Assessing the Effectiveness of Foreign Aid in Promoting Economic Development in Sub-Saharan Africa

by Daniela Denyer (International Foundations)

KCL Policy Research Centre

Centre for Social Justice & Human Rights

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Foreign aid has played a defining role in shaping the development paths of Sub-Saharan African countries. From financing infrastructure and health systems to shaping policy reform and governance, aid is woven into the region's economic fabric. However, its outcomes vary widely. While some countries have used aid to achieve significant growth, others remain trapped in cycles of dependency and mismanagement. This research explores the complex impact of foreign assistance in the region, particularly how governance, donor behavior, and historical context determine its effectiveness.

A Diverse and Uneven Landscape

Sub-Saharan Africa receives the largest share of global foreign aid, over $50 billion annually as of 2022, yet distribution is uneven. Ethiopia, Kenya, Tanzania, and Nigeria consistently rank among the top recipients, while fragile or isolated states like South Sudan and Somalia often face fragmented and volatile support. The profile of donors has also evolved. Traditional Western donors (such as the U.S., EU, and UK) are now joined by China, Brazil, and India, whose development finance, particularly from China, has surged. Angola, for instance, has received billions in Chinese infrastructure loans, often tied to oil exports, reflecting a South–South cooperation model that prioritizes strategic bilateral interests over governance reform.

Shifting Donor Priorities and External Impositions

Since the 1960s, the priorities of foreign aid in Sub-Saharan Africa have undergone several major transformations. Initially, aid programs focused on supporting newly independent states through investments in industrialization and nation-building. However, by the 1980s, a shift occurred with the rise of Structural Adjustment Programs (SAPs) promoted by the International Monetary Fund (IMF) and the World Bank. These programs made financial assistance conditional on implementing sweeping neoliberal reforms, including trade liberalization, currency devaluation, the privatization of state-owned enterprises, and drastic cuts to public spending. While intended to correct fiscal imbalances and promote economic efficiency, these policies often produced devastating social consequences. Public services—including healthcare, education, and water access—were gutted by austerity, leading to widespread unemployment, deindustrialization, and declining living standards.

Fentahun (2023) argues that SAPs were not just economically disruptive; they were emblematic of a broader pattern of externally imposed development models that ignored local contexts and priorities. These reforms were designed in Washington, not in African capitals, and were enforced through financial leverage rather than democratic consensus. As a result, they severely undermined local agency, weakened domestic institutions, and eroded the accountability of African governments to their citizens. Governments became more answerable to foreign creditors than to the populations they served. Furthermore, by dismantling many of the state structures that supported social welfare and local production, SAPs weakened the very institutional capacity that foreign aid would later attempt to rebuild in subsequent decades. This legacy continues to shape skepticism about donor-driven reform

and reinforces the need for development strategies that are grounded in context-specific, locally led approaches.

Historical Legacies and Regional Variance

The legacy of colonialism in Africa continues to shape patterns of development across the continent, particularly through the spatial dynamics of extractive economies. Van de Walle et al. (2020) analyze the long-term effects of colonial cash crop production using a new geospatial dataset covering 38 Sub-Saharan African countries. Their findings highlight a paradox: while regions engaged in colonial cash crop cultivation today display higher levels of local development, measured by indicators such as road infrastructure, urbanization, night-time luminosity, and household wealth, these gains were concentrated and often came at the expense of surrounding areas. Their research demonstrates that the economic uplift generated by colonial agricultural zones did not translate into broad-based development. Instead, investment was heavily concentrated in areas deemed suitable for cash crop extraction, leaving adjacent regions relatively underdeveloped (van de Walle et al., 2020). This uneven development has persisted, reinforcing spatial inequality and institutional weakness.

Drawing on a dataset first compiled by Hance et al. (1961), the authors trace the rise of cash crop economies, such as cocoa, cotton, and oil palm, as a defining feature of colonial economic policy. Unlike in Latin America, where large plantations dominated, African cash crops were predominantly cultivated by smallholder farmers. While this decentralized structure generated localized wealth, it failed to spur the broader economic transformation seen in other regions such as the United States or Canada (van de Walle et al., 2020).

The study finds that colonial infrastructure—especially roads and railways—was developed to serve export needs, connecting rural production zones directly to ports rather than fostering domestic economic linkages. These systems reflected broader imperial priorities that restricted African economies to suppliers of raw commodities, undermining the development of local processing industries and manufacturing (Hirschman, 1977; Rodney, 1972). As a result, colonial agricultural regions became economic enclaves with limited spillover effects beyond a 50 km radius. Regions located between 75 and 250 km from cash crop centers show lower-than-expected levels of development today (van de Walle et al., 2020).

This spatial configuration of colonial development created entrenched inequalities and contributed to institutional fragility. The prioritization of export-oriented production, combined with the marginalization of peripheral regions, fostered what the authors describe as a negative feedback loop, whereby regional disparities weakened collective political agency and hindered state-building efforts. In addition, the colonial economy’s role in reinforcing ethnic divisions further limited the formation of inclusive, cross-regional coalitions capable of pushing for institutional reform (Pengl et al., 2020). Thus, while colonial cash crop economies left behind pockets of infrastructural and economic development, they simultaneously entrenched uneven development and institutional weaknesses that persist today. The findings help reconcile the apparent contradiction in colonial legacies, explaining how localized development gains coexisted with enduring national underdevelopment and spatial inequality.

The historical legacies of colonization, conflict, and extractive governance have left uneven state capacity across Sub-Saharan Africa. These legacies help explain why aid works better in some regions

than others. Adedokun (2017) finds that East African countries, which have made strides in institutional reform and political stability, see better development outcomes than parts of West and Central Africa, where corruption, weak judicial systems, and elite capture persist.

This highlights the importance of tailoring aid strategies to regional and institutional realities rather than applying one-size-fits-all solutions.

Governance: The Deciding Factor

Governance is perhaps the most critical factor in determining aid effectiveness. Ilorah and Ngwakwe (2021) show that aid correlates negatively with GDP per capita when governance is poor. However, when indicators like the rule of law and corruption control are strong, aid becomes significantly more effective. Effective institutions—including independent judiciaries, competent civil services, and transparent procurement systems—are essential for absorbing aid and translating it into sustainable development. Without these, aid often bypasses the state entirely, weakening its legitimacy and long-term capacity. This shift in accountability—from recipient governments to international donors—has contributed to institutional fragility and limited the effectiveness of aid in building domestic capacity.

Governance quality is essential to translate aid into development, and part of good governance is stable institutions. In turn, these are essential for economic development, and therefore, foreign assistance should promote and strengthen them, rather than the opposite (Asongu & Nwachukwu, 2016). However, empirical evidence suggests that foreign aid can weaken governance in recipient countries, particularly when institutional frameworks are already fragile. Asongu and Nwachukwu (2016) find that development assistance tends to deteriorate both economic governance, such as regulation quality and government effectiveness, and institutional governance, including corruption control and the rule of law. However, the effectiveness of aid significantly improves under stronger institutional conditions. Burnside and Dollar (2000) famously concluded that aid is only effective when sound policies are in place, a finding that has been corroborated by multiple subsequent studies. This evidences the broader consensus that the impact of aid is not determined solely by its volume but is fundamentally contingent on the quality of institutions in the recipient country (Rajan & Subramanian, 2007; Brautigam & Knack, 2004).

Another relevant factor is that aid harms institutions where the rule of law and anti-corruption mechanisms are weak. In these systems, foreign assistance increases corruption and worsens bureaucratic quality, leading to violations of the law with greater impunity. According to Asongu & Nwachukwu (2016), NODA (Net Official Development Assistance) significantly decreases “regulation quality and government effectiveness”. Nonetheless, without institutional safeguards, aid will still shift accountability away from recipient states. As Asongu & Nwachukwu's paper suggests, aid can replace domestic accountability with donor conditionalities, leading to "institutional fragility" and even deepening the issues caused by the legacies of colonialism that have already, in their way, perpetuated foreign control with little to no civilian representation or respect, allowing national and regional leaders to make the most of this for their personal benefit.

In conclusion, the effectiveness of foreign aid is closely linked to the strength and integrity of domestic institutions, including the judiciary, civil service, and public procurement systems. Corruption and mismanagement in these areas often undermine the intended impact of aid flows.

Asongu and Nwachukwu (2016) highlight that public investment in many African countries is frequently stained by poor management and corrupt practices, particularly in the allocation of contracts. Despite substantial aid inflows, core governance institutions such as the judiciary and enforcement mechanisms often remain weak, as aid dependency reduces the incentives for deep structural reform. The persistence of weak rule of law suggests that external financial support alone does not automatically lead to institutional strengthening. Consequently, the authors argue for a fundamental shift in how aid is designed and implemented. Rather than focusing on increasing aid volume, they advocate for rethinking the underlying models of aid delivery to prioritize institutional reform and governance quality: "It is time to solve the second tragedy of foreign aid ... policymakers should rethink the models on which foreign aid is used to influence governance".

The Problem of Fragmented Donor Efforts

Donor fragmentation continues to be a significant barrier to effective aid delivery, particularly in contexts where coordination mechanisms are weak or underdeveloped. Despite shared development objectives, donor agencies frequently pursue bilateral programs driven by their own strategic, political, or bureaucratic interests. Carbone (2013) criticizes the European Union's development policy for exemplifying this issue, as individual member states often prioritize national agendas over collective EU strategies. This tendency leads to a proliferation of disconnected projects that overwhelm recipient governments. A notable example is Mozambique's education sector, where at one point more than 20 donors operated simultaneously, each with separate programs, reporting requirements, and evaluation frameworks. This created redundancies and placed an unsustainable administrative burden on national institutions, diverting attention and resources from implementation to coordination. Such fragmentation diminishes the predictability, coherence, and overall impact of foreign aid, limiting the ability of recipient states to align external resources with national development strategies. It also weakens accountability, as overlapping initiatives blur lines of responsibility and make it more difficult to measure outcomes. Overcoming this challenge requires donors to commit to genuine harmonization efforts, including joint programming, pooled funding mechanisms, and alignment with recipient country systems and priorities

The persistent problem of donor fragmentation in Sub-Saharan Africa is strongly supported by recent empirical findings. Dedehouanou (2023) confirms that the proliferation of bilateral and multilateral donors, especially with the rise of emerging non-DAC (Development Assistance Committee) donors, has contributed significantly to the fragmentation of aid in the region. Although fragmentation from bilateral DAC donors has decreased in recent years, aid from non-DAC donors, such as China and the Gulf States, remains more fragmented and less coordinated. This aligns with Carbone's (2013) critique of the European Union's fragmented aid delivery and illustrates how overlapping initiatives continue to overwhelm recipient governments, leading to inefficiencies and reduced predictability. Furthermore, Dedehouanou highlights that fragmentation leads to higher transaction costs for both donors and recipients, including excessive reporting requirements and duplication of efforts, directly echoing the Mozambique education sector case. The study shows that sectoral fragmentation increases as more donors operate independently within the same sectors without coordination, despite international commitments like the Paris Declaration and Accra Agenda for Action (Dedehouanou, 2023).

Interestingly, the study also introduces a nuanced view: in fragile states, some fragmentation might reduce political dependence on a single donor and thus mitigate aid shocks. However, this potential benefit is outweighed by the broader negative impacts, especially in stable states with higher development potential, where uncoordinated aid undermines national planning capacity and weakens institutional ownership. To address these challenges, the author stresses the importance of recipient country leadership in coordinating sector-specific donor engagement, recommending that aid should be aligned with national development priorities and that only donors with a comparative advantage should operate in a given sector

(Dedehouanou, 2023). This reinforces the argument that without harmonization and strategic division of labor among donors, the long-term effectiveness of aid remains compromised.

Toward Locally Driven, Context-Sensitive Aid

There is growing recognition that aid must support, not substitute, local systems. The Paris Declaration on Aid Effectiveness, adopted in 2005, marked a turning point by emphasizing country ownership, alignment with national strategies, and mutual accountability. Leigh (2013) notes this shift has pushed donors to invest more in public financial management, civil society, and institutional resilience. Donor behavior also presents a major obstacle. Carbone (2013) critiques the European Union's approach to aid coordination, highlighting how national aid bureaucracies within the EU have resisted collective strategies in favor of bilateral agendas. This has led to fragmentation, duplication of efforts, and a mismatch between policy ambitions and on-the-ground implementation. Furthermore, recipient governments often accept or even prefer this fragmentation, as it allows them more leverage in negotiations and less stringent oversight, undermining the principle of "ownership" in aid relationships. However, many challenges remain. Poor transparency and weak monitoring mechanisms leave room for elite capture, where funds are diverted by political elites for personal or political gain. Partnering with local NGOs in aid program design and oversight can help build trust, promote inclusion, and ensure programs meet real community needs.

Aid as a Tool, Not a Substitute

Foreign aid can still serve as a powerful tool for sustainable development in Sub-Saharan Africa—but only if designed in partnership with African governments and communities. Generic policy templates must give way to flexible, long-term strategies grounded in local realities. Donors must coordinate more effectively, promote transparency, and prioritize capacity building over short-term outputs. Most importantly, recipient countries must reclaim agency over their development agendas, using aid as a catalyst, not a crutch, for inclusive growth.

To mitigate these issues, action must be taken, and foreign aid programs must be reorganized to fit the needs of the civilians receiving the aid, not of the governments or the donors. A first step would be investing in governance reform. Prioritizing the development of independent judiciaries, strong anti-corruption agencies, transparent procurement systems, and effective civil services to ensure aid supports instead of replacing local capacity (Asongu & Nwachukwu, 2016; Ilorah & Ngwakwe, 2021). Donors should also condition large-scale aid commitments not just on macroeconomic targets, but on measurable improvements in governance, transparency, and the rule of law. Finally, frameworks should be created to ensure aid supports domestic accountability rather than shifting power toward donors.

When it comes to coordinating and consolidating donor efforts to reduce fragmentation, donors should be encouraged to align their activities within coordinated sector frameworks, reducing overlap and transaction costs (Carbone, 2013; Dedehouanou, 2023). Another step could be to implement division of labor strategies, such as assigning lead donors in each sector based on technical expertise and historical engagement, with others channeling aid through these leaders to avoid duplication. Finally, focusing on supporting recipient-led coordination by building the capacity of national aid coordination units to monitor donor activity, ensure alignment with development plans, and prevent overload.

Promoting locally driven, context-sensitive aid models would be next on the path to transforming foreign aid programs and applications in favor of civilians. One way to do this would be by ending top-down conditionalities by avoiding one-size-fits-all policy prescriptions like structural adjustment models. Instead, co-designing aid programs with local stakeholders to ensure relevance and sustainability (Fentahun, 2023) would be a better option. Aid should also be focused on funding locally defined priorities that promote long-term structural transformation, diversification, and equity (Dedehouanou, 2023). Aid program leaders should also focus on partnering with local NGOs and community organizations in designing and monitoring programs to increase trust and responsiveness.

To address historical and spatial inequities in development, geospatial analysis should be used to direct investment to areas historically marginalized due to colonial extractive economies (van de Walle et al., 2020). Designing infrastructure and service delivery programs that offset past concentration in enclaves and improve access in remote areas would have a significant impact on stepping away from the currently visible post-colonial impact and dealing with inequality in an economically sustainable way.

When it comes to reforming donor practices and incentives, the focus should be on rewarding aid effectiveness over volume, enhancing donor transparency and accountability, and discouraging donor-driven competition. This can be achieved by shifting donor incentives toward long-term impact and institutional strengthening rather than disbursement targets, publishing disaggregated data on aid flows, project results, and overhead costs to facilitate public scrutiny and learning, and limiting the influence of geostrategic interests (e.g., rivalry with China) that promote quantity over quality in aid engagement (Dedehouanou, 2023).

Finally, it's important to reinforce global aid governance frameworks by revitalizing commitments under the Paris Declaration and the Accra Agenda, and integrating emerging donors into coordination mechanisms. Reaffirming principles of ownership, alignment, harmonization, results, and mutual accountability, and creating binding targets for compliance can reinforce the relevance of the agreements and organizations that have already been established. Developing platforms that include both DAC and non-DAC donors can also help ensure consistent standards and reduce fragmentation.

The legacy of foreign aid in Sub-Saharan Africa is a complex and often contradictory one. While aid has financed critical infrastructure, supported basic services, and contributed to some economic progress, its long-term effectiveness remains constrained by historical inequalities, governance challenges, and fragmented donor strategies. This research has shown that where institutions are strong and governance is transparent, aid can be transformative. But where corruption, weak rule of law, and external conditionalities dominate, aid often reinforces the very problems it seeks to resolve. The enduring effects of colonialism, the imposition of rigid economic reforms, and the proliferation of donor agendas have all played a role in shaping an aid landscape that is too often misaligned with local needs and capacities.

To move from dependency to sustainable development, foreign aid must undergo a fundamental shift, from a model driven by external priorities and short-term metrics to one rooted in local ownership, institutional reform, and long-term equity. Strengthening domestic institutions, enhancing donor coordination, promoting context-sensitive programming, and addressing spatial inequalities are not just policy ideals but urgent needs. As new factors come into play, from climate change to migration, the stakes of ineffective aid are higher than ever. Sub-Saharan Africa deserves an aid architecture that empowers, not undermines; that listens, not imposes; and that builds, not bypasses. Only then can foreign aid fulfill its promise as a true partner in the region's development.

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