ equiality + executive\ corruption + regime\ courruption + civil\ participation + TFE + CFE$$

TFE and CFE represent the time and country fixed effects estimator, respectively. The Breusch-Godfrey test of the above model is shown in Table 3.

Table 3: Breusch-Godfrey test (Mis-specified Model)

Item	Value
LM test	11.979
df	1
p-value	0.0005381

Based on the p-value above of less than 0.05, the null hypothesis is rejected, and the model displayed in Equation 3 was mis-specified with serial correlation in the first order. The model was therefore respecified, and the serial correlation was addressed by the introduction of lagged variables. The Breusch-Godfrey test was re-run on Equation 4 and the results shown in:

Table 4: Breusch-Godfrey test (Main Model)

Item	Value
LM test	1.75
df	1
p-value	0.1859

Based on Table 4, the p-value > 0.05, therefore the null hypothesis can be accepted, therefore, there is no serial correlation in the main econometric model utilised for this study.

C. Test for Stationarity

The test for unit roots or stationarity was conducted using the Dickey-Fuller test and the Augmented Dickey-Fuller test. The availability of unit root indicates that the systematic pattern is unpredictable. The null hypothesis, H_0 for the test is that the series has a unit root test. The series is non-stationary. The results of the Augmented Dickey-Fuller test is shown in Table 5.

Table 5: Augmented Dickey-Fuller test

Item	Value
Dickey-Fuller	-6.6803
lag order	0
p-value	0.01

The p-value is less than 0.05, therefore the null hypothesis is rejected, and the time series has no unit roots.

D. Test for Heteroskedasticity

The test conducted for heteroskedasticity is the Breusch-Pagan test, which states that its null hypothesis is that the model has homoskedasticity (Breusch & Pagan, 1980).

Table 6: Test for Heteroskedasticity

Item	Value
BP	321.03
df	104
p-value	<2.2e-16

Based on the results in Table 6, the p-value is less than 0.05. Therefore, the null hypothesis is rejected and there is heteroskedasticity. Given that there is a presence of heteroskedasticity in the fixed effects model, it is important to control for heteroskedasticity while calculating the

robust covariance matrix (Kleiber & Zeileis, 2008; Yoon & Galvao, 2020). Table 7 shows the covariance matrix of the coefficients of the model and the variables that are statistically significant are consistent with the main model results illustrated in Table 11. The key variables such as foreign aid and the interaction between foreign aid and CSO consultation are both statistically significant (and have a similar influence) in the heteroskedasticity controlled coefficients. Other significant variables in the main model such as trade, equal distribution of resources and education equality are also significant in the heteroskedasticity controlled coefficients matrix.

Table 7: Controlling for heteroskedasticity: Robust covariance matrix estimation

Heteroskedasticity-consistent covariance estimator	**Original Coefficient**	**Arellano**
gdp_growth_rate_t-1	-0.04	-0.04
	(0.02)	(0.05)
AID_GDP_t-1	0.09**	0.09*
	(0.03)	(0.04)
civil_society_consulted	0.00	0.00
	(0.01)	(0.01)
trade_t-1	0.03**	0.03*
	(0.01)	(0.01)
political_corruption	0.01	0.01
	(0.03)	(0.02)
Govt_accountability	-0.01	-0.01
	(0.01)	(0.01)
Neopatrimonial_index	-0.04	-0.04
	(0.04)	(0.04)
Equal_distribution_resources	0.15*	0.15*
	(0.08)	(0.06)
educational_equality	-0.02**	-0.02**
	(0.01)	(0.01)
health_equality	-0.01	-0.01
	(0.01)	(0.01)
civil_participation	0.03	0.03
	(0.03)	(0.04)
AID_GDP_t-1:civil_society_consulted	-0.06*	-0.06*
	(0.03)	(0.02)

***p < 0.001; **p < 0.01; *p < 0.05

E. Test for time-fixed effects

The test for time-effect estimator was the Lagrange Multiplier Test -time effects (Breusch-Pagan). This test indicates whether a time-effect estimator is required. The null hypothesis states that the model does not need time-fixed effects (Breusch & Pagan, 1980).

Table 8: Lagrange Multiplier Test -time effects (Breusch-Pagan),

Item	Value
chisq	67.828
df	1
p-value	2.2e-16

The p-value < 0.05, therefore the null hypothesis is rejected and there is a need for time-fixed effects.

F. Test for Cross-Sectional Dependence

According to Baltagi (2011) and Hoechle (2007), panel data with long time series present correlation across entities (in this study, across countries) and there is therefore a need for cross-sectional dependence correction by the introduction of country-fixed effects. The test conducted to test for cross-sectional dependence was the Breusch-Pagan Lagrange Multiplier test. The null hypothesis states:

H_0: The residuals across entities are not correlated.

Table 9: Breusch-Pagan Lagrange Multiplier test (Cross-sectional Dependence test)

Item	Value
chisq	982.36
df	741
p-value	5.595e-09

The results shown in Table 9 show that the p-value is less than 0.05, and therefore, the null hypothesis can be rejected, and the model has cross-sectional dependence and therefore requires country-fixed effects estimators. The above tests inform the model specified in the next section.

3.3.2. Model Specification

Earlier, this study stated that the study is premised on an econometric model by Burnside & Dollar (2000). Burnside & Dollar (2000), from an econometric perspective, utilises a linear regression model with the Ordinary Least Squares (OLS) and the 2 Stage Least Squares (2SLS) as the estimation technique. The 2SLS is an estimation technique that is used to analyse econometric models with endogeneity and is utilised to provide consistent estimates of a regression in an uncontrolled environment, where other factors may be correlated to a regressor or error term (Wooldridge, 2012).

The study employs a time-series cross-sectional (panel data) regression analysis model. The analytical empirical model that forms the basis on which the research question is answered and hypothesis is tested is derived primarily from Burnside & Dollar (2000) and supplemented by models from Eregha & Oziegbe (2016), Farah et al. (2018) and Efobi et al. (2019). Equation 4 represents the econometric model for determining the quantitative relationship between the dependent variable (economic growth) and the base effect (foreign aid) and the interaction effect variable. The latter form the independent variables. Wamboye et al. (2014) and McArthur & Sachs (2019). The specified model is adapted from Leshoro (2013), Asongu & Nwachukwu (2017) and Asongu & Jellal (2014) who explored the impact of foreign aid on a wide array of socio-economic and political factors such as democracy, governance and corruption amongst others; and economic factors such as economic performance, capital formation and labour parameters.

Equation 4: Base Econometric Model (Main Model)

$$Y_{nt} = \beta_0 + \beta_1 Y_{nt-1} + \beta_2 AID_{nt-1} \text{ x } CSC_{nt} + \beta_3 T_{nt-1} + \beta_4 PC_{nt} + \beta_5 NI_{nt} + \beta_6 EDR_{nt} + \beta_7 EE_{nt} + \beta_8 HE_{nt} + \beta_9 CSP_{nt} + N_n + T_t + \varepsilon_{nt}$$

where $Y_{n,t}$ represents the GDP growth rate in country n at a time t. β_0 is the equation constant; $\beta_1 Y_{nt-1}$ is the one-year lag of the dependent variable; $\beta_2 Aid_{nt-1} \cdot \beta_3 CSC_{nt-1}$ is the one-year lag of the interaction between aid and the political variables, and ε_{nt} is the error term. The control variables represented by X consist of CSC which is the civil society organisation consultation variable (civil_society_consulted); T_{nt-1} is the one year lagged economic independent variable of Trade (trade), followed by a vector of control variables.

The socio-politico control variables are PC refers to political corruption (political_corruption), NI refers to Neopatrimonialism index (Neopatrimonial_index), EDR refers to equal distribution of resources (Equal_distribution_resources), EE refers to education equality

(educational_equality), HE refers to Health Equality (health_equality), CSP refers to CSO participation (civil_participation). Nn and Tt are the country and period fixed effects estimators, εnt is the error term. β2 to β9 represents the coefficient of the variables discussed. The control variables, as described in Section 3.2.1, include factors such as political corruption, trade, government accountability, educational equality, health equality, equal distribution of resources among others.

Table 10: Estimation Model Variables

Independent Variables: Political Factors	**Dependent Variables: Economic Performance**
Foreign Aid	GDP growth rate
CSO Consultation	

While most studies that examined the relationship between foreign aid and economic growth have utilised the Cobb-Douglas model (Liew et al., 2012) or some other classical economic productivity model (Mahembe & Odhiambo, 2019; Tadesse, 2011), this study adapts a more socio-economic and political lens when considering the independent variables and the control variables, as utilised by Burnside & Dollar (2000),

A fundamental study that the estimation model developed further builds on is shown by Burnside & Dollar (2000) who explored foreign aid and economic growth in the context of policy, institution and other socio-economic factors like ethnic fractionalisation, assassinations, arms import and others. However, to the author's best knowledge, there are limited studies that consider the interaction between the economic factors, political and socio-economic factors into the formation of a model that can explain the conditionalities of economic performance on social and political factors.

3.4. Estimation Approach

The time series cross sectional data analysis of pooled data panel process is widely used across social sciences, particularly in comparative political science and political economy (Troeger, 2019). The data analysis process begins with the formulation of the quantitative model (as shown in equation 2 and 4) derived from existing theory. The model is then employed to run the regression analysis to determine the magnitude and direction of the impact of the independent variable (AID) on the dependent variables (economic growth) and the other

controlling variables. The analysis makes use of a simple linear regression analysis that employs the Ordinary Least Squares (OLS) as the estimation method. The OLS method is justifiable as it is a widely used and accepted statistical method for predicting and exploring relationship between variables (Farah et al., 2018). A study by Çankaya & Abacı (2015) investigated different estimation techniques such as Least Squares, Least Trimmed Squares, Methods of Moments and others. They concluded that the LS method is a much used estimation technique used by researchers, due to the simplicity of the concept of reducing the sum of squared residuals. They also indicate that the LS estimation method is the most interpretable. The LS method was therefore selected so that the results are easily interpreted, and conclusion deduced. The regression analysis is run on a statistical software (R). R is a freely available and opensource programming language software environment for statistical computing (R Foundation, 2021).

One of the main limitations of the LS estimation technique lies in the autocorrelation of data (Durbin & Watson, 1950; Tilke, 1993). To confirm the serial correlation, a stationary test needs to be conducted and dealt with by the introduction of lags. This is also justified as there are delays between the time foreign aid is injected into the country and the time it takes to make an impact on economic performance. Additionally, the OLS estimation technique employs various assumptions, and one to note is that the regressors in the model need to exhibit linearity and exogeneity, with expected disturbances not being correlated to any regressor in the model (Greene, 2008). The model is run with both Random Effects (RE) and Fixed Effects (FE), although, after running the diagnostic tests in Section 4.3, the FE model is appropriate. The FE model is appropriate given the 'within' changes in a country within the period under study and within the countries in a specific year. Therefore, the model specified in Section 3.3.1 makes use of country and time fixed effects estimators. By introducing FE (group dummies), this study controls for the average differences across countries, in any observable or unobservable estimators.

To test the robustness of the results, a different estimation method is used to determine the validity of the regression output and the estimation technique can be changed accordingly (utilising either the fixed or random effect model with least squares dummy variable, within estimators or the generalised least squares, respectively). The research has sought to address the question of validity by employing an already technically proven analytical and estimation process such as the OLS linear regression estimation process. There is abundant literature that

makes use of the OLS estimation method, and the research can be replicated utilising different time periods and different estimators.

3.5. Econometric Limitations and Other Considerations

A general limitation of quantitative analysis lies in establishing causality. A practical example is that a donor country provides foreign aid to a growing country and the analysis yields a quantitative relationship. However, the foreign aid granted has not caused the recipient country to grow. To capture causality, introducing lagged dependent variables is helpful. Another limitation for this study is the availability of reliable secondary data for the SSA region. The data quality that originates from the respective countries in SSA is insufficient and there is therefore a need to utilise World Bank data, V-Dem data and other third-party data, as this will contribute to consistent research. A further limitation to the data is the unavailability of data for certain years in the time series analysis and consequently, estimates and extrapolated data may be utilised. The unavailability of certain data for specific observation yields an unbalanced data panel, therefore, this study made use of an unbalanced panel to overcome the limtation. Baltagi & Song (2006) posited that unbalanced panel data is the most common form of data in econometrics and should not deter researchers from utilising the data and the appropriate estimation techniques and conclusions should be deduced. The research is feasible as it is performed quantitatively by means of a regression analysis that employed different regression models to test different hypothesis. Once the model is developed, it can be utilised to test various years at once, and will not add unnecessary inefficiencies.

Utilising the time-series cross-sectional methodology adds a layer of complexity to the analysis process. However, it is the most suitable tool for determining the consequences of aid on economic growth factors as large scale historical data is used as well as different jurisdictions which therefore provides a more comprehensive and robust view. After obtaining the results, it can then be interpreted to various aggregation such as countries with specific commonalities may experience similar consequences. Another key limitation of the time series cross sectional analysis method is that a sound analytical model is difficult to develop and the model constraints of both time series and cross-sectional analysis are present. However, the advantage of the TSCS methodology outweighs the disadvantage, as the economic growth theory and foreign aid theory can be tested over an extended period of time for multiple countries in the SSA region and therefore it is rendered feasible.

3.6. Conclusion

The research methodology utilised for this study is situated in the positivist's realm, for which the quantitative research design was the most appropriate research technique to answer the research question. The research method followed an approved process as followed by various scholars. The research story began with the study trying to understand in detail how foreign aid affects and have affected the SSA region, but within the context of political economy, he then set out to understand what works had been done in the field and then developed a quantitative econometrical model that could adequately answer the research question. The development of the model process was iterative as different models achieve different things and therefore the model developed had to be tested for integrity before it was specified as the preferred model. This is discussed in detail in Section 'CHAPTER 4 Results and Discussions of Findings'.

CHAPTER 4. Results and Discussions of Findings

4.1. Introduction

This chapter presents the results of the data analysis. It begins by providing a bi-variate correlational analysis of the variables specified in *Equation 4: Base Econometric Model (Main Model)*. The study further proceeds to present and discuss the results of the main model followed by five different iterations of the model. The iterations are as follows: (1) with no conditioning effect of CSO consultation, (2) main model with the conditioning effect, (3) most democratic countries, (4) least democratic states, and (5) the hybrid states. The iterations involved specific subsets of the entire data sample in question as per the various classification utilised. After the regression results are presented and discussed, robustness tests are performed to check the assumptions in the model and ensure its validity. Lastly, the chapter discusses the findings in detail and corroborates it with existing literature and theories.

4.2. Main Regression Results

4.2.1. Correlation Analysis

A starting point for examining the relationships between the dependent and independent variables is to perform a correlational analysis. A correlation determines and quantifies the strength and linear relationship of the estimators in a regression analysis (Bewick, Cheek, & Ball, 2003). To quantify the strength of the variables in Equation 4, a correlation coefficient calculation was performed, and the results are summarised in Table 11. Firstly, considering the relationship between the three main independent variables to growth, AID_GDP is negatively and weakly correlated to GDP growth rate, with a correlation coefficient of -0.032. However, the one year lagged variable of AID_GDP is positively and weakly correlated to GDP growth rate. Secondly, contrary to AID_GDP, CSO Consultation has a positive but weak correlation to GDP growth rate. Thirdly, the interaction variable (AID_GDP*CSO consultation) has a positive but weak correlation to GDP growth rate. To explore some of the other variables with correlation coefficients that stand out, firstly, the relationship between Government accountability and electoral democracy. The relationship between these two variables is strong and positive with a coefficient of 0.916. According to the linear relationship model, the more

the government is accountable (to its citizen, to other state organisations and to media & CSOs), the higher is the electoral democracy expected. Intuitively, this relationship is expected.

Table 11: Correlation Analysis

	gdp_growth_rate	*AID_GDP*	*electoral_democracy*	*political_corruption*	*trade*	*Govt_accountability*	*Neopatrimonial_index*	*Equal_distribution_resources*	*Legislature_corrupt*	*educational_equality*	*health_equality*	*civil_society_consulted*	*gdp_growth_rate_t-1*	*AID_GDP_t-1*	*trade_t-1*	*gdp_growth_rate_t-2*	*AID_GDP_t-1:civil_society_consulted*
gdp_growth_rate	1.000																
AID_GDP	-0.032	1.000															
electoral_democracy	0.094	-0.080	1.000														
political_corruption	-0.024	-0.004	-0.163	1.000													
trade	0.174	0.011	0.206	-0.093	1.000												
Govt_accountability	0.107	-0.094	0.916	-0.149	0.151	1.000											
Neopatrimonial_index	-0.082	0.049	-0.671	0.700	-0.122	-0.718	1.000										
Equal_distribution_resources	0.036	-0.021	0.478	-0.268	0.157	0.418	-0.481	1.000									
Legislature_corrupt	-0.028	0.014	0.070	-0.838	0.085	0.027	-0.518	0.188	1.000								
educational_equality	0.005	-0.060	0.347	-0.050	0.145	0.286	-0.244	0.853	0.031	1.000							
health_equality	0.038	-0.031	0.413	-0.260	0.106	0.357	-0.448	0.932	0.192	0.715	1.000						
civil_society_consulted	0.072	0.002	0.725	0.016	0.050	0.769	-0.511	0.387	-0.081	0.289	0.327	1.000					
gdp_growth_rate_t-1	0.056	-0.050	0.103	-0.027	0.155	0.099	-0.076	0.035	-0.023	0.006	0.035	0.058	1.000				
AID_GDP_t-1	0.015	0.857	-0.065	0.008	-0.017	-0.079	0.045	-0.017	0.008	-0.061	-0.024	0.010	-0.059	1.000			
trade_t-1	0.156	-0.011	0.211	-0.100	0.942	0.149	-0.123	0.163	0.094	0.150	0.115	0.042	0.148	0.011	1.000		
gdp_growth_rate_t-2	0.056	-0.050	0.103	-0.027	0.155	0.099	-0.076	0.035	-0.023	0.006	0.035	0.058	1.000	-0.059	0.148	1.000	
AID_GDP_t-1:civil_society_consulted	0.028	-0.043	0.450	0.037	0.019	0.491	-0.316	0.086	-0.104	0.014	0.044	0.659	0.032	-0.007	0.033	0.032	1.000

Note: The correlation matrix covers the entire SSA region. Variables have been discussed in Chapter 3.2.2. Source: Author’s representation.

Firstly, considering the correlational relationship between the main variables under study. The 1-year lagged variable of foreign aid is strongly and positively correlated to the foreign aid variable of the current year. This is somewhat expected as aid distribution tends to follow a specific programme over a couple of years. This allows the donors to ensure that the funds are utilised for their intended purposes. The interaction variable (CSO consultation and foreign aid) is moderately positively correlated to government accountability, with a coefficient of 0.49. Consultation with civil societies is expected to increase multi-directional accountability.

Another expected relationship is that between CSO consultation to Government accountability. The relationship is positive and strong with coefficients of 0.769. Lastly, the interaction variable, AID_GDP interacted with CSO consultation, has a positive and moderate relationship with electoral democracy, government accountability and CSO consultation.

Other notable correlations worth mentioning are the neopatrimonialism index and electoral democracy has a negative but moderate relationship with a coefficient of -0.671. Simplistically put, for countries with higher neopatrimonialism index, that yields lower electoral democracy. Neopatrimonialism has a strong and positive relationship to political corruption. This relationship is also expected and is supported by Araral, Pak, Pelizzo, & Wu (2019) who investigated neopatrimonialism and corruption in 8,436 firms in 17 SSA countries and found a strong, positive and significant effect of greater propensity for civil servants to engage in corrupt activities in more neopatrimonial states. Although a weak correlation exists between the main independent variables, the main regression model discussed in chapter 4.2.2 includes the main independent variables as regressors as the model utilises all the estimators to determine and build the statistical relationship.

4.2.2. Foreign Aid and Economic Growth in SSA (Main Model)

Model 1 (refer to Table 12) covers the entire SSA region from 1960 – 2018. Model 1 is estimated using the FE estimation strategy, but not taking into account the interaction between aid and civil society consultation. On the other hand, Model 2 is estimated with interaction variable taken into account. The model developed sought to answer one key research question, what is the impact of foreign aid on economic growth conditioned on CSO consultation. To be precise, the political factor considered is proxied by CSO consultation in the policy making process (as described in section 3.2.2).

Table 12: Foreign aid on economic growth

Conditioning effect of CSC on Foreign Aid on Economic Performance

	Dependent variable:	
	gdp_growth_rate	
Model	(1)	(2)
Description	No interaction effect	With conditioning effect
gdp_growth_rate_t-1	**-0.043***	**-0.044***
	(0.024)	**(0.024)**
AID_GDP_t-1	**0.072****	**0.088*****
	(0.031)	**(0.031)**
civil_society_consulted	0.003	**0.009***
	(0.004)	**(0.005)**
trade_t-1	**0.032*****	**0.034*****
	(0.012)	(0.012)
political_corruption	0.001	0.012
	(0.027)	(0.027)
Govt_accountability	-0.005	-0.004
	(0.009)	(0.009)
Neopatrimonial_index	-0.037	-0.038
	(0.039)	(0.039)
Equal_distribution_resources	**0.179****	**0.167****
	(0.074)	**(0.074)**
educational_equality	**-0.024*****	**-0.024*****
	(0.008)	**(0.008)**
health_equality	-0.012	-0.009
	(0.010)	(0.011)
AID_GDP_t-1:civil_society_consulted		**-0.059****
		(0.026)
Observations	1,729	1,729
R^2	0.099	0.102
Adjusted R^2	0.043	0.045
F Statistic	2.800***	2.843***
Note:		*p<0.1; **p<0.05; ***p<0.01

Starting with the base model (Model 1), with no interaction effect, for the full sample (for the period of 1960 to 2019 and 41 SSA countries) AID_GDP_t-1 (1-year lagged) is statistically significant to GDP growth rate, with a statistical significance with a p-value of less than 5%. The coefficient of AID is 0.072 which means that an increase in aid contributes to an increase in the GDP growth rate. The substantial effect means that an increase of aid as a proportion of GDP by 10% would increase the GDP growth rate by approximately 0.7% the following year. This is expected and ties in with most of the prevailing literature and is important as it states that for a prolonged period of time, foreign aid contributes positively to economic growth in SSA. This is evidenced by studies by Asongu (2012, 2014) who explored the impact of foreign aid on economic growth for 53 African countries for a period of 14 years between 1996 and 2010; the study found that foreign aid had a positive impact on economic growth. Tadesse (2011) who conducted the study for Ethiopia only also deduced that aid played a positive role on Ethiopia's economic growth.

The expected resulted on how foreign aid affects economic growth when considered from a neo-classic growth theory perspective is that aid should have a positive effect on economic growth since aid comes in the form of capital (i.e. concessional loans and grants) and should therefore assist in capital accumulation, an essential feature of economic growth (Omolara, 2019; Ranis & Fei, 1961; Schumpeter & Backhaus, 2003). Intuitively, where CSOs are consulted before policy implementation they should have more oversight and accountability with respect to the use of funds (aid) received. One would think that aid conditioned on high levels of CSO involvement might have a positive effect on economic growth.

Still on Model 1, CSO consultation on its own does not have a statistically significant impact on economic growth, indicating that CSO consultation in SSA countries has no impact on economic growth in the region. Meaning that the hypothesis saying that (CSO consultation does not play a role in economic growth) would be appropriate.

Looking at Model 2 of the base model, the conditioned variable (the main focus of the study) yields counter-intuitive results. CSO consultation conditioned aid has a negative linkage to economic growth. The interaction variable has a statistical significance p-value of less than 5% and a coefficient of 0.059. Further unpacked, this means that when CSOs are consulted, aid has a negative impact on economic growth. An explanation for this is that on the African continent, CSOs have varying needs and requirements when it comes to the application of funds and development of policies. Where CSOs are consulted, the policy making process is effective

and efficient and therefore, the contribution to GDP growth is existent for the period under study. Plausible explanations for this counter-intuitive result are discussed in detail in Chapter 5. CSO consultation as an independent variable in Model 2 has a statistical significance p-value of less than 10%, with a positive coefficient of 0.009. This means that to some extent, not strongly, CSO consultation, in itself, positively contributes to economic growth.

Utilising model 2 for the rest of the analysis in this chapter, there are few other findings are worth mentioning. First, the one-year lag of the trade variable is positive and statistically significant. The coefficient is 0.034 which means that a 1% increase in trade contribute to about 0.034% in GDP growth. Considering the theory around trade and the potential for revenue generation from taxes, customs and excise and the development of alternative markets the positive contribution of trade is also expected. Zahonogo (2017) explored the relationship between trade and economic growth in SSA (developing countries) and the study is consistent with the results obtained in this study's regression analysis. Zahonogo (2017) concluded that there is a trade threshold below which trade openness has a non-fragile linkage to economic growth and that effective trade can contribute to economic growth through international trade by controlling the respective import levels. Similarly, Omri, Daly, Rault, & Chaibi (2015) found that while exploring a network of relationships between financial development, trade and economic growth; trade was determined to be a positive contributor to economic growth.

Second, the equal distribution of resources variables is positive and statistically significant. The distribution of resources variable has the largest absolute coefficient of 0.155. The countries with greater equal distribution of resources grow their GDP by about 1.55% per annum as egalitarian state with 'good' democracy and equal distribution of resources are better able to convert those resources into productive economic activity. This is consistent with existing literature and particularly, a study by Aghion, Caroli, & García-Peñalosa (1999) who investigated the relationship between inequality and economic growth and determined that inequality has a negative impact on growth and that redistribution had a positive impact on growth. This was particularly true in imperfect markets. This is further linked to some recent debate in South Africa where the government is looking to implement an 'Expropriation Bill' where property is expropriated by the government and redistributed in an attempt to bolster economic growth. This was also true in countries like India, Brazil and the Philippines.

Finally, the educational equality variable is negative and statistically significant to economic growth, and this is somewhat counter-intuitive. Education equality is statistically significant

with a p-value of less than 1% and a coefficient of 0.024. This means that lower levels of guaranteed basic education equality resulted in a positive contribution to the GDP growth rate while states with equal access to education tended to have a 2.4% reduction in the GDP growth rate.

An educated community is expected to be a lot more participatory with the policy making process and wants to contribute. However, the process of involving the community delays the policy implementation process. This could be a possible explanation for the negative correlation between education equality and GDP growth rate. This is contrary to a study by Gylfason (2003) that posited that education is a key determinant of economic growth and has been since 1965. He investigated three distinct measures of education, namely, gross secondary school enrolment, public expenditure on education and the expected years of schooling for girls, and found that in a sample of 87 countries across Africa, Asia, Central and South America; more and better education seems to encourage economic growth directly, but also indirectly through social equality and cohesion. An explanation for this counter-intuitive result could be that the education equality variable differs across studies and this specific study considered to what extent high quality basic education was guaranteed to all, sufficient to enable them to exercise their basic rights as adult citizens, which is only a limited subset of the entire dimension of education.

4.3. Robustness tests

This section of the study performs robustness checks to validate the results obtained. Firstly, in an alternative estimation technique, the general feasible generalised least squares (GGLS), was used and compared against the OLS. Secondly, the countries were split into regions and were estimated using the main model. Third, the main model was run on varying time periods. Lastly, the analysis was run on the top ten average aid recipients as these countries contributed significantly to the aid received on the continent.

4.3.1. Estimation approach – OLS vs GGLS

To determine the validity of the statistical inference drawn in Section 4.2 it is important to check for statistical robustness. To validate the results obtained from the main model (OLS estimation method), the general feasible generalised least squares (GGLS) estimation technique was utilised as shown side by side in Table 13. The robustness check confirmed that the variables that are statistically significant in the Main Model were significant in the GGLS model. The direction of both variables remained the same in the robustness check and therefore

the results further suggested that foreign aid had a positive influence on economic growth in SSA for the period of 1960 – 2018. The GGLS model showed that the CSO consultation variable was statistically significant with a coefficient of 0.01, meaning that it had a positive influence on economic growth. The robustness test is also validated in Table 7 where the coefficients were controlled for heteroskedasticity, and the statistically significant variables were consistent to the main model.

Table 13: Robustness Test (Varying estimation techniques)

Foreign Aid on Economic Performance Robustness Test

	Dependent Variable gdp_growth_rate
	OLS	GGLS
gdp_growth_rate_t-1	**-0.044***	**-0.05*****
	(0.024)	**(0.00)**
AID_GDP_t-1	**0.088*****	**0.12*****
	(0.031)	**(0.00)**
civil_society_consulted	**0.009***	**0.01*****
	(0.005)	**(0.00)**
trade_t-1	**0.034*****	**0.02*****
	(0.012)	**(0.00)**
political_corruption	0.012	**0.01*****
	(0.027)	**(0.00)**
Govt_accountability	-0.004	**-0.01*****
	(0.009)	**(0.00)**
Neopatrimonial_index	-0.038	**-0.12*****
	(0.039)	**(0.00)**
Equal_distribution_resources	**0.167****	**0.20*****
	(0.074)	**(0.00)**
educational_equality	**-0.024*****	**-0.02*****
	(0.008)	**(0.00)**
health_equality	**-0.009**	**-0.02*****
	(0.011)	**(0.00)**
AID_GDP_t-1:civil_society_consulted	**-0.059****	**-0.08*****
	(0.026)	**(0.00)**
Observations	1,729	1,729
R^2	0.102	-0.06

Note: *p<0.1; **p<0.05; ***p<0.01; OLS = Ordinary Least Squares, PGGLS = general feasible generalised least squares

4.3.2. Regional Perspective of Foreign Aid on Economic Growth

The African continent is extremely diversified in terms of tradition, culture, norms, historical past, language, economic status, economic productivity among a variety of factors. The African continent is therefore grouped based on geography which tends to aggregate economies with close to similar origins. There are eight economic blocks that make up the African continent: the Intergovernmental Authority Development (IGAD), the Arab Maghreb Union (AMU), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Community of Sahel-Saharan States (CEN-SAD), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) (African Union, 2018). Generally, these regional economic communities can be categorised into four distinct areas in SSA, namely, Western, Southern, Eastern and Central Africa. It is therefore important to consider the conditioning effect of CSO consultation on foreign aid on the economic performance of each region, given the similarities in those regions.

The categorisation of the regions is illustrated in '

Appendix A: Countries under study (Regional Classification)'. The results of the regression analysis run in each individual region are provided in 'Appendix B: Regression Results by Region'. Starting with Western Africa, the only statistically significant relationship with a p-value of less than 10% is AID_GDP, with a positive relationship to the GDP growth rate. The other key variables, CSO consultation and AID_GDP interacted with CSO consultation did not have any statistical significance to the GDP growth rate.

In Middle/Central Africa, trade has a statically significant impact on GDP growth rate with a p-value of less than 1%, with a positive relationship with the GDP growth rate. The Central African region is a resource rich region and relies on commodity trading and exports as the main source of revenue. The Eastern Africa region appeared to positively benefit from foreign aid with AID_GDP having a positive relationship with the GDP growth rate and a coefficient of 0.189 meaning that an increase in foreign aid significantly contributed to GDP growth rate. The variable was statistically significant at the 1% significance level. Trade also had a positive relationship and was statistically significant to the GDP growth rate with a p-value of less than 5%. Government accountability was counter-intuitive but consistent with the other regions and with the full SSA sample where the relationship was negative. In the Southern Africa region, trade is statistically significant to GDP growth, showing a positive relationship. Political corruption and Government accountability were statistically significant but with a negative

relationship to the GDP growth rate. The political corruption variable is expected as corruption in Southern Africa is quite significant, particularly considering the value of said corruption and therefore the variable had a negative coefficient of 0.426. In the analysis of each individual region, foreign aid was statistically significant to Western and Eastern Africa only, and CSO consultation was not statistically significant in any of the regions.

4.3.3. Conditioning effects of CSO Consultation on Foreign Aid and on the Economic Growth by Period

Model 1 and 2 in Table 12 considered the entire study period (1960-2018) and this section seeks to consider two alternative periods: (1) 1990 to 2018 – Model 10; and (2) 2000 to 2018 – Model 11. The regression results for the alternative periods are displayed in 'Appendix C: Regression Results for SSA: 1960-2018, 1990 – 2018 & 2000-201'. The relevance of considering the period post 1990 in isolation is that it is considered the end of the third wave of democratization, with over 30 countries transitioning to democracy (Huntington, 1991). In 1990, the IMF and the World Bank also began aggressively implementing political democratization and economic liberalization protocols globally. (Huntington, 1991; Serra & Stiglitz, 2008)

By considering different time periods, in particular, the start of the third wave of democracy in Africa in 1990; the interaction variable between aid and CSO consultation is still negative and statistically significant. The coefficient in the period of 1990-2018 is -0.102 and decreases to -0.147 when the period 2000 – 2018 is considered. Even by considering different time periods for the regression analysis, the conditioning effect of CSO consultation on AID is still negative. Additionally, states with reduced levels of CSO consultation appeared to benefit from more from economic growth. In recent history, the negative linkage is seen to be stronger as the coefficient grows. This can be seen in states with Autocratic leaders or parties such as Rwanda and Mozambique who have experienced significant GDP growth over the last decade and yet remain quite low on the democracy scale. The explanatory reason may be that states with autocratic leaders or ruling regimes are able to implement policies and allocate aid funds with little to no oversight or contribution from CSOs. The policy making process and allocation of aid fund process is therefore faster and reflective in the GDP growth rate. Other variables that remain statistically significant, regardless of the period under study, are equal distribution of resources which retains a positive linkage to GDP growth rate. The coefficients for the equal distribution of resources are 0.221 and 0.285 respectively, gaining a stronger linkage to GDP

growth rate as the periods become more recent. AID_GDP statistical significance reduced from a p-value of less than 1% to a p-value of less than 10%, meaning that in recent history (the last 10 years), foreign aid has had a weaker statical impact on GDP growth rates.

4.3.4. Regression Analysis split by Democracy index

This section of the study applies a democratic lens to the analysis of the base econometric model. As referenced in chapter 3.2.3 (descriptive statistics), the mean for the electoral democracy index is 0.309 for the full sample, over the entire study period. The mean therefore forms the threshold for the analysis. The split is into two; one being countries with an average electoral democracy of index above 0.309, these being the most democratic states. Two; countries with an average electoral democracy index of less than 0.309, which are the least democratic states. The split of the region is shown in Table 14 with the granular categorisation shown in Appendix E: Average country classification (average democracy index).

Table 14: Electoral Democracy index Average (1960 - 2018)

Most Democratic states			Least democratic states		
Country	COW code	ED (avg)	Country	COW code	ED (avg)
Benin	434	0.406367	Angola	540	0.12665
Botswana	571	0.63455	Burundi	516	0.181517
Burkina Faso	439	0.37455	Cameroon	471	0.248034
Ghana	452	0.40915	Central African Republic	482	0.241383
Lesotho	570	0.311283	Chad	483	0.199783
Liberia	450	0.31525	Democratic Republic of the Congo	490	0.213033
Madagascar	580	0.328983	Eritrea	531	0.084583
Malawi	553	0.323367	Eswatini	572	0.1338
Mali	432	0.346683	Ethiopia	530	0.171417
Mauritius	590	0.726867	Gabon	481	0.2734
Mozambique	541	0.313875	Guinea	438	0.2215
Namibia	565	0.370367	Guinea-Bissau	404	0.230383
Niger	436	0.332417	Ivory Coast	437	0.306033
Nigeria	475	0.314683	Kenya	501	0.293883
Senegal	433	0.531867	Mauritania	435	0.2604
Sierra Leone	451	0.324583	Republic of the Congo	484	0.202367
South Africa	560	0.4165	Rwanda	517	0.1977
Tanzania	510	0.366167	Somalia	520	0.182433
The Gambia	420	0.372583	Togo	461	0.259233
Zambia	551	0.34105	Uganda	500	0.251983
			Zimbabwe	552	0.2476

Note: COW code is the a unique country identifier; ED (avg) refers to the average electoral democracy index. **Source:** Coppedge, John, et al. (2020), Author's representation.

Table 15 shows the results of the regression analysis when the countries under study are split based on where they lie on the normal distribution curve. The hybrid split shown in Appendix E: Average country classification (average democracy index) is based on ED (avg) of between 0.1977 and 0.3725.

Table 15: Regression analysis based on democracy index

Foreign Aid on Economic Performance

	Dependent variable:		
	gdp_growth_rate		
	(3)	(4)	(5)
Description	Most democratic	Least Democratic	Hybrid
gdp_growth_rate_t-1	0.045	**-0.122*** **	-0.042
	(0.035)	**(0.034)**	(0.027)
AID_GDP_t-1	0.039	**0.149*** **	**0.140*** **
	(0.053)	**(0.045)**	**(0.035)**
civil_society_consulted	0.012	0.003	0.005
	(0.007)	(0.008)	(0.005)
trade_t-1	0.012	**0.075*** **	**0.028** **
	(0.016)	**(0.021)**	**(0.014)**
political_corruption	0.007	0.029	-0.003
	(0.038)	(0.044)	(0.029)
Govt_accountability	-0.004	-0.001	0.001
	(0.014)	(0.013)	(0.011)
Neopatrimonial_index	-0.021	-0.087	-0.011
	(0.058)	(0.056)	(0.043)
Equal_distribution_resources	0.100	0.174	**0.152***
	(0.109)	(0.115)	**(0.085)**
educational_equality	-0.012	**-0.031** **	**-0.024*** **
	(0.011)	**(0.013)**	**(0.009)**
health_equality	-0.009	0.005	-0.006
	(0.015)	(0.017)	(0.012)
AID_GDP_t-1:civil_society_consulted	-0.050	-0.043	**-0.051***
	(0.038)	(0.049)	**(0.028)**
Observations	860	869	1,425
R^2	0.110	0.164	0.118
Adjusted R^2	0.014	0.076	0.055
F Statistic	1.478** (df = 65; 775)	2.375*** (df = 65; 785)	2.730*** (df = 65; 1329)
Note:			*p<0.1; **p<0.05; ***p<0.01

Model 3 and Model 4, as shown in Table 15 describe the output of running the main econometric model, as per the split discussed. Model 3 was run on the most democratic states in SSA over the period of 1960 to 2018. Model 4 was run for the least democratic states over the same period. The categorisation was based on the electoral democracy index. Model 5 was run for the hybrid states which are in the middle of the democracy index spectrum. The electoral democracy index is described in chapter 3.2.2.

The results indicate that hybrid states which have both autocratic and democratic features are more sensitive to CSO consultation than purely autocratic and democratic states. This is evidenced by the negative and statistical significant impact of the conditioning of foreign aid variable by CSO consultation to the 10% level. Model 5 also shows that foreign aid, trade openess and equal distribution of resources have a significant negative impact on economic growth in hybrid states. Additionally, these variables also have a positive relationship with GDP growth rate. Model 3 does not yield any significant results. The main independent variables, particularly, the interaction between AID_GDP and CSO Consultation, and CSO consultation both have negative coefficients that are statistically insignificant. On the other hand, AID_GDP has a positive relationship with GDP growth rate, and is statistically insignificant. Two statements can be deduced. First, foreign aid and CSO consultation does not statistically significantly influence GDP growth rates in more democratic states in SSA. Second, in hybrid states, the interaction between foreign aid and CSO consultation are statistically significant and negatively related to GDP growth.

Model 4 also yields interesting results. While the conditioning effect of the interaction variable is not statistically significant, the lagged growth rate, foreign aid, lagged trade and education equality are. Starting with the base effect, which is the impact of aid on economic growth, the statistical significance p-value is less than 1% and has a positive coefficient of 0.149. This result shows that foreign aid positively and statistically impacts economic growth in the least democratic states. This result is consistent with the findings by Gibson et al. (2015) and Manning & Malbrough (2012) which found that foreign aid contributed to the wave of democratisation and growth in Africa.

The results obtained in Model 3 and 4 are probably driven by the hybrid states, which employ features of both autocratic states and democratic states. While the interaction variable in Model 3 and 4 is not significant, it does provide a good comparison between where the states lie in the democracy index spectrum. Model 5 tentatively shows the regression results when the five

most democratic and the least five democratic states are excluded. Based on anecdotal evidence from the data collected, the most democratic states in SSA comprise Mauritius, Botswana, Senegal, South Africa and Ghana.

4.4. Summary of Econometric Model Results

Table 16 illustrates a summary of the key regression analysis run in Chapter 4.

Table 16: Summary of Econometric Model results

Model #	Countries	Description	Period	Foreign aid		Interaction Variable	
				Significant	Direction	Significant	Direction
1	SSA	Aid – growth analysis with no interaction variable	1960 – 2018	Yes (10%)	Positive	N/A	N/A
2	SSA	Aid – growth analysis with interaction variable effect	1960 – 2018	Yes (1%)	Positive	Yes (5%)	Negative
3	Most democratic	Conditioning effect of CSO consultation on aid and GDP growth	1960 – 2018	No	Positive	No	Negative
4	Least democratic	Conditioning effect of CSO consultation on aid and GDP growth	1960 – 2018	Yes (1%)	Positive	No	Negative
5	Hybrid states	Conditioning effect of CSO consultation on aid and GDP growth	1960 – 2018	Yes (1%)	Positive	Yes (10%)	Negative
6	West Africa	Conditioning effect of CSO consultation on aid and GDP growth	1960 – 2018	Yes (10%)	Positive	No	Negative
7	Middle Africa	Conditioning effect of CSO consultation on aid and GDP growth	1960 – 2018	No	Positive	No	Negative
8	Eastern Africa	Conditioning effect of CSO consultation on aid and GDP growth	1960 – 2018	Yes (1%)	Positive	No	Negative
9	Southern Africa	Conditioning effect of CSO consultation on aid and GDP growth	1960 – 2018	No	Negative	No	Negative
10	SSA	Conditioning effect of CSO consultation on aid and GDP growth	1990 – 2018	Yes (1%)	Positive	Yes (1%)	Negative
11	SSA	Conditioning effect of CSO consultation on aid and GDP growth	2000 – 2018	Yes (10%)	Positive	Yes (1%)	Negative

Note: Interaction variable refers to the conditioned variable of aid and CSO consultation. Values in parenthesis represent the p-value.

4.5. Hypotheses Testing

In chapter 3.1, the study discusses six possible hypotheses that were to be tested in this study. As a brief recap, these were one, foreign aid has no effect on economic growth. Two, foreign aid has a positive effect on economic growth. Three, foreign aid has a negative effect on economic growth. Four, CSO consultation has no conditioning effect on the impact of foreign aid on economic growth. Five, CSO consultation has a negative conditioning effect on the impact of foreign aid on economic growth. Six, CSO consultation has a positive conditioning effect on the impact of foreign aid on economic growth.

Based on the results of the regression analysis discussed in this chapter, it can be deduced that foreign aid has a positive impact on economic growth. This is evidenced consistently across the various models and robustness tests performed. The results for the entire SSA region for the period of 1960 to 2018 show that CSO consultation negatively impacts the effects of foreign aid on economic growth.

The null hypothesis is that foreign aid has no impact on economic growth and is therefore rejected because foreign aid's impact was statistically significant to GDP growth rate across the various model iterations and sample sizes. There are three main propositions:

1. Foreign aid contributes to economic growth in SSA in the long run.
2. CSO consultative processes negatively impact the effects of foreign aid on economic growth.
3. CSO consultation in itself positively contributes to economic growth when the interaction effect is considered.

4.6. Conclusion

The results of this study are supportive of some of the literature that praises foreign aid as being positively associated with economic growth. When the entire SSA region was considered for the full period of 1960 – 2018, the results showed that foreign aid is statistically significant to GDP growth with a confidence at the 1% level. When the data was categorised depending on the average democracy index, countries above the average index of 0.309 did not seem to be impacted by both foreign aid and CSO consultation. The opposite held true for the least democratic countries. For the three time periods (1960-2018, 1990-2018 and 2000-2018), the results are consistent in that foreign aid has a positive nexus with economic growth. However,

when individual SSA regions were considered, Middle and Southern Africa showed no significant relationship between foreign aid and economic growth. The GDP growth rate in the Western and Eastern African regions was positively affected by foreign aid and yielded statistically significant regression results.

Considering the interaction between foreign aid and CSO consultation, the full sample for the entire period under study indicated a negative relationship to economic growth. This simply means that when CSOs are consulted, the effects of aid on economic growth are negative. In the long-run, the effects of CSO consultation on the impact of aid on economic growth is negative, additionally, in recent times, the negative relationship has become stronger with the significant confidence level moving from the 5% to the 1% level for the periods 1990 – 2018 and 2000 – 2018, when compared to the full period under study. Other factors like trade, educational equality and equal distribution of resources also play a significant role in the economic growth of the region.

CHAPTER 5. Contextualisation of Findings

5.1. Introduction

The study investigated the relationship between foreign aid and economic growth, CSO consultation and economic growth and the conditioning effect of CSO consultation on the impact of foreign aid on economic growth. The research also sought to test hypotheses relating to the impact of foreign aid on economic growth, accounting for the conditioning variable, CSO consultation, as the political factor. Chapter 4 presented the results, and this chapter contextualises the findings.

As this study is situated in the post-positivist paradigm, there is room for methodological pluralism (Bisel & Adame, 2017), therefore, this chapter contextualises the findings of the study. The triangulation is done in the context of the doctrinal research by Obuka et al. (2021) who in the "*Nigerian Extractive Industry Case*" found that civil societies were not effective for economic development in the extractive industry in Nigeria. While their study did not focus on civil society in the context of foreign aid, their findings can be used as explanatory factors explaining why civil society consultation hasn't positively affected the impact of foreign aid. Further triangulation was also done based on the study by Omede & Bakare (2014).

5.2. What role does CSO Consultation play in assisting Aid's effectiveness to Economic Growth?

The results presented in this study indicate that CSO consultation does not in itself contribute to economic growth, however, it negatively conditions the effects of foreign aid on economic growth. While these results are counter-intuitive, there are several factors that could explain this. As democracy matures in the continent, there has been a significant rise of CSOs that seek to represent various groups' interest. In the literature review, provided literature-supported evidence on the definition of CSOs, showing that they are in fact intermediaries in the state-society relationship and therefore act on behalf of citizen's interest. Given that citizens are taxpayers and that public expenditure (even when financed by foreign aid) should benefit the taxpayers, this brings to light the '*fiscal social contract*' theory. This theory, simply states that public expenditure should be beneficial to the citizens (Blair & Winters, 2020; Timmons, 2005). The study presents explanations for the phenomenon deduced in this study alongside

fundamental theories that support the ineffectiveness of CSOs (Blair & Winters, 2020; Obuka et al., 2021; Omede & Bakare, 2014).

5.2.1. Lack of Funding

Omede & Bakare (2014) identified inadequate funding as a limiting factor on the effectiveness of CSOs. CSOs can be classified into four broad categories, and these are generally aligned to the way NGOs are also categorised. Firstly, locally funded and formal CSOs; secondly informal community-based organisations. Thirdly, formal organisations through networks. Fourthly, internationally funded CSOs. The first three categories generally struggle to source adequate funding and are therefore unable to discharge their responsibilities fully. In practicality, some CSOs on the continent are the initial recipients of foreign aid once dispatched into countries and are quite donor dependent. The lack of adequate funding therefore presents a challenge to CSOs as they are unable to obtain the requisite resources with the appropriate technical skills to hold governments accountable. One of the forms of government accountability is through CSO consultation in the policy making process. This process generally requires CSOs to review and comment on policies before they are enacted, and these policies are technical documents and funding is required to fully integrate their groups' concerns and interests.

For donor-dependent and government-dependent CSOs there is often a conflict of interest between ensuring that their funders' interests are protected as well as that of their groups. CSOs do not want to jeopardise their limited funding and want to avoid confrontations with state actors. Thus, due to the lack of funding, CSOs develop shallow frameworks and key performance indicators that are not substantially transformative to their respective agendas., It is evident from the findings, that CSOs play a positive role in the economic development of SSA, but this is not the case insofar as aid is concerned. This, as a result of the misalignment of interests of the donors, the CSOs and the represented interest groups.

5.2.2. Clientelism and Patronage

CSOs are not immune from clientelism and patronage; often from state actors or actors looking to push a particular agenda. This stems from the corruption landscape on the continent where goods and services are exchanged between the states, either formally or informally, with CSOs. Therefore, CSOs are unable to remain accountable to their group. CSOs have been accused of corruption and embezzlement and which limits the number of actors who are integrated that look to associate themselves with CSOs, given their reputation - borrowing from the climate-

change discussion where firms exist who are developing oil and gas projects in various jurisdictions in Africa. These oil and gas firms have engaged with CSOs through patronage and clientelism mechanics, therefore limiting the ability of CSOs to put in place advocacy programmes that adequately protect the land and its citizens from the negative effects of oil and gas exploration and production. This has contributed to the African 'resource curse' phenomena argued by some scholars. State patronage can also occur where CSOs are threatened by the state. The state can threaten CSOs by implementing policies that remove existing subsidies if CSOs do not withdraw their respective advocacy programmes, that are not in favour of the state. The existing institutions therefore provide the environment whereby CSOs need to act. In some instances CSO consultation processes do not yield the required results.

5.2.3. Lack of co-operation and integration

Effective CSOs are normally the larger CSOs with substantial funding and skills. However, in the SSA context, not all CSOs are large and are able to fully cooperate in integrating the interests of their groups. CSOs are generally located in the capital city and not in the rural areas, where there is a need for representation; and therefore, this disconnect presents a challenge in ensuring that their programmes capture all affected parties.

The nature of CSOs is that they focus on specific causes linked to their mandate and not beyond that. However, social issues are not limited to one specific set of challenges and are widespread across disciplines that would extend beyond the focus of only one CSO. An example for this is food security. While the direct objective is to prevent and eliminate hunger, the value chain includes protecting farmers interests that would bolster their productivity and reduce potential wastage. Connecting farmers to markets requires developed infrastructure such as roads and ports. Lastly, ensuring that food prices are affordable and not extortive is crucial to ensure that the citizens can afford to buy food downstream; by so doing protecting consumer rights.

There is therefore a need to ensure coordination, cooperation, and unity across numerous CSOs that can deliver a solution that caters wholistically for said value chain. The challenge therefore is that every CSO wants their interest to be placed above that of others, thereby making unity and decision-making impossible. Supplementary to this are the varying ethnicities that make up a country and the lack of desire for CSOs (with an ethnic focus) to interact with other CSOs that have a different ethnic focus. The divisiveness of the CSOs therefore weakens their effectiveness and makes them vulnerable to influence by other actors besides their groups'

interests. This highlights some challenges that are present and limits the cooperation and integration of CSO, thus rendering their effectiveness limited. This is evidenced in the base model (Model 1) where CSO consultation is not significant to economic growth. Furthermore, when the study region is sub-divided into the most democratic and least democratic states, CSO consultation does not contribute to economic growth. However, there is weak statistical significance between CSO consultation and economic growth in Model 2 (which integrates the conditioning effect).

5.3. Does Foreign Aid contribute to Economic Growth?

This study contributes to the ongoing debate around foreign aid and its effect on the economic development of recipient countries. Each individual country was not analysed but rather as a regional bloc. This has been particularly relevant since the signing of the AfCFTA which is looking to liberalise trade within the continent and align synergies, to facilitate inclusive economic development. Without arguing whether aid is 'good' or 'bad', the empirical evidence of this study points towards the fact that foreign aid has bolstered economic development in the SSA region over the 58-year history under consideration. The findings support statements made by Asongu & Nwachukwu (2017) that foreign aid like any other policy is dependent on the implementation and that recipient countries also carry some blame as to why aid is not effective. The positive effects of foreign aid on economic growth corroborates studies by Burnside & Dollar (2000), Gillanders (2016), Urtuzuastigui (2019), Wamboye et al. (2014), among many other authors. Although there are a similar number of studies that contradict the results found in this study the novelty of this study lies in the new datasets examined over a prolonged period. An attempt was made to provide some context as to why the results indicate that foreign aid contributes positively to economic growth.

5.3.1. Foreign aid as a source of capital

Whether we approach economic growth from the perspective of classical or modern economic growth theory, capital is essential (Fedderke & Simkins, 2012; Harris, 2007). Considering the problem statement from a political economy of development lens, capital is also still essential for economic growth as it is considered as the "*big push*" that eventually drives a country to industrialisation and subsequently economic growth (Sachs, 2005). Sachs (2005) and Sachs et al. (2004) argued that one of the key instruments to end Africa's poverty trap is effective foreign aid. Foreign aid has been important to Africa and the data utilised in this study shows some evidence of that; starting with Rwanda in 1994 where foreign aid as a percentage of GDP

was over 94% and Liberia in 2007 where foreign aid was over 81% of GDP. These two countries show that foreign aid played a critical role as a form of capital that would be used for provision of basic goods and services to the population.

The SSA region is often plagued with natural disasters (floods in Mozambique) and health crises, such as the AIDS epidemic, Malaria and Ebola among others, and aid has provided the much-needed capital needed to alleviate the fiscal pressures, given the significantly low revenue generating capacities of the government. The African continent is notorious for domestic resource mobilisation through tax collection mechanisms and fiscal revenue generating infrastructure that would alleviate the requirements for foreign aid. The rise of multinational development financial institutions occurred in the early 1990s. Those institutions were established on the back of the identification of capital as an instrumental factor of productivity and growth. These institutions sought to facilitate the exchange of capital (normally in the form of aid) across the world. To date, these multinational development financial institutions still play a critical role in providing concessional loans (included as aid) to governments at rates that commercial banks and alternative sources of financing cannot provide. Although, this capital does come with certain conditionalities as discussed in the next section, these explanations provide the primary reason why foreign aid has contributed to economic growth, as evidenced by the positive and statistically significant relationship between aid and growth in Model 1, 2, 4, 5, 7, 9 and 10. This represents a significant and positive relationship across seven out of the ten econometric models.

5.3.2. Foreign aid and its conditionalities

Some aid has been provided to the continent, with attached conditionalities (Dunning, 2004; Montinola, 2010; Selbervik, 1999). Burnside & Dollar (2000) as the foundational study, found that aid does contribute to economic growth, provided that the recipient countries have a good policy environment. This was somewhat reflected in Model 2 where CSO consultation as an independent variable contributed positively to economic growth and had a statistically significant relationship. The Washington Consensus and the Augmented Washington consensus (Rodrik, 2006) focused on a variety of features and was quite active during the period 1970 to 2015. The particularly important features linked to the main econometric models are fiscal discipline, reorientation of public expenditure, anti-corruption, corporate governance, trade liberalisation, social safety nets and WTO agreements (Grier & Grier, 2021; Rodrik,

2006). These features are captured by some of the variable of the econometric model such as trade, government accountability and political corruption, as illustrated in Figure 6.

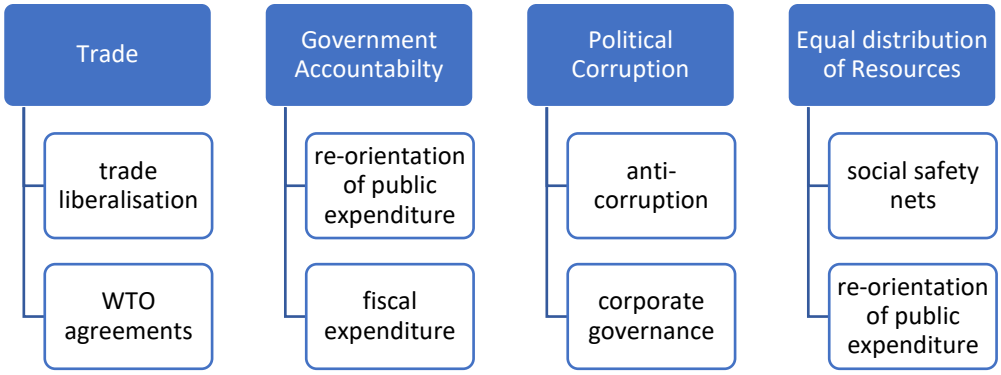


Figure 6: Linkage between WC and Econometric Model

Source: Author's representation based on Grier & Grier (2021) and Rodrik (2006)

The WC served as a list of conditionalities that donors could attach to the loans they provide and as such, formed the basis of aid conditionality. The results established by the econometric model utilised in this study showed that trade had a positive relationship with economic growth and therefore trade liberalisation and WTO agreements as aid conditionalities would have a positive effect on economic growth. Considering the government accountability variable which covers the re-orientation of public expenditure and fiscal expenditure from the WC, the variable was shown to have a significant and positive relationship to economic growth in the Eastern and Southern Africa region. In the Southern Africa region, political corruption has a significant and negative relationship to economic growth; and therefore, aid attached to anti-corruption conditionalities would in essence contribute to economic growth in the Southern African region. The social safety net and re-orientation of public expenditure as WC features are captured in the equal distribution of resources econometric variable, and this variable has a positive relationship to economic growth.

The econometric results of this study showed that some of the features associated with aid conditionalities and other 'good governance' policies suggested by donors contribute to aid's effectiveness. These conditionalities also provide the conducive environment for foreign aid to have a positive impact on economic growth, as empirically supported by Grier & Grier (2021). This is evidenced by the statistically significant and positive relationship of the conditioning variables such as trade, equal distribution of resources and CSO consultation (in itself).

5.4. Conclusion

This chapter aimed to contextualise the findings. There are several interplaying factors that were considered that would make foreign aid effective and CSO consultation as a conditioning factor ineffective. Foreign aid contributes positively to economic growth as foreign aid is considered a source of capital but had conditionalities attached to it by donors. Some of these conditionalities were included in the econometric model as control variables and had a positive relationship with growth (factors such as trade and equal distribution of resources). Conversely, CSO consultation negatively conditioned the effects of aid on economic growth. Some explanatory factors of this are that CSOs lack adequate funding (Omede & Bakare, 2014), lack cooperation and integration amongst themselves and have features of clientelism and patronage (Obuka et al., 2021).

CHAPTER 6. Conclusion

6.1. Introduction

This chapter presents the summary and conclusion of the research. Furthermore, it proceeds to provide some general limitations of the study and provides key policy recommendations and suggestions for future research, informed by this study.

6.2. Summary of Findings and Conclusion

The purpose of this study was to investigate the relationship between foreign aid and economic growth and the conditioning effect of CSO consultation. The study was situated in the SSA region for the period of 1960-2018 (58 years). The study began by seeking to answer the research question and therefore the research design was developed, and a post-positivist paradigm was selected. The research made use of quantitative analysis by employing the panel data estimation technique for 41 SSA countries. The linear regression model utilised GDP per capita growth rate as the dependent variable. Foreign aid and CSO consultation were the main independent variables and were supported by a vector of control variables (such as trade, political corruption, government accountability and neopatrimonial index). The estimation was conducted across the main sample, and several sub-samples, including the SSA sub-regions (Southern, Eastern, Western, and Central Africa), during three time periods (1960-2018, 1990 – 2018, 2000 – 2018), in respect of both the most democratic countries and the least democratic countries.

The study looked to add to the ongoing foreign aid debate by considering the conditioning effect of CSO on the effects of foreign aid on economic growth. The socio-political factor selected was CSO consultation. The econometric model adopted was tested for validity by employing the Hausman test, the Breusch-Pagan test, the Breusch-Godfrey test, the Dickey-Fuller test, the Lagrange Multiplier Test-time effects and the Breusch-Pagan Lagrange Multiplier test (Cross-sectional Dependence test). These tests confirmed that the utilised model was appropriately specified and could be used to estimate the relationship between foreign aid and economic growth, with CSO consultation as a conditioning variable. The results from this study indicated that foreign aid has a positive effect on economic growth, and this was consistent across most models. In the main model which considered the entire SSA region for

the full 1960-2018 period, foreign aid had a positive and significant relationship to economic growth. Furthermore, the results pointed to a negative conditioning effect of CSO consultation on the effects of foreign aid on economic growth.

In the base model (Model 1) that does not consider the interaction effect, CSO consultation did not affect economic growth. However, when the interaction term was added (Model 2), CSO consultation had a statistically significant positive effect on GDP growth rate. There are two further cases where CSO consultation also positively contributed to economic growth. Firstly, in the sub-regionally divided model CSO consultation was statistically significant and had a positive relationship with economic growth in Eastern Africa. Secondly, when different time periods were considered, it appears that in recent times CSO consultation in itself played a critical role in economic growth and this was particularly true when the third wave of democratization ended in the 1900s. The results for the period of 1990 – 2018 showed that CSO consultation had a positive relationship with economic growth and for the period of 2000 – 2018, the statistical significance becomes even stronger with a confidence level of 1%.

However, when the sample size is sub-divided into sub-regions, foreign aid was not shown to be significant to economic growth in Middle and Southern Africa. Similarly, when the sample was categorised according to the most and least democratic states as well as hybrid states. The hybrid states showed the most statistical significance for the interaction between foreign aid and CSO consultation. The conditioning effect of CSO consultation on foreign aid yielded a negative relationship with GDP growth rate. Furthermore, in the most democratic states, foreign aid did not seem to be of any statistical importance to economic growth and displayed a non-relationship. However, in the least democratic states, foreign aid was positively and statistically significant to GDP growth. The least democratic states were generally also the low-income countries and therefore, these results support the findings by Adusah-Poku (2016), Alemu (2017), Alemu & Lee (2015).

The conditioning effect of CSO consultation on the effect of foreign aid on economic growth is negative and this is consistent across the various model utilised. In the main model, the relationship was negative. The effects of the conditioning variable remained negative when different time periods of study were considered. Even though the individual variable had a positive relationship with economic growth, the interaction with foreign aid had a negative linkage to economic growth. The possible explanation for this phenomenon is that CSOs are sometimes ineffective in SSA. The three key differentiating factors as to why CSOs are

ineffective is that they lack adequate funding; there are institutionalism deficiencies that lead to clientelism and patronage; and lastly, there is an insufficiency of cooperation, unity and integration among the CSOs, which prevents each factor from making an impact on how aid is considered by states.

Other factors that had a positive linkage to economic growth were trade and equal distribution of resources. However, although educational equality contributed significantly to economic growth, the relationship was a negative one which is somewhat unexpected. A possible explanation is that the better variable to utilise would be education completion as opposed to educational equality.

The results deduced from this study therefore provide a platform on which policy recommendations can be made.

6.3. Foreign Aid Policy Recommendation

The overarching policy recommendation that will seek to improve the effectiveness of foreign aid on economic growth is the requirement of a centralised aid management and implementation agency. This centralised aid agency should be responsible for the management, recording and integration of aid across private and public sectors, into national development and budgeting programmes. In the African context, the finances of the country are generally managed by the various Ministries of Finance (or similar). Additionally, there are respective ministries that provide the agenda for various aspects of national public good such as Infrastructure, social security, agriculture, water, security, among others. Given that foreign aid generally targets a wide range of objectives, the proposed central aid agency will interface with the various ministries or government departments to ensure that the objectives filter through to the respective departments. It is important to note that the Paris Declaration on Aid Effectiveness of 2005 and the Accra Agenda for Action of 2008 stipulate guidelines on increasing the effectiveness of aid (OECD, 2008). The Paris Declaration and the Accra Agenda proposed strategies for the strengthening of development and operational frameworks such as budgeting and performance assessments. This would allow governments and parliaments to monitor the delivery of projects financed by aid. The full implementation of the Paris Declaration principles will ensure that all donors are required to promote beneficiary country ownership, harmonize their efforts with other donors, and align themselves with recipient country priorities. The centralised aid agency will not only make the Paris Declaration and

Accra Agenda implementation possible but will be instrumental for being the custodian of a foreign aid policy that governs the aid receiving process, the aid allocation process and the project implementation processes. The sourcing and use of aid should not be seen by actors as a parallel process to the central financial process of the state, but should rather integrate into the main budgeting and financial processes.

The Government of Botswana has been running a centrally managed foreign aid programme, and this has proven to be successful (Maipose, Somolekae, & Johnston, 1997). The foreign aid is managed at one central location and then the development objectives set by either donors or the agency itself feeds into the development planning and budgeting processes which account for all government expenditures and investments. The proposed centralised aid agency will also work in close partnership with NGOs, to ensure that foreign aid received by the NGOs is at a minimum recorded and documented.

There is a need for a foreign aid policy that governs the level of accountability among all parties involved in the foreign aid process. The foreign Aid policy should account for a mechanism in which the public can comment on certain aspects of the aid process and that feedback should loop back into the development planning and budgeting processes. This further ties into the results obtained in this study where the conditioning effect of CSO consultation yielded a negative relationship with economic growth. Therefore, developing specific policies that permit CSOs to hold government accountable with little influence from donors and state is crucial. Given that certain aspects of the CSOs have contributed to their ineffectiveness in dealing with foreign aid, it can be deduced that there will be a need to relook at the formation and development of CSOs (both formal and informal). A key stakeholder in the foreign aid ecosystem is Parliament, which is a democratically elected body that is intended and mandated to represent the people and oversee the executives. Foreign aid policies have attempted to give more power to CSOs. However, there is a need for both stakeholders to work in unison and leverage synergies off one another. Following the independence of most African countries, there was a short period of time to draft and implement new pieces of legislation for the new democratic states. In achieving this large task, states neglected public consultation and participation in respect of Parliament's oversight mandate. Therefore, a need arises to intentionally develop frameworks for collaboration between Parliament and CSOs. This collaboration will seek to objectively assess the challenges faced by society, to represent the interests of various groups, make the features of participatory democracy more prevalent and

encourage civic initiatives. All of that will increase the accountability of actors in the foreign aid and development ecosystem.

Lack of funding, corruption, clientelism and patronage and lack of cooperation are some of the factors that have rendered CSOs ineffective in Africa. Therefore, a policy where CSOs and NGOs involved in the aid ecosystem are required to declare all sources and uses of funding to their groups is key. This, moreover, speaks to the full implementation of the Paris Declaration which demands clearly defined measures and standards of performance and accountability of partner country systems, in public financial management, procurement and fiduciary safeguards. There are already accounting standards and reporting standards for NGOs. These can further be extended to formal CSOs. The policy governing CSOs should also contain provisions for their groups to validate and verify their respective submissions to the state's policy. The successful implementation of these policies should increase the efficiency of foreign aid and enable CSOs to be more influential, with a higher degree of autonomy.

This will permit more transparency and reduce the conflict of interest presented to CSOs. Governments through their respective social development and civil participation ministries or departments are required to play a supportive role in the development and upskilling of CSOs; given that these often represent the voice of the people. However, in the development of the CSOs, it is important that the autonomy and independence of CSOs are maintained as this builds trust between the CSOs and its interest groups. The most important factor in the policy recommendation is an effective coordination mechanism between donors, CSOs, the state and its citizens. Any aid policy should ensure that the conditions attached to the aid do not endanger or jeopardize the independence of the state and its sovereignty. Foreign aid is to be seen as a complementary funding source and should not be a substitute for local initiatives and processes of collecting revenue and increasing productivity. Lastly, aid provided in the form of concessional loans should not use government assets that are for the public good as security that can be ceased in the event of a default.

6.4. Key Limitations of the Study

'It is the obligation of organic intellectuals in African countries to identify and publicise the dangers of the new political conditionalities and form or join organisations that will fight them' (Barya, 1993, p. 23). From a positionality perspective, I have a vested interest in the economic development of SSA and understanding how foreign aid has played a role in the region is

critical to developing economic and political policies that will address how, when and if foreign aid should be accepted an under what conditions. The author of this report has a fundamental belief that foreign aid presents itself with some positives and negatives, and, therefore, a certain amount of scepticism is required before accepting international foreign aid donations that may be presented with attached conditionalities that may not necessarily always be beneficial to the recipient. To this end, utilising secondary data and running an unbiased linear regression analysis with no direct influence from the author assisted in mitigating potential biases that may be introduced.

6.5. Further Research

This study added to the existing body of knowledge by considering new datasets and looking at the effects of foreign aid over a prolonged period. Additionally, to the best of my knowledge, no study has considered CSO consultation in the context of foreign aid and economic growth, particularly, utilising CSO consultation as the conditioning variable. This study considered foreign aid as a single unit. However, according to the World Bank's definition of foreign aid, concessional loans and grants that are provided by multilateral and bilateral organisations all make up aid. Therefore, further studies can break down aid into its respective sub-components such as bilateral concessional loans, multi-lateral concessional loans, tied loans, tied grants and others. Breaking down of the aid component will provide an additional understanding as to what form of aid has significantly contributed to economic growth in the region and the relationships that resulted from that.

This study made use of quantitative analysis and by employing this research design, the element of the recipients' experiences, intermediary experiences and other actors involved in the foreign aid value chain were neglected. These personal experiences will provide additional context on the perceived sentiments on aid and how they are truly utilised at grass roots level. Therefore, future researchers can consider employing a more qualitative comparative case study design to do field work and understand the effects of foreign aid on communities. Bailer et al. (2013) and Katz (2006) argued that the strength of a CSO determines its effectiveness and therefore, further studies can explore which CSOs have been effective in the SSA region and align those to economic development in the respective countries. Moreover, further research can analyse each country; on an individual basis, utilising the interrelationship between CSOs and foreign aid on economic growth. This can help determine whether specific and bespoke CSOs need to be created in light of the increased levels of foreign aid into the continent.

To further triangulate the results determined from the quantitative results, case studies can be conducted, particularly focusing on high foreign aid receiving countries. These case studies can supplement the quantitative research method applied in this research. Qualitative case studies allow the researcher to explore various phenomena in organisations or communities through complex interventions and relationships (Baxter & Jack, 2015). The qualitative case study process can follow the process described by Teiu & Juravle (2011) where a theory is developed, followed by case selection based on specific research design parameters, whereupon individual case studies are conducted. Once the case studies are conducted, then the cases can either be compared or analysed, the initially developed theory is modified, and policy recommendations or policy related implications are developed.

Finally, with nine years left until 2030 and the goal of ending poverty still the main overarching principle of the SDGs, it is important to look at the history of development aid. What began as a political instrument used by donors to achieve a political advantage has now transitioned into an instrument that is utilised to make an impact. The conditionalities imposed by donors on recipient countries have been relooked at with the main aim of prioritising the recipient countries development strategies. The end goal is no longer for donors to act as *de facto* leaders, but rather for them to respect the recipients' country's leadership and help strengthen their aptitude and capacity to implement development policies and strategies. Economic growth, equity and sustainable development remains at the forefront of most actors in the aid and development space. Therefore, a conclusion can be made that aid remains essential for the future. The evolving aspect of foreign aid lies in its deployment, measuring, monitoring, evaluation and accountability. Multilateral organisations such as the AU have called upon society to make their voices louder and to participate in the political and economic processes of their countries. This will further give rise to more CSOs, whose voices will be louder as they seek to have their interests adequately represented and protected.

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Appendices

Appendix A: Countries under study (Regional Classification)

Country	Region
Angola	Middle Africa
Benin	Western Africa
Botswana	Southern Africa
Burkina Faso	Western Africa
Burundi	Eastern Africa
Central African Republic	Middle Africa
Chad	Middle Africa
Republic of the Congo	Middle Africa
Ivory Coast	Western Africa
Eritrea	Eastern Africa
Eswatini	Southern Africa
Ethiopia	Eastern Africa
Gabon	Middle Africa
The Gambia	Western Africa
Ghana	Western Africa
Guinea	Western Africa
Guinea-Bissau	Western Africa
Kenya	Eastern Africa
Lesotho	Southern Africa
Liberia	Western Africa
Madagascar	Eastern Africa
Malawi	Eastern Africa
Mali	Western Africa
Mauritania	Western Africa
Mauritius	Eastern Africa
Mozambique	Eastern Africa
Namibia	Southern Africa
Niger	Western Africa
Nigeria	Western Africa
Rwanda	Eastern Africa
Senegal	Western Africa
Sierra Leone	Western Africa
Somalia	Eastern Africa
South Africa	Southern Africa
Tanzania	Eastern Africa
Togo	Western Africa
Uganda	Eastern Africa
Zambia	Eastern Africa
Zimbabwe	Eastern Africa

Appendix B: Regression Results by Region

	Dependent variable:				
			gdp_growth_rate		
	Full Sample	Western Africa	Middle Africa	Eastern Africa	Southern Africa
Model	(2)	(6)	(7)	(8)	(9)
gdp_growth_rate_t-1	-0.044*	0.056	-0.185***	-0.043	-0.143*
	(0.024)	(0.038)	(0.061)	(0.046)	(0.082)
AID_GDP_t-1	0.088***	0.081*	0.112	0.185***	-0.034
	(0.031)	(0.048)	(0.168)	(0.057)	(0.192)
civil_society_consulted	0.009*	0.008	0.009	0.032***	0.043
	(0.005)	(0.007)	(0.018)	(0.011)	(0.038)
trade_t-1	0.034***	0.007	0.146***	0.070**	0.128***
	(0.012)	(0.018)	(0.044)	(0.034)	(0.046)
political_corruption	0.012	0.021	0.0003	-0.053	-0.426**
	(0.027)	(0.043)	(0.144)	(0.039)	(0.183)
Govt_accountability	-0.004	-0.013	0.033	-0.034**	-0.218***
	(0.009)	(0.015)	(0.046)	(0.016)	(0.062)
Neopatrimonial_index	-0.038	-0.066	0.040	-0.040	-0.139
	(0.039)	(0.064)	(0.228)	(0.053)	(0.143)
Equal_distribution_resources	0.167**	0.047	0.173	0.042	0.546
	(0.074)	(0.125)	(0.258)	(0.124)	(0.486)
educational_equality	-0.024***	-0.012	-0.036	-0.021	0.063
	(0.008)	(0.013)	(0.025)	(0.014)	(0.075)
health_equality	-0.009	0.002	-0.003	0.011	-0.048
	(0.011)	(0.017)	(0.047)	(0.019)	(0.047)
AID_GDP_t-1.civil_society_consulted	-0.059**	-0.046	-0.108	-0.055	-0.190
	(0.026)	(0.038)	(0.149)	(0.046)	(0.134)
Estimator	ols	ols	ols	ols	ols
Fixed effects	country_name, year	country_name, year	country_name, year	country_name, year	country_name, year
Std. errors clustered	No	No	No	No	No
Observations	1,729	736	309	489	195
R^2	0.027	0.019	0.104	0.099	0.206
Adjusted R^2	-0.035	-0.099	-0.164	-0.067	-0.233
Note:					*p<0.1; **p<0.05; ***p<0.01

Appendix C: Regression Results for SSA: 1960-2018, 1990 – 2018 & 2000-2018

Aid on Economic Performance (FEM)

	Dependent variable:		
	GDP_growth_rate		
Model	(2)	(10)	(11)
	1960-2018	1990-2018	2000-2018
GDP_growth_rate_t-1	-0.045*	-0.031	-0.030
	(0.024)	(0.032)	(0.039)
AID_GDP_t-1	0.087***	0.150***	0.154*
	(0.031)	(0.046)	(0.079)
civil_society_consulted	0.005	0.022*	0.048***
	(0.006)	(0.012)	(0.018)
trade_t-1	0.034***	0.036**	0.018
	(0.012)	(0.016)	(0.020)
political_corruption	0.011	-0.010	-0.002
	(0.027)	(0.055)	(0.119)
Govt_accountability	-0.006	-0.038*	-0.051
	(0.010)	(0.020)	(0.038)
Neopatrimonial_index	-0.040	-0.063	-0.182
	(0.039)	(0.069)	(0.112)
Equal_distribution_resources	0.155**	0.221*	0.285*
	(0.075)	(0.113)	(0.162)
educational_equality	-0.023***	-0.037***	-0.060**
	(0.008)	(0.014)	(0.023)
health_equality	-0.008	-0.005	-0.017
	(0.011)	(0.017)	(0.025)
civil_participation	0.030	0.040	-0.023
	(0.034)	(0.066)	(0.107)
AID_GDP_t-1:civil_society_consulted	-0.059**	-0.102***	-0.147***
	(0.026)	(0.038)	(0.054)
Observations	1,729	974	641
R^2	0.103	0.124	0.120
Adjusted R^2	0.045	0.049	0.019
F Statistic	2.812*** (df = 66; 1624)	3.332*** (df = 38; 897)	2.800*** (df = 28; 574)
Note:			Fixed Effects coefficients not shown; *p<0.1; **p<0.05; ***p<0.01

Appendix D: Robustness Check (Using varying standard errors)

Standard Error Calculation	Standard Error	Error Clustered for Country FE	Error Clustered for Time FE
		gdp_growth_rate	
gdp_growth_rate_t-1	-0.045*	-0.045	-0.045
	(0.024)	(0.053)	(0.040)
AID_GDP_t-1	0.087***	0.087**	0.087**
	(0.031)	(0.042)	(0.040)
civil_society_consulted	0.005	0.005	0.005
	(0.006)	(0.006)	(0.007)
trade_t-1	0.034***	0.034**	0.034*
	(0.012)	(0.015)	(0.020)
political_corruption	0.011	0.011	0.011
	(0.027)	(0.024)	(0.030)
Govt_accountability	-0.006	-0.006	-0.006
	(0.010)	(0.010)	(0.009)
Neopatrimonial_index	-0.040	-0.040	-0.040
	(0.039)	(0.041)	(0.039)
Equal_distribution_resources	0.155**	0.155**	0.155**
	(0.075)	(0.064)	(0.072)
educational_equality	-0.023***	-0.023***	-0.023**
	(0.008)	(0.008)	(0.009)
health_equality	-0.008	-0.008	-0.008
	(0.011)	(0.009)	(0.010)
AID_GDP_t-1.civil_society_consulted	-0.059**	-0.059**	-0.059
	(0.026)	(0.024)	(0.036)
Estimator	ols	ols	ols
Fixed effects	country_name, year	country_name, year	country_name, year
Std. errors clustered	No	country_name	year
Observations	1,729	1,729	1,729
R2	0.153	0.153	0.153
Adjusted R2	0.098	0.098	0.098
Note:	*p<0.1; **p<0.05; ***p<0.01		

Appendix E: Average country classification (average democracy index)

Most Democratic		Hybrid		Least Democratic	
Country	ED (avg)	Country	ED (avg)	Country	ED (avg)
Burkina Faso	0.3745	Rwanda	0.1977	Eritrea	0.0846
Benin	0.4064	Chad	0.1998	Angola	0.1267
Ghana	0.4092	Republic of the Congo	0.2024	Eswatini	0.1338
South Africa	0.4165	Democratic Republic of the Congo	0.2130	Ethiopia	0.1714
Senegal	0.5319	Guinea	0.2215	Burundi	0.1815
Botswana	0.6346	Guinea-Bissau	0.2304	Somalia	0.1824
Mauritius	0.7269	Central African Republic	0.241383333		
		Zimbabwe	0.2476		
		Cameroon	0.248033898		
		Uganda	0.251983333		
		Togo	0.259233333		
		Mauritania	0.2604		
		Gabon	0.2734		
		Kenya	0.293883333		
		Ivory Coast	0.306033333		
		Lesotho	0.311283333		
		Mozambique	0.313875		
		Nigeria	0.314683333		
		Liberia	0.31525		
		Malawi	0.323366667		
		Sierra Leone	0.324583333		
		Madagascar	0.328983333		
		Niger	0.332416667		
		Zambia	0.34105		
		Mali	0.346683333		
		Tanzania	0.366166667		
		Namibia	0.370366667		
		The Gambia	0.372583333		