

UNIVERSITY OF NAIROBI

INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

**CHALLENGES OF DEVELOPMENT IN AFRICA:
A CASE STUDY OF THE ROLE OF FOREIGN ASSISTANCE IN KENYA**

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of Master of Arts Degree in International Studies**

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DECLARATION

This research project is my original work and has not been submitted for examination in this University or any other University.

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PROFESSOR MARIA NZOMO

Date

DEDICATION

This research is dedicated to my children Diana, Sharon, Shawn and Annan.

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Let me take this opportunity to thank everyone that contributed to the completion of this thesis, because without their encouragement and resilience, it could not have been possible to achieve this process.

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LIST OF ABBREVIATIONS

ACP	-	African Caribbean and Pacific
AEC	-	African Economic Conference
ASEAN	-	Association for South East Asian Nations
BRICS	-	Brazil Russia India China South Africa
CIDP	-	County Integrated Development Plans
CAP	-	Common African Position
DAC	-	Development Assistance Committee
DANIDA	-	Danish International Development Aid
DCNs	-	Developed Countries and Nations
DFI	-	Development Finance Institutions
e- PROMIS		Electronic Project Management Information System
EXIM	-	Export Import
PPP	-	Public Private Partnership
DRC	-	Democratic Republic of Congo
DRM	-	Domestic Resource Mobilisation
EU	-	European Union
FDI	-	Foreign Direct Investment
FGM	-	Female Genital Mutilation
FOCAC	-	Forum on China- Africa Cooperation
CAD	-	Canadian Dollar
GAC	-	Global Affairs Canada
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
G20	-	Group of 20
HNI	-	High Net Worth Individuals
IBRD	-	International Bank for Reconstruction and Development
IBSA	-	India Brazil South Africa

IDA	- International Development Association
ILO	- International Labour Organisation
IMF	- International Monetary Fund
KERP	- Kenya External Resources Programme
LDC	- Less Developed Countries
MDGs	- Millennium Development Goals
MNC	- Multi National Corporation
MOP	- Margins of Preference
NEPAD	- Network for Partnership and Development
NIMES	National Integrated Management Information System
ODA	- Official Development Assistance
OECD	- Overseas Economic Cooperation and Development
SAGA	- Semi-Autonomous Government Association
SAPS	- Structural Adjustment Programmes
SDGs	- Sustainable Development Goals
SGR	- Standard Gauge Railway
SSA	- Sub Saharan Africa
TICAD	- Tokyo International Conference on African Development
UK	- United Kingdom
UNCTAD	- United Nations Conference on Trade and Development
UNDP	- United Nations Development Programme
US	- United States of America
WCED	- World Commission on Environment and Development

ABSTRACT

Foreign assistance is among the policy tools in International Politics and Diplomacy that developed countries use to help African countries to address their challenges in sustainable development, amidst the reality that aid to poorest countries is declining, stagnating or shifting allocation priorities in favour of middle income level countries. Many scholars have difficulty in finding a nexus between aid, growth and development, as the debate rages on whether foreign assistance has any impact, as Africa is caught up in poverty trap and remains behind the developing world, in spite of the massive foreign assistance support which is hailed as the solution to World poverty. However, there is strong thinking that foreign assistance works, where there are proper institutions of governance and leadership. The tools used in data collection in this study, included interview schedules, document reviews, and internet. Purposive sampling was used to identify key informants such as officials from the line Ministries and development partners. The targeted population comprised line Ministries, SAGAS and development partners. Analysis was done using frequency distributions, cross tabulations and weighted average measures, using Ms Excel and results put into descriptive statistics to present views of Government officers and development partners. The major findings of the study are that the challenges of development in Africa can be classified into political, social, economic and environment, and that foreign assistance has increased over the last 10 years, despite the raging debates on the impact. Measuring the impact of foreign assistance is not easy, because all conclusions on its effect economic growth are contestable. The study will be useful to the development practitioners both at national and county level who are involved in implementing Kenya's Vision 2030, SDGs and Agenda 2063, and forms the basis for further research on how major development challenges can be overcome by strengthening foreign assistance, especially by the recipient and the donor. Some of the key recommendations include, Strengthening Leadership and Governance institutions, Growth Focused Policies and Implementation, Optimal utilization of the available resources and complementing foreign assistance with Aid for Trade.

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Source: www.worldatlas.com 2016

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND TO THE RESEARCH PROBLEM

As the 21st Century progresses on, Africa continent is still mired in deep crisis manifested in poverty trap, contrary to the wide expectation that political independence would bring economic prosperity and social development in tandem with the new found sovereignty. The last 60 years, has seen SSA characterised by deep disillusionment, unfulfilled dreams and continuous efforts targeting sustainable development.¹ In the last three decades, lessons learnt about continent's development call for the need for more concerted initiatives to effectively address these challenges to development, among them poor leadership, ineffective pro poor policies, misappropriation/mismanagement, unsustainable debts management, bad governance, HIV/AIDS pandemic, insecurity and conflicts.² Thus sustainable development now offers a development path that ensures non-declining per capita well-being over the period 2015-2030 committed to ending poverty, combating climate change and fighting injustice.³ The 17 Sustainable Development Goals (SDGs) offers a better future for billions of people around the world, and lays out specific targets to solve the challenges people are facing.

New scholars known as “developmentalists” have raised concern on emerging issues in development, especially on why some countries live in poverty while others have high

¹ Musalia Mudavadi, *Rethinking Development in the 21st Century, the Case of Kenya*, East African Educational Publishers, 2002, p10.

² Sako S and Ogiogio G, *AFRICA: Major Development Challenges and their Capacity Building Dimensions: The African Capacity Building Foundation, Occasional Paper No.1 2002*, p 7.

³ United Nations, Una-gp.org/sustainable_development_goals 2015-2030 accessed on 18.09 hrs (24/8/15)

standards of living.⁴ Development in SSA remains elusive compared to Asia and South America, especially in view that Latin America and India are back on track for economic development after 20 years. Despite the foreign assistance being used as a means of fighting poverty and supporting economic growth, in recent times, there has been growing disillusionment among the development partners on its performance due to lack of governance institutions and leadership that promote development.⁵ Therefore many African countries find it hard to connect positively aid, growth and development, because the region lags behind the rest of the world by virtually any measure.⁶

Currently, the role of Foreign Assistance has become more pivotal than ever as it helps the less developing overcome their development challenges.⁷ Sachs believes that poverty traps can be overcome by injecting certain amount of investment in form of foreign assistance.⁸ As a sphere of international diplomacy foreign assistance has undergone transformative changes by development partners over the last 20 years and is now well placed foreign policy tool which provides an effective response to some of the challenges of development in Africa. Sachs argues that with carefully planned foreign assistance, extreme poverty can be wiped out globally by the year 2025, through, debt cancellation, more and better targeted development assistance to poor countries, and proper Government institutions.⁹

⁴ Bartenev V. and Glazunova E, *World Bank (Russia), Set of Lectures, International Development Cooperation*. Moscow: World Bank, 2013, pp 11-15.

⁵ Akiyama T, 'Recent Trends in International Aid and Their Impact on Japan', , Journal of International Development Research Institute, FASID issue no. 4, p5.

⁶ Nordiska Afrikainstitutet, Uppsala, *Foreign Aid in Africa, Learning form Country Experiences*, 1997 p 7.

⁷ Directory of International Donor and Development Organisations, 3rd compilation (June 2007), Commission on Science and Technology for Sustainable Development in the South (COMSATS), p i.

⁸ Jeffrey Sachs, *The End of Poverty – Economic Possibilities For Our Time*, The Penguin Press, New York, 2005, p 56.

⁹ Ibid ., pp23-24

1.1 STATEMENT OF RESEARCH PROBLEM

Due to serious development challenges, Africa's poor population have increased from 150 million to over 300 million, with over 40 percent being vulnerable.¹⁰ These challenges are clearly manifested in the objectives of the SDGs 2030, Agenda 2063 and even Kenya Vision 2030, which seek to address the fundamental Africa's problems affecting human development and poverty in the 21st century.¹¹ Despite enhanced foreign assistance and growth for Africa's FDI, it still remains a marginal region globally.¹² The poor performance is attributed to many factors such as poor leadership and weak governance institutions, as fierce debate rages on whether foreign assistance can assist in fighting poverty, economic growth and sustainable development.

The Kenya's National Integrated Monitoring and Evaluation System (NIMES) and electronic Project Monitoring and Information System (e-PROMIS) has not been very successful in tracking and analysing foreign assisted programmes and projects, as previous studies also observed limited number of research on these kind of projects in Africa.¹³

This study therefore seeks to examine the continuing challenges of sustainable development in Africa, despite the decades of massive injection of foreign assistance, and how this can be strengthened to help in achieving sustainable development as envisaged in Agenda 2063.

¹⁰World Bank, *Meeting the Challenge of Africa's Development: A World Bank Group Action Plan, Africa Region*, 2005 p.3.

¹¹ OECD, *FSS Survey flyer*, www.oecd.org/dac/aid-architecture/2015_flyer.pdf, accessed on – 18.55 pm (26/8/2015)

¹² OECD, *Global Outlook on Aid Results of the 2014 DAC Survey on Donors' Forward, Spending Plans and Prospects for Improving Aid Predictability* accessed on www.oecd.org/dac/aid-architecture accessed on 13/9/2016.

¹³ The South African Institute of International Affairs, *Emerging Donors in International Development Assistance, the South African Case*. IDRC – CRDI Canada, 2008 p 34.

1.2 RESEARCH QUESTIONS

- i) What are the major challenges to sustainable development in Africa?
- ii) What have been the trends and strategies of Foreign Assistance to Kenya?
- iii) What has been the impact of Foreign Assistance on development in Kenya and how can it be strengthened?

1.3 OBJECTIVE OF STUDY

- i) To identify major challenges to sustainable development in Africa.
- ii) To examine the trends and strategies of Foreign Assistance to Kenya.
- iii) To assess the impact of Foreign Assistance on development in Kenya and suggest how can it be strengthened.

1.4 LITERATURE REVIEW

1.4.1 Concepts and terms

Development can be defined as the process of improving the quality of all human lives, while Sustainable Development can be described as wellness or happiness and the cost to future generations of economic activity today by measuring the economic performance and social progress.

Foreign Assistance has several synonyms such as development aid, development assistance, technical assistance, international aid, overseas aid, official development assistance (ODA), or Foreign Assistance. Basically, the synonyms are used to refer to a financial aid given by governments and other agencies to support the economic, environmental, social, and political development of developing countries.¹⁴ Foreign Assistance can also be a voluntary transfer of resources from one country to another with the objective of benefiting the recipient country, which may be in the form of military assistance and foreign assistance.

The World Bank introduces the other form of Foreign Assistance as Foreign Direct Investment (FDI).

The variables (indicators of concepts) in this study are; poverty, economic growth, Development Aid, sustainable development, and aid effectiveness.

1.4.2 Typologies and functions of foreign assistance

Moyo classifies foreign assistance into various categories such as humanitarian or emergency aid, such as food aid, charity-based aid, or systematic aid that is aid payments made directly to governments either through government-to-government transfers or transferred via

¹⁴ OECD, Technical Note - Paris, 8 April 2015 p.1.

institutions such as World Bank .¹⁵ The Ministry of Finance explains that foreign assistance can reach recipients through bilateral or multilateral systems. ¹⁶ It adds that ODA is mainly for development purposes (Economic or Social development), project/ programme aid, technical assistance, and Sector Support Commodity Aid. The various types of ODA are concessional Loans or Grants/donations, whereas grants are provisions of either financial or other forms (food/commodity) by a development partner with no obligation to repay. Donations are a gift or a contribution to the recipient countries. A loan can either be concessional or commercial, but there is also blended finance (Commercial and concessional terms) and Extended credit facility. Loans are financial support that must be repaid, whereas concessional loans have a grant element and interest rates are friendly. Other typologies of foreign assistance are, Foreign Direct Investment (FDI) through MNCs, and Debt Relief and Debt forgiveness.

The Ministry argues that most foreign assistance come with conditionalities such as tied aid, requiring that the donor country will provide expertise, contractors, and suppliers and so on. In effect therefore, it means most of the funds are spent in the donor country. Conditionalities to loans include, removal of state subsidies, and privatization of state corporations. Untied Aid does not have very strict rules, but conditionalities are still given before the funds can be released, and these conditionalities vary from one donor to the other.

It notes that ODA contains elements which must be undertaken by public sector such as Government, or its agencies, with the aim of enhancing economic development and welfare of the people. It is given at concessional financial terms with a grant element of at least 25%, and must have a grace period. In Kenya, for example, the Government only accepts loans with a grant element of at least 35%. Nzomo observes that all countries receive a certain

¹⁵ Dambisa Moyo, *DEAD AID: Why aid is not working and how there is a better way for Africa*, Farrar, Straus and Giroux, New York (2009) pp. 10-13.

¹⁶ Republic of Kenya, *Resource Mobilisation Department Report*, Ministry of Finance, 2015.p.2.

amount of “foreign aid” and investment, but African continent (with a total population of over one billion), receives only 3% of the global total FDI in the world (with a total population of seven billion). Despite Africa being the most aided Continent in the world, it still the poorest. Africa is also said to be faced with the biggest debt crisis as compared to the major recipients of FDI such as, United States, EU and China.¹⁷

According to Ministry of Finance, the functions of foreign assistance are to strengthen diplomatic relations, strengthen military ally/defence as a reward to the Government for behaviour desired by the donor as well as extending donors cultural influence. Others use aid to provide infrastructure necessary for resource exploitation by the donor, and to access resources and markets and opportunities for trade, to bridge budget shortfall and for emergencies/social protection.¹⁸ The Ministry observes that aid to address development facilitators (public goods) such as road infrastructure in Kenya is effective at 70%. O'Brien points that the objective for providing foreign assistance are developmental.¹⁹ However, it is common knowledge now that there are hidden agendas, and foreign assistance subdues people's culture and subjects them to foreign culture.

1.4.3 Genesis of foreign assistance

Moyo traces the genesis of Foreign Assistance to July 1944, in Bretton Woods, USA, as a result of the effects of the Second World War.²⁰ She argues that large-scale foreign assistance transfers goes as far back as the nineteenth century in 1896, when the US provided overseas

¹⁷ Nzomo M, *A lecture module on Africa and International Development Assistance*, (delivered at National Defence College, Nairobi), Institute of Diplomacy and International Studies, University of Nairobi, 2016. pp.3-23.

¹⁸ Republic of Kenya, *Resource Mobilisation Department Report*, p. 5

¹⁹ O'Brien, F.S., and Terry Ryan C.I. “Kenya,” in *Aid and Reform in Africa: Lessons from Ten Case Studies*, eds. S. Devarajan, D. Dollar and T. Holmgren. Washington, DC: The World Bank, 2001, p. 43.

²⁰ Moyo, *DEAD AID* p. 78.

assistance in the form of food aid. She provided seven broad categories of Post-World War foreign assistance.

Bretton Woods aim during the Post War period was to rehabilitate ruined nations of Europe, which needed repair, and culminated to the formation of the International Bank for Reconstruction and Development (commonly known as the World Bank), the International Monetary Fund (IMF) and the International Trade Organization. On the other hand, Nzomo argues that Africa's 3% share of the global FDI flows, more than 75% has consistently been concentrated in only 10 African countries. This concentration also applies to source countries. In the period 1980–2000, 70% of FDI inflows came from only three countries; France, the UK and the US.²¹ UNCTAD noted that this gives FDI into Africa a peculiarly 'enclave' character- capital-intensive in nature, with no strong links to the domestic economy; and does not reinvest profits.²²

1.4.4 Constraints to Sustainable Development in SSA

Encumbered by slow growth, despite decades of foreign assistance, Africa is still faced with numerous challenges that have constrained it from achieving sustainable growth. The average annual GDP growth was 3.3 per cent in 2010-2015, compared to the population growth fell sharply down from 4.9 per cent in 2000 to 2008.²³ Acemoglu and Robinson have argued that it is not customs, culture, climate, location, nor absence of pro poor policies that make nations fail, but rather poor institutions that underlie economic prosperity. They ask why

²¹ Nzomo, *International Development Assistance Lecture*, pp. 4-5.

²² United Nations Conference on Trade and Development, *Development Challenges facing LDCs in the coming decade*, Least Developed Countries Series N° 20/F, May 2011 accessed on unctadpress@unctad.org – www.unctad.org. (8/9/2015).

²³ Daily Nation Newspaper, *Africa can beat the challenges and rise*, Wednesday September 2016.p.18.

Botswana is growing faster than any other country in the world, while other nations such as Zimbabwe, the Congo, and Sierra Leone have stagnated.²⁴

These challenges have for long majorly been attributed to political, social, economic and environmental factors. Todaro argues that the main challenges facing Africa are to achieve sustained growth, human development and poverty reduction. Africa today accounts for less than 2% of global GDP, which is attributed to poor governance leading to inadequate participation of stakeholders in development platform. Poor leadership, Conflict prevention and management is still a key challenge. Private sector development participation is inadequate in the sustained economic growth. Other challenges remain poor regional cooperation and integration, heavy external Debt Burden, and undeveloped ICT. Population growth, Cultural barriers and Low domestic savings are also hall mark of many African Countries, as there are inadequate infrastructure which have hindered economic development.

Various scholars such as Akhenton, Steve Biko , Nelson Mandela, Mohamed Bello have attributed poor leadership in Africa, to be one of the root causes of the continued development decline of the African continent despite the numerous resources that make it World's richest continent.²⁵ It is argued that Africa is just as endowed with resources as other regions of the world that are now far ahead in terms of development. In 1998, Kofi Annan boldly stated that it was time for Africans to stop blaming colonialism and instead to hold their political leaders accountable for the civil wars and economic failures that ravage their lives. Koffi Annan, argued that a winner-take-all attitude to politics had led to inequities of patronage and wealth in Africa.

²⁴ Daron Acemoglu and James Robinson, Summary-*The Origins of Power, Prosperity and Poverty: WHY NATIONS FAIL.*

²⁵ Compilation of various authors, *African Leadership, The Root Failure in Africa*, 2013, www. African holocaust.net accessed on 7/5/2016.

UNCTAD highlights that the major challenge for Africa, is the youth unemployment challenge which affect millions of young people entering the labour force each year. It is expected that this challenge will persist in the coming years than before.²⁶ Kalemba observes that environmental degradation is a serious challenge facing African states, and manifests in the form of deforestation, lack of access to safe water, soil erosion, desertification and loss of bio-diversity and climate change.

Monty and Gurr have explained that peace and security challenges exacerbate African problems more than ever before. South Sudan, Burundi, and DRC are cited as embroiled in persistent mix of problems such as insecurity, instability, corrupt political institutions and poverty, and lack the political will to end these problems.²⁷ Jackson adds that the continuous violent internal conflicts in Africa, has made it to be judged as the most warring region on planet.²⁸ Elbadawi and Sambanis argues that that progress in political and economic spheres may address political violence in Africa²⁹. Subsequently, African leaders have made significant efforts dating back from the early 1970s, to craft their own indigenous development paradigms informed by their own perceptions, but have largely failed to progress beyond political rhetoric.

In a persistent manner, Africa continuously presents the world with the most severe development challenges like poverty and HIV/AIDS, which continue to threaten African lives and livelihoods, and sadly it achieved only four MDGs thus failed in meeting the 2015

²⁶ United Nations Conference on Trade and Development, *Development Challenges facing LDCs in the coming decade*, p. 24.

²⁷ Monty G. Marshall, and Gurr T., *Peace and Conflict 2003: A Global Survey of Armed Conflicts, Self Determination Movements and Democracy*, Center for International Development and Conflict Management, University of Maryland 2003, p.27.

²⁸ Richard J, *Managing Africa's Violent Conflicts, Peace and Change*, a paper presented in Annual Conference of the African Studies Association of Australia, 1998 (2000).

²⁹ Elbadawi I and Sambanis N, 2000, "How Much War Will We See? Estimating the Prevalence of Civil War in 161 Countries," World Bank Working Paper, 2000, p.31.

targets.³⁰ But all is not lost, because Africa now appears to be at a turning point despite being characterised by many challenges in the past.³¹

1.4.5 Flow of foreign assistance in Africa

Moyo argues that the flow of foreign assistance to Africa has increased in the last five decades, with over US\$1 trillion in development foreign assistance transferred from rich countries to Africa, and the last ten years, witnessing millions dollars raised each year by rich countries to support work for Africa.³² Andrews observed that many African countries are still rely on foreign assistance and have more than half of their budgetary allocations pegged to foreign assistance.³³ This was exacerbated by the aggressive debt-relief campaigns in the 1990s, which saw up scaling of debt repayments by African countries to about \$20 billion per annum. Mweiga argues that in the 1980s, Kenya experienced relatively unpredictable trends of foreign assistance, escalating from nominal aid flows in the 1980s, to downtrend in the 1990s.³⁴ This increase in foreign assistance was a reflection of renewed donor confidence in the government's resolve for proper management of the economy and putting in place corruption mitigation measures.

Boyce notes that in 2009, African countries had external debt of US\$300 billion, making them to spend 16% of their continent's export earnings on servicing their external debt. He argues that International banking laws have facilitated African elites to misappropriate

³⁰ The World Bank, African Region, *Meeting the Challenge of Africa's Development: A World Bank Group Action Plan*, 2005, p. 43.

³¹ Todaro M, *Economics for A Developing World; An introduction to principles, problems and policies for Development*. 3rd edition, Longman; London and New York, Sixth Impression 1998, p. 80.

³² Moyo, *DEAD AID* pp. 81-87.

³³ Nathan Andrews, *What the literature says and what the reality is*, *Journal of African Studies and Development* Vol. 1(1) November, 2009 , accessed on <http://www.acadjourn.org> OR academicjournals.org/JASD ©2009 Academic Journal Foreign aid and development in Africa.

³⁴ Francis Mweiga, *A Case study of AID Effectiveness in Kenya. Volatility and fragmented of foreign Aid with a focus on health*, Wolfenson Centre for Development, 2009 p. 4.

funds.³⁵ The New Africa magazine argues that for over 40 years, African countries have been hemorrhaging more money than they receive in aid and foreign investment, and the last decade alone has seen \$1 trillion of African money siphoned into secret locations assisted with the Western governments.³⁶ This being the case, Boyce argues that Africa is heavily indebted, and also a net creditor to the rest of the world.³⁷ Bolton argues that something must be done to address the plight of 300million Africans who are poor.³⁸ He adds that foreign Aid has the effect of impoverishing Africa due to the typical African government's incapacity to manage/ invest Aid for development programs that benefits majority citizens.³⁹ Collier contends out of the failed states, many of them are from Africa which is prone to four traps of political conflict, natural resource mismanagement, hostile neighbors, and poor governance.

Collier pointed that in the 21st century, Kenya's fortunes have changed by going for loans and grants from China.⁴⁰ Hence, China has now risen from among the lowest contributors of development assistance in Kenya to become one of the largest, second only to the European Union.⁴¹ According to the Kenya National Bureau of Statistics (KNBS), Kenya is on course to a bigger import bill for Chinese consumer goods such as fish, phones, tyres and cement amid growing concerns that the mountain of products being brought in could stifle performance of the local industries. In 2015, China's annual exports to Kenya crossed the KES 300 billion mark cementing its position as the largest supplier of East Africa's largest economy.

³⁵James Boyce and Leonce Ndikuma, *Elites Loot Africa While Foreign Debt Mounts*, www.yaleglobal.yale.edu/content/elites-loots accessed on 1/5/2016.

³⁶ New African Magazine, *The Myth of the Offshore, How Africa Lost \$1 Trillion to Tax Havens*, May 2016 p.30

³⁷ James K. Boyce and Leonce Ndikuma, *Africa's Odious Debts, How foreign loans and capital bled continent*, *Probe International*, accessed on journal-probe International.org 22/6/2016.

³⁸ Ibid., pp.4.12.

³⁹ Paul Collier, *The Bottom Billion: Why the Poorest Countries are failing and What Can Be Done About It*, Oxford University Press, 2007, p.14.

⁴⁰UNDP, *Kenya Development Cooperation report*, 2002,

⁴¹ Paul Collier, 'Aid Dependency': *A Critique*, *Journal of African Economies*, 1999 volume. 8, issue 4, pp. 528-45.

1.4.6 Determinants of foreign assistance

The strategies of foreign assistance to Africa is determined differently by different countries depending on various factors such as FDI, Funding levels, Sector priorities and policies.

Ozane argues that the Bilateral Foreign Assistance from China and India have always been referred to as Africa's Look East Policy since both have made the transition from aid recipients to aid donors, and economic and political reasons are the key motivations for China and India to establish stronger relations with Africa.⁴² The Chinese aid to Africa is different from that of the West because it is unconditional.⁴³ Chinese and Indian foreign assistance is different from the western one on the terms and conditions imposed on aid recipients.

The Chinese avoid conditionalities that could be interpreted as interference in the recipient's country's internal affairs. Sato argues that Japan's ODA conditions are biased towards promotion of democratization and human rights, and adopted human security as a key concept, which allowed aid officials to link elements of human security to ODA. This perspective is based on the non-military dimension of human security.⁴⁴ The foreign assistance from Europe to Africa is mainly channelled through EU guided by Cotonou Agreement between the EU and African, Caribbean and Pacific (ACP) countries, while US emphasis is humanitarian, economic, and other interests in Africa. Maluki argues that Brazil projects its image as a "good emerging power" by engaging with Africa through foreign assistance. He explains that, in international relations, a new era is emerging through the rise

⁴² Nzomo, *Africa and International Development Assistance lecture*, p.28.

⁴³ Xiaobing Wang and Adam Ozane A, *Two Approaches to Aid in Africa: China and the West*, School of Social Sciences, in International Conference, 'Ten Years of War Against Poverty', University of Manchester, 2010 p.10.

⁴⁴ Sato M, *Human Security and Japanese Diplomacy: Debates on the Role of Human Security in Japanese Policy*, New York: Cambridge University Press, 2009, p. 173.

of the BRICS countries, which is changing power dynamics in world affairs by having a bigger role in global decision-making processes.

1.4.7 Effects of foreign assistance

There are varied feelings on the impact of Foreign Assistance among scholars. Collier argues that there are scholars who have found evidence either negative or positive on impact of foreign assistance on growth, or those with none at all.⁴⁵ Many scholars, opine that despite many decades of Foreign Assistance to Africa, less has been achieved by many countries in terms most of low economic growth, a fact corroborated by evidence that many countries are still underdeveloped, or collapsed. This scenario has generated fierce criticism of foreign assistance in the last decade, over the desired or expected results or budget effectiveness, with others contending that foreign assistance only works in a good policy environment and where there is strong governance institutions. Njenga failed to statistical link economic growth with aid.⁴⁶ Some economists have criticized ODA for being an inappropriate way of helping poor countries. For example, Bauer who has been one of the most vocal of foreign assistance argues that, aid inflows into African countries, bring problems which include; undermining domestic initiative with the assumption that poor countries cannot develop in the absence of foreign Aid.⁴⁷ Moyo agrees with Bauer, that a country used to receiving ODA, may be perpetually bound to depend on handouts.⁴⁸

⁴⁵ Collier, *Bottom Billion* pp. 25-30

⁴⁶ Njenga, *The Impact of foreign aid on economic growth in Kenya*, pp. 34-40.

⁴⁷ Peter Bauer, *From subsistence to Exchange and other Essays*, Princeton, University Press, 2000, p,5.

⁴⁸ Moyo, *Why Foreign Aid Is Hurting Africa*, pp.70-75.

Nzomo argues that Aid ineffectiveness has been due to practically no external aid comes to Africa without some form of “strings” attached. These strings may take the form of political “strings” (such as policy on combating international crime and terrorism), commercial or even social interests (such as language, culture or religion), and that the aid donor wishes to advance. However, the developmental ineffectiveness of foreign aid largely derive from the role of African ruling political and economic elites whose record of “rent seeking”- of mega public corruption and looting of their respective national economies, cannot be wished away.⁴⁹

The Ministry of Finance view, is that most African countries have been receiving development assistance since independence, however, the trends in ODA inflow as a percentage of GDP contrast with growth in GDP and poverty reduction. It can therefore be deduced that, in comparison foreign Assistance have more negative effect on growth in Africa (about 30 percent of GDP) than what they receive as aid. This scenario has therefore made Kenya to be substantially reduce aid-dependence, by increasing government revenues in an effort to cut the vicious cycle of donor dependency.

The Ministry of Finance indicated that in 2005, Kenya did not receive any aid due to the Government's refusal to implement Structural Adjustment programmes by World Bank/IMF.⁵⁰ Some studies found that foreign assistance in form of net external loans had a serious negative impact growth in the long run, while other point that there is a strong relationship between economic expansion and aid.⁵¹ Though the effects of foreign assistance to reduce poverty may be seen in the African Society where it is used prudently and

⁴⁹ Nzomo, *Africa and International Development Assistance* p. 32.

⁵⁰ Ministry of Finance, *Resource Mobilisation report*, pp 8-12.

⁵¹ Njenga , *The Impact of foreign aid on economic growth in Kenya*, pp. 40-45

effectively through good governance and steward leadership, assessing its role in the long-term sustainable global poverty reduction is not easy, because the impact is progressive and slowly gradual. Foreign assistance can be useful if it is used for the intended purpose, so that its role is supportive of the broader economy instead of playing central role in the budget.

1.5 JUSTIFICATION OF THE STUDY

The academic justification of this research is underpinned on the fact that, the SDGs 2030, the Agenda 2063 and the Kenya Vision 2030, might not be achieved in view that the last two decades, have seen SSA still embroiled in poverty trap and vulnerable to serious challenges of development, despite the massive injection of foreign assistance.⁵² This scenario compares unfavourably with some countries such as Chile, Malaysia, Mauritius, Thailand and South Korea, where foreign assistance has considerably changed the national economy, from poor predominantly agricultural countries transforming into Newly Industrialised Countries in a space of a generation. This research therefore joins the list of many scholars in SSA countries who have engaged in fierce debate to interrogate the isolated features of foreign assistance, especially where leadership and governance institutions are weak, and its fundamental justification for almost forty years of aid existence.⁵³

The research attempts to add to the theory building and knowledge enhancement in this academic field, by identifying challenges of sustainable development in SSA, and how these can be overcome by strengthening the effectiveness of foreign assistance management.⁵⁴ It is hoped that this study will make a useful contribution to strengthening the policy process on

⁵²World Bank, *Meeting the Challenge of Africa's Development: A World Bank Group Action Plan, Africa Region*, 2005 p.21.

⁵³Carlsson J, et al; *Foreign Aid in Africa Learning from country experiences*, 1977 pp. 34-56.

⁵⁴Anaele, *Governance and Under-Development of Sub-Sahara Africa Department of Peace and Development*, Studies Salem University, Lokoja- Nigeria, 2014 p.5.

foreign assistance, which can be used to train highly qualified development professionals. The study yields important information for development practitioners both at national and county level who are involved in implementing Kenya's Vision 2030, and forms the basis for further research on how challenges of development can be mitigated through continuance of foreign assistance as a basic tenet of the Big Push theory.

1.6 THEORETICAL FRAMEWORK

Using Kenya as a Case Study on examining the role of foreign assistance in Africa, the literature review analysed the challenges of sustainable development in SSA applying the 'Big Push' theory, which is associated with Professor Rosenstein-Rodan. The Big Push idea stems from development economics coined over 60 years ago in his work to solve the problem of industrialization of Eastern and South-Eastern Europe.

In the theory, Rodan argues that a considerable amount of investment is required to subdue challenges of development for less developed economy in order to steer it in the road map of progress. The study takes a position that that the current foreign assistance paradigm should take a more nuanced view of sustainable development using foreign assistance, and uses the Big Push theory which recently came back to the centre of development policy in 2005, and which Easterly terms the Year of the Big Push. Recently, there has been positive re-emergence case for a Big Push theory on the debates over Africa to transform development possibilities of Africans, that foreign assistance might be a panacea to overcome challenges in development, as scholars are divided whether it is a solution to World Poverty. The major proponents of this linkage to the case for a major expansion in foreign assistance, has been by the Economic Commission for Africa, the MDGs and Jeffrey Sachs.

The UN Millennium Project, geared to attain the MDGs set for 2015, argued that poor countries were in a “poverty trap”, and expounded by Sachs that developing countries ought to have a Financial Plan to finance Investment Roadmap, in which the deficit should be supported development partners. When this is done, the plans supported by adequate foreign assistance will ensure the take-off, subsequently succeeding in eliminating the poverty trap which could have appeared difficult to overcome.

The tenets of this theory is that coordination problems caused by poor leadership and weak institutions, may hamper increasing returns, causing multiple equilibriums leading a poor country to be caught in a low-equilibrium “poverty trap” and government intervention. However, the coordination problem can be resolved through good leadership and strong governance institutions to “push” the economy into a better position for “take-off” into sustained development.

Other exponents of the big push over the past two decades, include scholars such as Azariadis and Stachurski, Lucas, Murphy, Shleifer, and Vishny. Galor, Parente and Prescott who accepted the take-off concept, but don’t subscribe to poverty traps and Big Pushes. The motivating factor behind big push is derived from the big experience of rich countries which underwent similar path from stagnation to modern economic growth.

Assumptions of the Big Push Theory

The key role of foreign assistance has regained favour in policy making, where it is viewed that poor countries are caught in a Poverty Trap, but requires a Big Push supported by enhanced foreign assistance and investment to spur self-sustained growth necessary for Take-off.

The Big Push theory assumes that Economic development may happen through Big Pushes, and uses three interrelated concepts; the Big Push, the Poverty Trap, and the Take-off in which these elements complements the other in giving aid a central role. It is therefore important to assume that poverty trap can be overcome through foreign assistance because countries may remain poor forever, otherwise the foreign assistance through Big Push is the way to escape the poverty trap.

1.7 HYPOTHESES

- i. Foreign Assistance enhances sustainable development in African Countries
- ii. Continued Foreign Assistance will not bring sustainable development in Kenya.
- iii. Foreign Assistance will not help in addressing challenges of development in Kenya.

1.8 METHODOLOGY

This section presents the methodology that was used to undertake this study, and comprises the research design, study area, population, sample design and sampling technique.

Research Design: This explanatory study was conducted through qualitative and quantitative method, which entailed collecting and analyzing data from relevant research reports, development partners, government, and other sources through interviews.

The study was concerned with identifying challenges of development to sustainable development in Africa, examining the trends and strategies of Foreign Assistance in Kenya

and assessing the impact of Foreign Assistance in Kenya. These issues were investigated through secondary data analysis, experiential survey, and Key Informant Interview. The design considered issues such as economy of the design, rapid data collection, and ability to understand populations from a part of it.

Study Area: The study was done in Kenya whose population is currently estimated to be approximately 45 million people in 2016.

Study Population: The study sought responses and feedback from development practitioners from relevant Government Ministries, SAGAs and International Development partners in Nairobi. The study population was drawn from these organisations

Sample Design: The study population was sampled out of the 5 departments, 5 technical officers from the line Ministries. The sample was designed to capture as much as possible characteristics of the development partners and the Ministries. Interviews was conducted at national level with 18 officers of the respective Ministries and SAGAs forming key informants using an interview schedule.

Sampling Techniques: The study employed stratified technique to select Ministries and SAGAs, but Purposive sampling was used to identify key informants such as officers, and cluster sampling was used to select projects. The stratified technique was used in this study because it is oriented towards practical action and is based on its use of small sample sizes to provide useful management information.

Data Collection: Below is a description of how data was collected for the study.

- i) **Instruments of data collection:** One main type of questionnaire was used to collect essential data from Ministries, SAGAs and development partners.

- ii) **Primary Data Sources:** These were mainly derived from the following major sources; Key informant interviews, involving technical line departments/ministries and development partner.

- iii) **Key informant interviews:** Purposive sampling was used to identify key informants such as technical officers from Ministries and International Development Partners, because here the researcher relied on experience and ingenuity. The study used a checklist to gather information from key persons responsible either directly or indirectly for the implementation of the Vision 2030. This involved the assessment of progress made on the various fronts.

- iv) **Observations:** This method was used to obtain useful and timely information by observing what is happening in the projects. This method was critical to complement collected data and the secondary data.

- v) **Secondary Data Sources:** The literature review was carried out with an aim of understanding the major challenges of development in Africa on broader perspective and its application in the Kenyan context. The examination of the role of Foreign Assistance in Sustainable Development, and tracking and assessing the effectiveness of the development assistance to Kenya was done by looking at a variety of information sources such as credible books, policy papers, reports, internet, journals and newspaper excerpts. Content analysis was done on External Resources Department documents and mass media material.

1.9 DATA PROCESSING AND ANALYSIS

Data was collected first before processing using Excel software to facilitate analysis of the variables. The data was presented in frequency distribution, cross tabulations and weighted average measures across number of variables. The selection of Excel made easy analysis and presentation of results.

1.10 CHAPTER OUTLINES

This study consists of five Chapters.

Chapter one provides the background of the study and highlights the major challenges of development in Africa. It also includes the Problem statement, Research Questions, the Objectives of the study, justification, literature review and the theoretical framework. This is followed by the methodology adopted by the study and hypothesis it seeks to validate.

Chapter Two examines the Challenges of Sustainable Development in Africa.

Chapter Three assesses the Trends and Strategies of Foreign Assistance in Kenya,

Chapter Four, provides the Impact of Foreign Assistance in Kenya.

Chapter Five analyses the finding of the study and,

Chapter Six makes conclusion and recommendations of the research.

CHAPTER TWO

CHALLENGES TO SUSTAINABLE DEVELOPMENT IN AFRICA

2.0 INTRODUCTION

This Chapter identifies major sustainable development challenges facing Africa which remain enormous despite decades of foreign assistance. A survey in 2015, by Afrobarometer and the University of Nairobi's Institute of Development Studies in 36 African countries, lists Africa's major challenges in terms of priority as unemployment, health, education, infrastructure and transport, water supply and poverty⁵⁵. Violent Extremism is emerging as another challenge in some countries like Kenya, Cameroun, Niger, Nigeria, Mali and Uganda. Broadly speaking, the major challenges facing Africa can be categorised into political, social, political, economic and environmental factors.

2.1 POLITICAL FACTORS

Since 1996, more than 20 countries have had conflicts resulting to many deaths, human suffering, high poverty rates, internally displaced people and interference with economic activities, thus conflict prevention and management remains a key challenge. Poor governance has rendered inadequate participation of stakeholder in development platform, in addition to lack of transparency and Accountability in the utilisation of public resources.⁵⁶

Lumumba argues that corruption has stung and literally destroyed African nations.⁵⁷ A continent so rich and well-endowed could have easily joined the ranks of other developing

⁵⁵ Kenya Afrobarometer, www.afrobarometer.org, accessed on 16/6/2016.

⁵⁶ Sako, *AFRICA: Major Development Challenges and their Capacity Building Dimensions* pp. 27-35.

⁵⁷ PLO Lumumba, *lecture on Corruption in Africa*, in Editorial News Africa of 30th April, 2012, delivered at National Defence College, Nairobi, Kenya 2016.

continents, which have transformed themselves from economic backwaters to economic success stories, but corruption has kept Africa so poor and bereft of basic infrastructure that the future looks unbearable bleak. These challenges were amplified by the MDGs, and now the SDGs, which are a mirror of Africa's development challenges and also contained in the NEPAD framework document, which aims to create conducive environment for sustainable development through programmes for strengthening peace, security, democracy, political governance, economic and corporate governance, enhance regional and sub-regional approached to development, promote growth of priority sectors.⁵⁸ Agenda 2063 aspires to have a prosperous Africa based on inclusive growth and sustainable development.⁵⁹

However, more effort is required in addressing security challenges which impact negatively on continental economic and development prospects. In Africa, for example in Somalia, there is evidence that that when collective action is pursued, success can be achieved. Africa's biggest challenge now is no longer lack of capacity to respond to security crises, but the will to transform rhetoric to reality, and the reliance upon political solutions rather than military responses to security problems.

2.2 ECONOMIC FACTORS

Mudavadi argues that since the 1940s and the 1950s, development economists tended to focus on two issues in explaining poverty and eradicating poverty in economic terms, in what he referred to as economism. He attributed it to a paradigm of development inherited from the

⁵⁸ NEPAD, Annual Report 2014, p.7.

⁵⁹ African Union Commission, *Agenda 2063, Africa We Want*, 2014, pp.4-15.

colonial era and which independent states have perpetuated.⁶⁰ This perspective posits that under development in Africa can be explained mainly in economic terms.

Other economic challenges on sustained growth are sustainable growth, human development and poverty reduction. Africa today accounts for less than 2% of global GDP. Despite efforts to introduce PPP, the private sector development participation is inadequate in the sustained economic growth and regional cooperation and integration has not adequately promoted the intra-block trade.⁶¹

ICT and globalisation has been another challenge. Africa has demonstrated appreciable progress particularly in the economic front. In addition to its enormous human resource, Africa hosts substantial untapped reserves of the world's most important minerals.

2.3 SOCIAL FACTORS

The main problems facing Africa are associated with the high levels of poverty. The six common characteristics of challenges are low living standard, poor productivity, high population growth rates and dependency syndrome, high levels of youth unemployment and underemployment, over dependence on agricultural activities and poor international relations.⁶² SSA region again lagged behind in the attainment of most MDGs.⁶³

⁶⁰ Mudavadi, *Rethinking Development in the 21st Century*, p. 26.

⁶¹ Republic of Kenya, The National Treasury, *Medium Term Debt Management Strategy*, 2015, pp.12-28.

⁶² Todaro M, *Economics for A Developing World; An introduction to principles, problems and policies for Development*. 3rd edition, Longman; London and New York, Sixth Impression 1998, p. 80.

⁶³ UN, *The Millennium Development Goals Report 2010*, available at www.un.org/millenniumgoals, accessed on 18/10/2015.

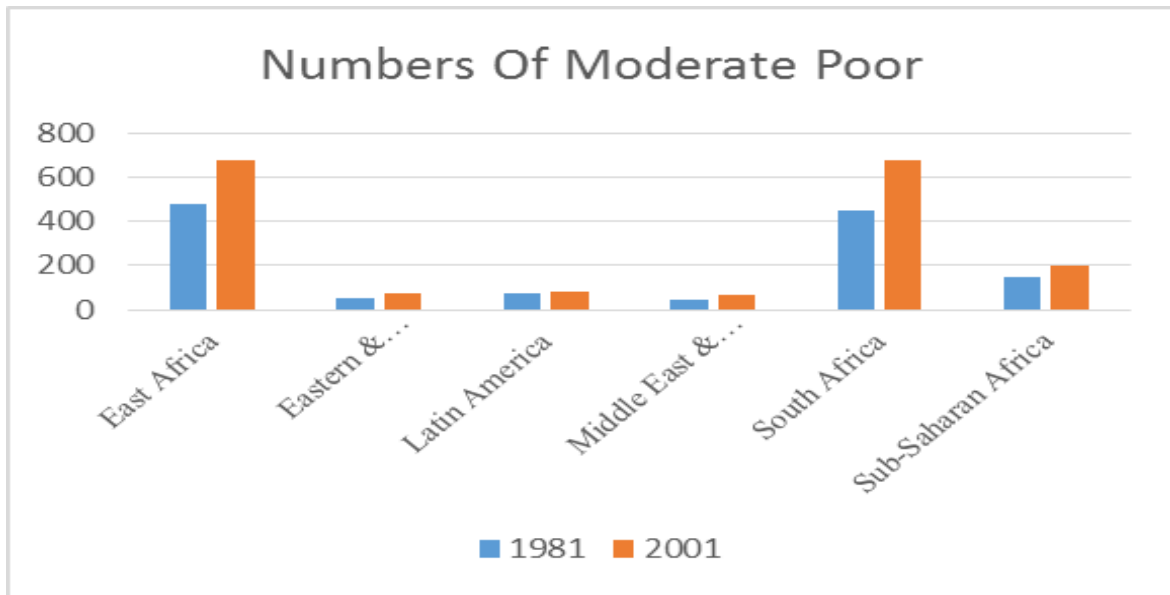


Figure 1: Numbers of Moderate Poor

Africa's human capital capacity has been hampered in the public and private sector due to brain drain in the form of losing highly skilled personnel Africans to developed countries.

2.4 ENVIRONMENTAL FACTORS

Kalembe argues that climate change is a global environmental problem to which Africa has least contributed to, yet it is the most affected.⁶⁴ He predicts that if nothing is done, 40% of the Congo's forests will disappear in the next four decades, and adds that international and internal factors have caused natural disasters in Africa attributed to nexus between liberalism, consumerism, and international capitalism.⁶⁵

⁶⁴Kalembe, M. (2009), *A glance on environmental protection in Africa: Theological perspective*. *Ethiopian Journal of Environmental Studies and Management*, pp. 19-26.

⁶⁵*Ibid.*, pp. 25-40

2.5 MAJOR CHALLENGES OF DEVELOPMENT IN KENYA

In the 1990s, which sometimes is commonly referred to as “the lost decade,” saw Kenya face many challenges, which led to poor economic performance record.⁶⁶ Currently, security is the leading concern among Kenyan’s compared to the rest of Africa, whose top priorities are employment, health and education.⁶⁷ Terrorism remains the greatest security challenge in Kenya. The asymmetric nature of terrorism makes it more challenging to eliminate and makes it difficult to protect every single target from attack. . Most of Kenya’s neighbours continue to experience security challenges which have serious implications on the country.

Devolution has brought numerous implementation challenges, whereby poor governance and corruption in National and County Governments, affect all of society and inhibit pro-poor policies. This is coupled with reverse migration for skilled members, whereas ethnic and inter-communal conflicts are occasionally experienced in some parts of the country over ethnic or clan differences and competition for resources such as land, water and pasture. Negative ethnicity has caused poor national cohesiveness thus there is unnecessary divisions and conflicts in the country. Global climate change has caused droughts, erratic rain and floods which have impact on future economic costs.

The rapid growth of domestic debt and increase in interest on government security poses significant risk in debt sustainability. Arising from expenditure pressures, the Government in 2014 raised its borrowing target of Ksh. 106.7 to Ksh. 201.7 billion. This led to increased refinancing risk.⁶⁸ The inequality in incomes is high, while poverty reduction remains one of the biggest challenge for Kenya, despite significant economic growth. The economic growth

⁶⁶ Mudavadi, *Rethinking Development in the 21st Century*, p. 10.

⁶⁷ Kenya Afrobarometer, www.afrobarometer.org, accessed on 16/6/2016.

⁶⁸ The National Treasury, *Medium Term Debt Management Strategy*, pp.8-22.

rate in Kenya compares unfavourably with its East African neighbours.⁶⁹ The rate of extremely poor dropped from 47 % in 2005/6 to 39 % in 2012/13, but the poverty levels remain much higher in the Northern parts which is marginalised, has low education levels and population growth rates are higher.

The literature review in this Chapter concludes that, Africa is caught in poverty trap and the gap between Africa and the rest of the developing world continues to grow due to existing myriad challenges in development. The findings of the study also confirms these varied challenges, and concur with the hypothesis that foreign assistance enhances sustainable development in Africa, because it is apparent that in some countries, foreign assistance has considerably changed the national economy. Therefore, with good governance and strategic leadership, Africa can come out of the poverty trap, if foreign assistance is applied diligently. It needs a Big Push by increasing investment which will lead to a take-off in per capita income. This can be in form of adequate foreign assistance such as concession loans, FDI, technical assistance or aid for trade, which will enable it to take off and overcome the challenges of sustainable. This resonates with Big Push Theory which posits that the World and the developed countries were at one time in some kind of poverty trap, whereby per capita income did not increase for much of human history. The developed countries also underwent some form of take off after suffering for many centuries of stagnation and thereafter transiting to a stable per capita income growth.⁷⁰

⁶⁹Ibid, pp.43-50.

⁷⁰ Sachs, *The End of Poverty* p.90.

CHAPTER THREE

TRENDS AND STRATEGIES OF FOREIGN ASSISTANCE TO KENYA

3.0 INTRODUCTION

This Chapter is premised on the assessment of the trends and strategies of foreign assistance with a view to strengthening aid to Africa, despite the fact that many scholars dominating international relations and diplomacy arguing that the rift between the developed and developing countries is widening.⁷¹ These scholars argue this difference is what has encouraged persistent foreign assistance inflow from the rich countries to Africa for economic expansion. Figure 2 shows the trend of Aid and growth in Africa 1979-2000.

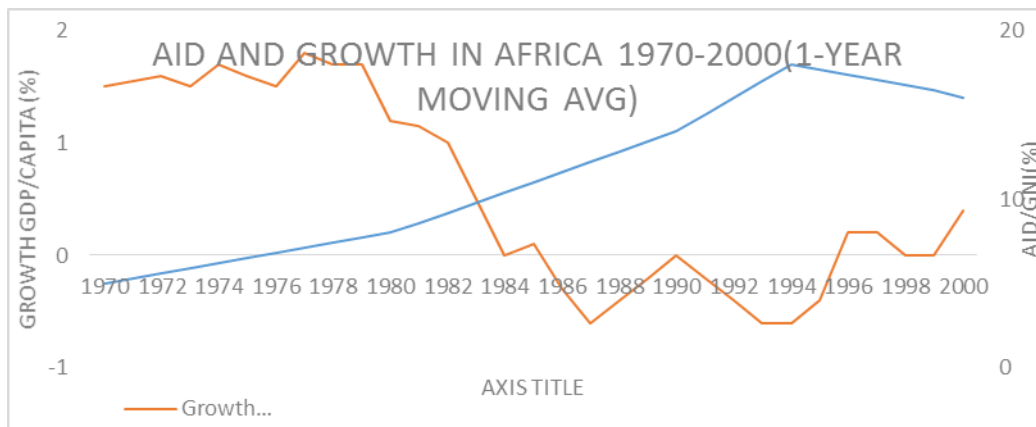


Figure 2: Trends of Aid and Growth in Africa 1970-2000

Source: Adopted from Nathan Andrews, Foreign aid and development in Africa

Figure 2 shows that between 1970s to 1980s, foreign assistance was high, then dropped in the 1990s, but again started climbing in the 2000s confirming that, foreign assistance has been a major conspicuous policy tool used by developed countries, since the second world war, to

⁷¹ Nathan Andrews, *Foreign aid and development in Africa*, pp. 8-15.

assist low income countries to improve the welfare the population and spur economic growth, and facilitate sustainable development. It is in view of this that made the UN General Assembly in 1970, to stipulate that rich countries should provide 0.7% of their GNP to poor countries in the form of ODA.⁷²

Strengthening of foreign assistance objective should therefore be mainly to stimulate economic growth.⁷³ Stiglitz argued for increased funding for foreign assistance, but noted that Governments should strive for prudent management of foreign assistance as not all is well spent. He added that in recent years, there has been notable improvements, making the World Bank to allocate more funds to countries with a proven good governance record.⁷⁴ The justification of providing foreign assistance in economic terms, has been to raise GDP of the recipient nations in SSA, which are mostly, poverty trapped countries usually faced with the challenges of development.⁷⁵

3.1 TRENDS OF FOREIGN ASSISTANCE TO AFRICA

The last six decades has seen more than US\$ 1 trillion of foreign assistance moved from rich countries to SSA, giving rise to a number of bilateral and multilateral institutions mandated in delivering aid.⁷⁶ In many countries, foreign assistance which was initially viewed as temporary venture to complement existing national budgets, now appears to be permanent feature, causing heated debates over the fundamental justification for foreign assistance,

⁷² Qian N. 2014. *Making Progress on Foreign Aid. Annual Rev. Econ.* Accessed on.1146/annurev-economics-080614-115553) 4/3/2016.

⁷³ Ekanayake B, Cookman ,*The effect of foreign aid on economic growth in developing countries* University, Journal of International Business and Cultural Studies, 2012 p. 34.

⁷⁴ James Stiglitz, the ex -World Bank Chief Economist and Nobel Prize winner, *What I Learned At The World, Economic Crisis* <http://www.whirledbank.org/ourwords/stiglitz.html>, accessed on 4/12/2015

⁷⁵ Njenga, *The Impact of Foreign Aid on Economic Growth in Kenya*, www.economic.uonbi.ac.ke/nde/2110 accessed on 16/11/2015.

⁷⁶ Moyo, *DEAD AID* pp.89-115.

occasioned by a combination of events and changes in the post-war world economy like recent changes in Russia and Eastern Europe, which have caused competition for available aid resource. Foreign assistance practices by development partners are now more concerned with pro-growth policies, rather than high flow of aid levels.⁷⁷ Mudavadi argues that the West's waning interest in Africa in the 1990s was to do with the desire to ensure the demise of socialism and the implanting of a free market economy in the former Soviet Union and her erstwhile Eastern European satellites.⁷⁸ While these countries began to receive massive and sustained aid, Africa was neglected. Such aid included generous grants, long term loans, debt relief, debt forgiveness, debt rescheduling, foreign direct investment, market access to West, and transfer of technology. Conversely, these reduced significantly in the case of Africa.

Naumayer points that currently, International Aid Policy is driven by 2002 Monterrey Consensus in Mexico (First Financing for Development Conference). Other determinants are, the 2003- First High Level Forum (HLF1) on Harmonization, Rome, Italy, and the 2005- Second High Level Forum (HLF2) on Aid Effectiveness Paris. The France conference outcome was the Paris Declaration, 2008, Third High Level Forum (HLF3) on Aid Effectiveness, Accra Ghana whose outcome was Accra Agenda for Action (AAA), Side dishes, Bogota -Statement on south to south cooperation in Colombia, Dili - Declaration on fragile states in East Timor, 2011 - Istanbul - CSO principles in Turkey, Turnaround2011- Fourth High Level Forum on Aid Effectiveness (HLF4) Busan, South Korea (HLF4) whose outcome was the Busan Global Partnership for Effective Development Cooperation. There is now a shift from Aid Effectiveness to Development Effectiveness which is basically aligning foreign assistance to recipient countries' priorities.⁷⁹

⁷⁷ Jerker Carlsson, Gloria Somolekae and Nicolas van de Walle, Upsalla, *Foreign Aid in Africa Learning from country experiences*, 1997 p. 7.

⁷⁸ Mudavadi, *Rethinking Development in the 21st Century*, p.32.

⁷⁹ Neumayer, E, *The determinants of aid allocation by regional multilateral development banks and United Nations agencies*. International Studies Quarterly, 2003, pp. 101-122.

3.2 THE STRATEGIES OF FOREIGN ASSISTANCE TO AFRICA

The strategies of Foreign Assistance to Africa, are determined by development partners which apply different approaches on conditionalities through funding levels, sector priorities and policies. Examples of the foreign assistance flows from different sources are discussed below;

3.2.1 Foreign assistance from Asia to Africa

The main countries providing foreign assistance from Asia are China, India and Japan. The Bilateral Foreign Assistance from China and India have always been referred to as Africa's Look East Policy.⁸⁰ China and India together now claim over 40 per cent of the world's population and a growing share of world production and trade, with China ranking the 2nd largest economy in the world, making to grow faster than 90% of world economies, and is anticipated to be the largest by 2016.⁸¹

Previously, Europe and North America, were the main bilateral donors to Africa, and the rest of the World until the end of the cold war, but now in the 21st century, both China and India have changed from aid recipients to foreign assistance donors driven by economic and political motivations by making stronger relations with Africa. They have become major political and economic forces in the world, using the same basic types of foreign assistance strategies as western donors, but India chooses a more limited range of these strategies. Japan's policy to Africa has now shifted towards FDI as the Asian giant shifts aid to investing in the continent, as it pledged \$10 billion for infrastructure development in Africa in a recent

⁸⁰ Nzomo, *Africa and International Development Assistance*, p.28.

⁸¹ IMF report 2016. p.42.

TICAD VI meeting in Nairobi held in August 2016. The significance of this meeting was the deliberate shift of the discussions from the economics of development aid to trade and investment, a recognition that the old order of donor support is no longer viable.

According to the National Treasury, Kenya's total debt stood at KES 3.61 trillion equivalent to 55.1 per cent of GDP as at June 30, 2016. China has advanced Kenya loans worth \$3.097 billion accounting for 8.6 per cent of total debt.

a) China's Foreign Assistance to Africa.

Forum on China-Africa Cooperation (FOCAC) and ASEAN Summit are the main regional cooperation mechanisms and platforms used by China on strengthening group consultation with recipient countries, in order to address development needs of African countries. At the turn of the 21st century, China's presence in Africa begun to be felt, when in 2006, China's Africa Policy was adopted to cement China-Africa relations based on five principles of common development, sincerity, equality, mutual benefit, and solidarity.⁸² This policy emphasizes the 'One China' principle, and informs China's relations with African countries and regional organizations.

Financial assistance from China to Africa is comes in two forms; monetary and non-monetary foreign assistance and typically comes in form of funds, technical assistance, and political influence in international fora. Whereas Africa's interest in China include, development assistance, new trade, investment opportunities, regime stability, and forging strategic partnerships, making China to become a darling of African states in foreign assistance. China provides eight types of foreign assistance; goods and materials, complete projects, technical

⁸² David, *Chinas Investment in Africa*, pp 24-70.

cooperation, human resource development cooperation, medical assistance, emergency humanitarian aid, volunteer programs, and debt relief.

Compared to Western donors, China and India foreign assistance differ on conditionalities imposed on aid recipients, a situation which makes many African states to prefer the more lucrative and less complicated economic partnerships with China and India. The Chinese aid to Africa is unconditional, infrastructure focused and tied, and only requires adherence to its 'One China' policy-that does not recognize Taiwan as an independent country

Due to these loose conditions, China has now become a darling of Africa, making it to be the second-largest single-country trading partner, a leading lender and infrastructure investor on the continent, thus overtaking the World Bank in lending to Africa.⁸³ This situation has cemented the relations between China-Africa trades, where by the number of Chinese companies have increased tenfold in Africa and are the main investors.

Contrary to the belief that China loans are free, most China FDI loans are directed to African countries that have abundant mineral resources such as Angola, DR Congo and Sudan mainly for exploration and mining of natural resources.⁸⁴ Sadly, there is no consensus on the amount of Chinese FDI in Africa, but many Chinese scholars either from China and elsewhere, agree that its total cumulative is quite higher than the official figures.⁸⁵ On the other hand, Larry argues that China's demand for the raw materials and infrastructure developments are some of the major drivers of structural transformation in Africa.⁸⁶ Table 1 shows the top destination for China's foreign assistance to African states.

⁸³ Ibid., p.120

⁸⁴ Hanauer L, lyle j. Morris) *Chinese Engagement in Africa: Drivers, Relations, and Implications for U.S. Policy.*(2012, p.32) Online at, <https://books.google.co.ke/books> accessed on 9 February 2016.

⁸⁵ Ibid., pp. 58-67.

⁸⁶Schiere, R. & Rugamba, A. (2013) *China and Regional Integration as Drivers of Structural Transformation in Africa.* Online at, <http://www.ictsd.org/bridges-news/bridges-africa/news> Accessed on 9 February, 2016.

Table 1: Top Destination of Chinese Direct Investment in Africa in 2010

Country	Chinese FDI flow in Africa (%)	Total China - Africa Trade (%)
South Africa	19.5	17.9
DR Congo	11.2	2.1
Niger	9.3	0.2
Nigeria	8.8	5.4
Algeria	8.8	4.1
Angola	4.8	19.6
Kenya	4.8	1.4
Zambia	3.6	2.0
Ghana	2.7	1.6
Top 10 Share of Total	76.3	70.9

Adopted: Sarah Baynton - Glen, Beyond Trade - China-Africa investments Treads, Standard Chartered Global Research February 22, 2010.

Locally, Kenya's largest trading partner is now China becoming the main investor and contractor, making the economic experts question the Kenya's rising appetite for expensive Chinese loans driven by no conditions and high speed. The World Bank cautions that Kenya risks choking in the heavy loans whose 'no strings attached' outlook are deceiving given the country gives in to various economic benefits during implementation of the projects done by the Chinese.⁸⁷ Robert Shaw points that China is simply looking for business and the more projects they get, the easier they lend.

⁸⁷ Daily Nation News paper, "Why Chinese loans are a recipe for huge debt burden on Kenya", Monday August 22, 2016.

Contrary to this view, Chinese ambassador to Kenya argues that in the past three years, the Sino Kenya relationship has achieved unprecedented results, with benefits for the people of both countries.⁸⁸ He argues that mutual political trust has grown to a new level, with Chinese investments in Kenya and China-Kenya trade expanded through the construction of the standard gauge railway (SGR) which is expected to be opened to traffic in 2017, and notes that the bilateral trade volume reached new high of \$6 billion, twice more than that of 2013. Others projects include the Mombasa Port terminal, and the Mombasa Special Economic Zone, but it is feared that the bilateral trade between Kenya and China is heavily skewed in favour of China, thus denying Kenya the much needed hard currency inflows.

b) Foreign Assistance from India

India has been striving to enhance bilateral trade and investments with the many Africa countries, by creating a conducive trade and business climate.⁸⁹ It strengthens India-Africa strategic partnership that enhances sustainable development between India and Africa. It uses four forums to guide its initiatives which include; the Focus Africa programme, IBSA Initiative, and TEAN-9 Initiative. The Invest India project guides Indian investments into Africa in the areas of trade, economy, agriculture, education, science, technology, water management and human resource development.

India, just like China, does not impose conditionalities that impinge on the recipient's internal affairs, but only ties its foreign assistance to the purchase of Indian goods and services.

Similarly, it does not accept foreign assistance with strings attached, and also does not offer grants-in-aid, but it provides non-monetary foreign assistance in form of technical training,

⁸⁸ Daily Nation Newspaper, *'Bright future for China-Kenya cooperation*, Dr. Liu Xianfa, Chinese Ambassador to Kenya, Friday August 19, 2016.

⁸⁹ Maluki P, *A Set of lectures on Africa and the Emerging Powers, delivered at National Defence College*, Nairobi, Kenya, 201.

technical assistance and scholarships. In its effort to promote trade with Africa, India provided unilateral duty free and preferential market access for exports to 34 countries.

c) Foreign Assistance from Japan

Japan has traditionally been one of the main provider of foreign assistance from Asia to Africa. Japan's ODA conditions are biased towards promotion of democratization and human rights. In 1999, Japan adopted human security as a key concept foreign assistance. This perspective is based on the non-military dimension of human security in order to cultivate international political influence without contravening its peace constitution.⁹⁰ Japan adopted a unified stand by DAC to direct aid towards promotion of human rights, democratization, and accountability, rule of law and reduction of excessive military expenditure.⁹¹ Further, Japan has used its foreign assistance as a tool to advance its own goals, such as clamouring for a permanent seat at the UN Security Council.⁹² Japan has also used its aid programme to shore up support from African countries to support reforms in the International Whaling Commission.

Japan disburses three types of foreign assistance namely loans, grants and technical assistance.⁹³ Japan ODA to Sub-Saharan Africa has been on the increase, mostly in form of grants, in response to consensus by the Development Assistance Committee (DAC). In the mid-1990s, Egypt and Kenya were 12th and 13th top recipients of Japanese ODA, while a

⁹⁰ Sato M, "Human Security and Japanese Diplomacy: Debates on the Role of Human Security in Japanese Policy", in Giorgio Shani, Makoto Sato, and Mustaha Kamal Pasha (eds.), *Protecting Human Security in a Post 9/11 World – critical and global insights* (London: Palgrave Macmillan, 2007), pp. 85-87; Akiko Fukushima and William T. Tow, "human Security and Global Governance", in William T. Tow (ed.), *Security Politics in the Asia-Pacific: A Regional-Global Nexus?* (New York: Cambridge University Press, 2009), p. 173.

⁹¹ Tukumbi Lumumba-Kasongo, *Japan-Africa Relations*, New York: Palgrave Macmillan, 2010, pg 175.

⁹² N, Miguchi. *Japan's ODA Presentation, Nanzan University Seminar*. Nanzan University, 2011.

⁹³ Potter D. *Japan's Official Development Assistance*, 2015: <https://office.nanzan-u.ac.jp/cie/gaiyo/kiyo> accessed on 15th February 2015

decade later in the mid-2000s Nigeria and Tanzania were 2nd and 8th top recipients respectively.⁹⁴

Japan contributes to multilateral aid agencies including the World Bank, United Nations agencies and regional development Banks. Approximately half of the country's ODA is in form of loan and it has one of the lowest grant elements among the DAC.⁹⁵ In the 1990s, the Japanese refused international consensus towards debt relief for the poorest countries, arguing that debt relief is kind of moral hazard and encourages governments to borrow more than they can repay.

Though relatively small in number, African recipient have gained prominence due to Japanese initiative towards Africa through three factors; the Tokyo International Conference on African Development (TICAD) process initiated in 1993, support to Millennium Development Goals and relative lessening need for aid in East and Southern Asia. In the post cold era, Japan became 'donor fatigue' and launched TICAD to direct international attention on the significance of African development agenda.⁹⁶ TICAD was instituted to advocate for and foster international partnerships for promoting Africa's development under the joint leadership of Japan, the UN and then Global Coalition for Africa. TICAD has now been embraced by key stakeholders such as African Union, UNDP, the United Nations and the World Bank Group. TICAD VI held the Sixth session of the summit and conference in Nairobi, Kenya on August 2016 as an agreement that rotational Summits be held in different locations. TICAD advocates for African ownership and international community's partnership. Japan's FDI to Africa surpassed its 2012 target of \$3.4 billion, crossing over \$6

⁹⁴ Japanese ODA data, OECD, *International Development Statistics*, 2006.

⁹⁵ Sato Y, Asano M. *Humanitarian and Democratic Norms in Japan's ODA distribution*. MacMillan publishers. New York, 2008

⁹⁶ Ministry of Foreign Affairs Japan. *What is TICAD?* www.mofa.go.jp/region/africa/ticad accessed on 15th February 2016.

billion two years ahead of time.⁹⁷ In 2014, the Japanese Prime Minister announced that his country doubled its ODA to a level of \$2 billion for a 5 year period.⁹⁸

3.2.2 Foreign assistance from Europe

Foreign Assistance from Europe is mainly channeled through the European Union (EU).⁹⁹ The EU and its Member States are the largest donors of foreign assistance, though there are individual countries mainly from Scandinavian countries (Finland, Sweden, and Norway) who also provide development assistance to specific African countries in certain priority areas. For example, the Ministry of Foreign Affairs of Denmark provides humanitarian aid and development assistance to developing countries through the Danish International Development Agency (DANIDA), which focus on Freedom. Poverty reduction is the overarching goal for Danish Development Policy. In 2009, bilateral assistance accounted for 68% of total Danish ODA, while multilateral assistance was 32%. OECD members also provide development foreign assistance.

The EU foreign assistance to Africa is guided by the Cotonou Agreement between the EU and African, Caribbean and Pacific (ACP) countries. It is a trade and aid agreement that is aimed at working together to eradicate poverty and to help ACP countries integrate into the world economy. EU foreign assistance facilitated developing countries in pursuing the Millennium development Goals, which many of them did not meet the targets.

⁹⁷ Lawrence Q, *Japan's FDI to Africa hit \$6 billion, keen to up trade*, The Africa Report, 2016.p.6.

⁹⁸ Shizo A. *Japan's Diplomacy towards Africa: Strengthening Each Individual, One by One*. 2014. Speech delivered during a visit to Ethiopia on 14th January 2014. www.mofa.go.jp/files accessed on 15th February 2016

The EU contribution to foreign assistance involves all European foreign assistance which include public grants and loans to developing countries to promote economic development and welfare. In 2013, EU provided foreign assistance to the tune of €56.5 billion, which amounted to 52 % of the total global ODA donated during the year. The EU has a global presence in 140 countries with. The EU has several strategies to deliver aid to countries in Africa, but is mainly through projects, grants and contracts through sector and budget support.

3.2.3 Foreign assistance from the Americas

The main foreign assistance providers from Americas are USA, Canada and recently Brazil.

i) Foreign Assistance from USA

Foreign assistance is a part of the US foreign policy instrument and is a basic component of its international affairs budget. In 2014, the US was the largest foreign aid donor in the world, accounting for about 24% of total ODA from major donor governments.¹⁰⁰ Over the years, the U.S. foreign assistance to Africa reached a peak in 1985 in the Cold War period, when global competition with the Soviet Union was at a high point, but declined in the post-Cold war era.¹⁰¹

ii) Foreign Assistance from Canada

Foreign assistance accounted for about 2% of the 2015 Canada's federal budget spending, moving up from 1.75% of budget expenditure in 2014, and its spending totalled CAD\$5.8 billion in 2015, up from CAD\$4.9 billion in 2014.¹⁰²The largest recipient in 2015 was

¹⁰⁰ Tarnoff and Lawson M, *Foreign Aid: An Introduction to US Programs and Policy*, Congressional Research Service, July 17, 2016. pp.2-25.

¹⁰¹ Dagne T, *Africa: U.S. Foreign Assistance Issues*, Congressional Research Service, 2011. pp.6-20.

¹⁰² Canadian International Development Platform, *Canada's Foreign Aid*, accessed on <http://cidpnsi.ca/canadas-foreign-aid-2012>.

Ukraine with others among the top 5 being: Afghanistan, Ethiopia, Tanzania, and Pakistan. The channelling of foreign assistance is mainly through the former aid agency CIDA which has been re-branded as Global Affairs Canada (GAC). Only Tanzania receives Canadian foreign assistance in Africa.

iii) Foreign Assistance from Brazil

Brazil has been projecting its image as a “good emerging power” by engaging with Africa, but does not significantly provide foreign assistance to many parts of Africa. Brazil’s bilateral foreign assistance is mainly to lusophone Africa, where it supports social development and training in the agriculture sector, and the direct investments in the mining sector, in Mozambique.¹⁰³ Brazil support to Africa is relatively small and insignificant despite its cultural and historical links with Africa continent. It is therefore crucial for Brazil to increase it’s the support of African countries to become a major global player.

It can therefore be clearly demonstrated that different Countries have different approaches and criteria for providing foreign Assistance to Africa, for example that followed by the West through conditionality, selectivity and focus on direct financial support, and the approach adopted by Asian Countries like China, which avoids conditionality and targets infrastructure building. The Chinese approach is sometimes criticized for its failure to create direct employment for Africans and also that its free conditionality hampers good governance in Africa.

¹⁰³ Sarah-L and John de Sousa, *Brazil as a development actor: South-South cooperation and the IBSA initiative*, Pride, 2008, pp.5-27.

iv) Foreign assistance by the BRICS

The rise of the BRICS countries (Brazil, Russia, India, China, and South Africa), is creating a new era in international relations, which is changing power dynamics in world affairs, and challenging the U.S. superpower status.¹⁰⁴ They are flexing their power and are demanding a larger role in global decision-making processes. South Africa is also a member of the Brazil-Russia-India-China (BRICS) grouping of countries, and all of them are currently on the UN Security Council. BRICS member countries interact with each other through the UN, G20 and the India, Brazil South Africa (IBSA) forum.

3.2.4 Foreign assistance by Multinational Corporations

Besides bilateral and multilateral donors, the Multinational corporations (MNCs) have also played a major role in addressing major challenges of development in Africa.¹⁰⁵ MNCs are an important engine of development through FDI which is the most desired form of capital flow and means of Technology Transfer. MNCs provide employment, contribute to community development projects, support industrial training to youth, provide local markets, emergency assistance, environmental protection, capacity building, and contributes to a country's tax base. UNCTAD underscores the role of MNCs in Africa by taking cognizance of the growth of FDI, which in 2011 stood at \$54.4 billion, up from \$8.5 billion in 2004. Unfortunately, with all these positive trends, Africa remains a marginal region in global terms, as noted by ADB that estimates that Africa with 12 percent of the world's population, accounts for only less than 2 percent of GDP and FDI.

¹⁰⁴ Maluki , *lectures on Africa and the Emerging Powers*, pp.4-30

¹⁰⁵ Turyahabwa J, *The Role of Multinationals in Eradicating Poverty in Africa: Perspectives From Different Stakeholders in Urban Uganda*, Vocational and Distance Education, Makerere University Business School, Nakawa, Kampala, Uganda, pp.34-67.

The proponents view MNCs as engines of development and that they contribute resources such as capital, technology, managerial and marketing skills. The antagonists complain that they have adverse impact on the economies of their host states

Nigerian scholars argue that MNCs have created a new class structure which is controversial not suited to control present established norms. While others deny these claims in very strong terms, pointing that that MNCs are agents of international economy. They argue that MNCs pass over obsolete, overpriced, inappropriate and are inconsistent with host states, and also create enclave economies. On the other hand, Nzomo observes that MNCs are the key economic actors in promoting global Capitalism, driven by the sole goal of making profits through investment and trade. The size and wealth of MNCs, combined with foreign ownership, management and control, leaves the host country powerless. MNC led foreign investment tend to dominate the most profitable, the most technologically advanced, the most growth-oriented and the economic trend-setting industries.

3.2.5 Other global mechanisms for foreign assistance

a) Multilateral Organizations

Multilateral aid organizations, such as the IMF, World Bank, regional development banks, and U.N. entities, are considered to be part, of coordinators of foreign assistance.¹⁰⁶

Multilateral development organizations strive to enhance aid efficiency and maximize effectiveness, by combining resources from development partners and distributing them accordingly through institutions such as the World Bank and IMF which are the two most

¹⁰⁶Lawson M, *Foreign Aid: International Donor Coordination of Development Assistance Analyst in Foreign Assistance*, Congressional Research Service, 2013 p. 9.

powerful institutions in global trade and finance.¹⁰⁷ The IMF central activity is to provide financial assistance to national treasury through several lending programs ("facilities"). Due to conditionalities, the World Bank and the IMF are viewed by Third World to be pushing agenda of the developed countries which subject them to high levels of poverty, unemployment, and economic decline.

On the other hand, the World Bank is the name used for the International Bank for Reconstruction and Development (IBRD) and the IDA, focus mainly on public sector monetary policy and provide low-interest loans, interest-free credit, and grants to developing countries. Additionally, they work to affect the policies of governments by providing macroeconomic policy advice, research, and technical advice.¹⁰⁸

b) Development Finance Institutions

Development Finance Institutions (DFI), exist in the form of majority owned national governments and source their capital from national or international development funds or benefit from government guarantees. There are bilateral DFIs such as Netherlands Development Finance Company, German Investment and Development Company (DEG) which is part of German Development Bank KfW. There are also multi-lateral DFIs which are private sector arms of international finance institutions for example International Finance Corporation (IFC), Asian Development Bank, African Development Bank (ADB) and the Islamic Development Bank IsDB).

¹⁰⁷Asad Ismi, *Impoverishing a Continent: The World Bank and the IMF in Africa*, Halifax Initiative Coalition (www.halifaxinitiative.org), 2004, http://www.halifaxinitiative.org/updir/Impoverishing_A_Continent.pdf accessed on 14/11/2015.

¹⁰⁸UNDP, *Primary Commodity Booms and Busts: Emerging Lessons from Sub-Saharan Africa*, 2015. pp.6-23.

c) Pan African Commercial Banks

Since 1990's, the regional Pan African banks have come in to fill the gap created by exit of International Banks, and are now providing large bilateral loans to finance infrastructure development.¹⁰⁹ In the last 20 years banking in SSA has changed drastically in the acceleration for economic growth in SSA coupled with an expansion of access to financial services, such as services of commercial banks. There has been fast expansion of pan-African banking groups creating important cross border networks, which in some ways has even overtaken the role of the European and US banks.

During the 10th African Economic Conference (AEC), in 2015, the role Pan African financial institutions in supporting the fight against poverty came under scrutiny. It came out clearly that in the meeting that Financing for infrastructure was one key elements of maintaining economic growth.¹¹⁰ It was revealed that African Development Bank energy financing portfolio stands at US \$10 billion, and had deployed most of its resources to the improvement of energy and electricity systems in Africa.

¹⁰⁹ European Investment Bank, *Recent Trends in Banking in sub-Saharan Africa From Financing to Investment*, 2015, pp. 9-34.

¹¹⁰ Abbi Kedir, "Growth and Development Finance Required for Achieving the Sustainable Development Goals in Africa," UN Economic Commission for Africa (ECA), 2015. pp.6-10.

3.3 FACTORS THAT AFFECT FOREIGN ASSISTANCE

Africa now has learnt that through joint efforts can achieve a lot through NEPAD Agency, and negotiates for Common African Position (CAP) in most of the major international conferences.¹¹¹

Some of the internal factors that affect Foreign Assistance include, lack of effective overall policy framework for management of external resources, governance problems, poor accountability on the use of funds vis a vis results, high administration and transaction costs on donor assistance due to lack of harmonization.¹¹² Other factors include, cases of inappropriate technical assistance, inadequate counter-part funds, inadequate human and institutional capacity, complex and at times lengthy procurement procedures, and weakness in planning/budgeting which most cases not realistic and inadequate coordination mechanisms.

The external factors that affect aid include, meeting conditions precedent to effectiveness of new projects, understanding and applying both Country and development partner's procurement rules, regulations and procedures, and projects that are adopted for funding by the development partners without proper consultations. Others are fund disbursement bureaucracies from donors, most donors multiple objectives and tasks, lack of accountability, project evaluation complexities and Kenya Donor Dependency.

Heavy transaction costs and time are usually incurred by development partner requirements during processes for preparing, delivering and monitoring foreign assistance. Programmes are not aligned to Government development agenda including budget (different budgeting

¹¹¹Elbadawi, I. (1999), "External Aid: Help or Hindrance to Export Orientation in Africa" *Journal of African Economies*, Vol. 8, Number 4, pp. 578-616.

¹¹² Ministry of Finance, *Resource Mobilisation Report*, pp.5-14.

cycles), program/project planning cycles and expenditure. Foreign Assistance in its current form appears not effective in addressing the emerging challenge of global poverty in SSA, due to lack of delegated authority to donor country offices by Headquarters.

3.4 TRENDS OF FOREIGN ASSISTANCE TO KENYA

Trends of foreign assistance to Kenya since 1963 indicate that currently, it has a large number of multilateral and bilateral donor agencies having moved from dependence on one particular donor which was mainly the United Kingdom.¹¹³ The Kenya Government now engages with over 40 different official donor agencies with varying degrees of intensity and level of contact. Some of the Aid Coordination Efforts in Kenya include; Development of Kenya Joint Assistance Strategy (KJAS), 2007-2012, now expired, Development Partnership Forum (DPF), Development Partners Coordination Group (DCG), Government Coordination Group (GCG), Crisis Management Committee, Aid Effectiveness Group (AEG), Sector Working Groups (SWG) and Aid Effectiveness Secretariat (AES).

The events of the 1990s point that the biggest weaknesses of the Kenya economy was the high degree of dependency on Foreign Assistance. From the early 1960s, Kenya received massive infusions of aid, from both bilateral and multilateral donors.¹¹⁴ During the 1980s, the country saw relatively unpredictable flows of foreign assistance.¹¹⁵ The Ministry of Finance, Kenya lists its bilateral donor countries as; Federal Republic of Germany (KfW), France (AFD), United States of America (USAID), United Kingdom (DFID), Denmark, Finland, Sweden, South Korea, Netherlands, China, Japan, Canada, India, Italy, Norway etc. China is both a donor and a recipient country (China gets financial support from IMF, IBRD). Also

¹¹³ Clift C, Aid Coordination: *Are There Any Lessons to be Learnt From Kenya?* www.academia.edu/7693040/Aid-Coordination Accessed on 14/11/2015.

¹¹⁴ Mudavadi, *Rethinking Development in the 21st Century*, p.11.

¹¹⁵ Mweiga, *A case study of AID Effectiveness in Kenya*, p.4.

others are South Africa, and Mexico, while Multilateral institutions include; World Bank, International Monetary Fund (IMF), European Union (EU)/European Development Fund (EDF), United Nation Children & Education Fund (UNICEF), United nations Development Programme (UNDP), Organization of Oil Producing Countries (OPEC), International Fund For Agricultural Development (IFAD), International Bank for Reconstruction & Development (BADEA), African Development Bank (AfDB), Kuwait Fund for Arab Development, Abhu Dhabi Fund, Saudi Fund for Development, Global Environment Trust Fund, European Investment Bank, United Nations Environment Programme (UNEP).

Table 2 shows how foreign assistance to Kenya evolved over the years.

Table 2: Pattern of Total Aid to Kenya

YEAR.	ODA AT CURRENT PRICES, US\$ MILLION.	KENYA'S SHARE OF DEVELOPING COUNTRIES ODA, PERCENT.	ODA AS SHARE GNI, PERCENT.
1980	836.72	1.2	5.84
1981	1015.62	1.4	7.85
1982	1115.87	1.6	9.00
1983	915.24	1.4	7.40
1984	988.02	1.3	7.38
1985	1016.97	1.3	7.16
1986	880.38	1.2	6.27
1987	926.21	1.3	7.29
1988	1263.78	1.9	10.69
1989	1623.78	2.3	13.92
1990	1608.11	2.1	15.35
1991	1168.68	1.5	12.33
1992	1083.52	1.5	12.67
1993	1132.17	1.6	19.97
1994	811.47	1.1	8.02
1995	766.48	1.2	9.18
1996	675.28	1.1	6.39
1997	555.74	0.9	4.60
1998	522.9	0.8	3.77
1999	379.76	0.6	2.52

2000	659.5	1.0	4.16
2001	642.17	0.9	3.59
2002	508.2	0.6	2.94
2003	603.46	0.7	3.51
2004	682.12	0.8	3.97
2005	785.98	0.7	3.86
2006	943.4	0.9	4.00

Source; (adopted: A Case Study of Aid Effectiveness in Kenya) 2006

The table shows that there was increase in foreign assistance over the period, which could have been attributed to improved international relations with development partners marked by government's resolve for improved proper management of the economy and putting in place adequate government measures against graft.

McCormick points that since 1993, net foreign assistance to Kenya declined drastically when there was two major events of "aid freeze" and donor withdrawals as the government reneged on its commitments to donors. But since 2000, foreign assistance has been rising steadily and has increased by 66%

3.4.1 Strategies of Kenya's foreign assistance

Kenya has open door policy of receiving financial assistance from East, West and the BRICS and has currently over 40 development partners. The Financing Modalities by Development partners to Government of Kenya include; Appropriation In Aid (A.I.A) where funds expended by donor on behalf of recipient and Revenue- funds advanced upfront by donor to Government and must be accounted before next advance.

Kenya has finalized the Kenya External Resources Policy (KERP) that was approved by the Cabinet in December 2014. The KERP applies to both National and County governments, Urban Areas and Cities as well as Non State Actors (NSAs) in effective management of external resources. It is expected that the implementation of principles and guidelines

outlined in the KERP shall improve utilization of external resources at the national and county governments levels through; creation the appropriate institutional frameworks; enhance adherence to aid effectiveness principles; provide for effective conflict resolution pathways within the aid architecture in the country; and identify areas and ways of strengthening of Government of Kenya capacities for ODA management.¹¹⁶

The literature review found that the trend of foreign assistance to Africa depicts a growing gap between the developed and developing countries, leading to constant capital inflow from the developed countries to Africa, with the objective to overcome their challenges of development, and to meet their economic growth goals, through Foreign Assistance and FDI.

The results of the study, showed that foreign assistance has increased over the last 10 years, giving rise to a number of bilateral and multilateral institutions supporting in delivering aid to Africa, as it is still a foreign policy tool that rich countries use to extend assistance to poor countries to enhance sustainable development. There is evidence of increase in the trend of the foreign assistance to Kenya, with over 40 different official donor agencies operating but difficult to coordinate.

The strategies of foreign assistance to Africa vary by different development partners in terms of conditionalities, FDI, Funding levels, Sector priorities and policies. Asian foreign assistance is different from western donors on the terms and conditions imposed on beneficiaries. On the hand, the BRICS countries are changing international politics dynamics and are claiming a bigger role in international platform for decision-making processes. The study found that Kenya uses strategies such as loans, technical cooperation, NGO support, division of labour, sector wide and project approach.

¹¹⁶ Republic of Kenya, *Kenya External Resources Policy*, Ministry of Finance, 2015.

In consonance with the Big Push theory used in this study, this Chapter concludes that, foreign assistance and FDI should be continued as postulated by UNDP, which argues that it provides government with a resource for making multiple investments in social and economic programmes such as those for health, education and economic infrastructure which are needed to break cycles of deprivation.¹¹⁷ The literature review and the study findings disagree with the hypothesis that the trends and strategies of Foreign Assistance to Kenya has not been favourable, as evidence shows that there is increase in the number of development partners, s with varying degrees of strategies, intensity and level of contact such as Aid Coordination Efforts like Programme Based Approaches/ Sector Wide Approaches, and Division of Labour, or through “delegated/silent partnerships”.

¹¹⁷ UNDP Human Report 2005 p. 56.

CHAPTER FOUR

THE IMPACT OF FOREIGN ASSISTANCE ON DEVELOPMENT IN KENYA

4.0 INTRODUCTION

This Chapter focuses on assessing the impact of foreign assistance in Kenya and making practical recommendations on how foreign assistance can be strengthened to address the challenges of sustainable development. This study uses the Ministry of Finance explanation of aid effectiveness, as one of the criteria of measurement of impact, where a given project is able to achieve set goals and objectives over a period of time; and, the degree to which such achievements are sustainable. In order to find the effectiveness and the impact of foreign assistance, one must consider at how best foreign assistance transfers are designed to finance and support growth-promoting activities.¹¹⁸

4.1 Impact of foreign assistance on Development in Africa

a) Effect on Sustainable Development and Growth

Many studies on the impact of foreign assistance have generated mixed results and intense debate, on implications for poverty reduction in SSA. Whereas some scholar's find positive evidence on impact of foreign assistance on growth, others like Burnside and Dollar find negative impact, while Mosley finds evidence that foreign assistance has no impact on economic growth. Where it is concluded that foreign assistance has positive effects, it applies

¹¹⁸ Economic Affairs Committee, *The Economic Impact and Effectiveness of Development Aid, Sixth Report* www.publications.parliament.uk/pa/id/201012/idselect/ideconaf/1278 accessed on 16/11/2015.

only to economies with strong governance institutions and leadership providing good fiscal, monetary, and trade policies.

Many scholars opine that several decades of foreign assistance to Africa has done little to change the economies of many countries, since they are still experiencing slow growth rates, underdeveloped or collapsed. It is now being perceived that foreign assistance can achieve the intended impact, or improve growth in a conducive policy environment, provided through good governance and steward leadership. Foreign assistance can be viewed as a two-edged sword, where if the environment is conducive, it can promote sustainable development, but if wasted it can have negative impact. Evidence from many studies in SSA states, have not adequately established a strong statistical link between economic growth and foreign assistance, while in other regions, it has directly yielded economic growth.¹¹⁹.

b) Aid Dependency

Bauer argues that ODA is as an inappropriate way of assisting poor countries, because a country, used to receiving ODA, may be perpetually be bound to depend on handouts.¹²⁰ In the last 6 decades, 50% of the population in SSA still live on less than two dollars, and the per-capita income today is lower than it was in the 1970's. Wall Street believe that African countries are so much dependent on foreign assistance to the extent that without it, they cannot fulfill their half of their yearly budgetary commitments.¹²¹ Various scholars argue that aid should be customized to the conditions the country concerned. Moyo argues that the underdevelopment and economic failure in SSA is caused by vicious cycles which obstruct investment, encourages dependency and facilitates graft and corruption.

¹¹⁹ Njenga, *The Impact of foreign aid on economic growth in Kenya*, pp.30-43,

¹²⁰ Moyo, *Why Foreign Aid Is Hurting Africa*, pp.67-80.

¹²¹ Nathan Andrews, *What the literature says and what the reality is*, p.11.

Lancaster believes that there is no free aid, because even with the debt-relief campaigns in the 1990s, African countries still repay over \$20 billion per annum in debts, and the vicious cycle system is sustained with the fresh infusion of foreign assistance.¹²² Despite the gloom about Aid dependency over the years, there is now marked graduation from aid dependency that include some of the less developed countries in Africa.¹²³

Table 3 depicts show how aid dependence, measured as aid as a share of GDP, has declined very sharply in 11 fast-growing countries, often over a relatively short period.

Table 3: Fast-Growing Aid Graduates

Country	Maximum aid as % of GDP	Year	Minimum aid as % of GDP	Year	Growth of GDP per capita p.a. 1990-2010
Bangladesh	8.2%	1977	1.3%	2009	5.8%
Botswana	31.6%	1966	0.5%	2005	7.1%
China	0.7%	1992	0.01%	2008	11.6%
Ghana	16.3%	2004	4.1%	2008	4.0%
Indonesia	6.2%	1971	0.05%	2004	6.4%
India	4.1%	1964	0.1%	2009	7.0%
Kenya	16.8%	1993	6.1%	2008	3.1%
Korea	9.8%	1961	-0.1%	1984	8.4%
Mauritius	4.9%	1981	0.2%	2006	6.8%
Malaysia	1.2%	1987	0.07%	2009	6.1%
Vietnam	5.9%	1992	2.9%	2008	7.4%

Adapted from: The Economic Impact and Effectiveness of Development Aid - Economic Affairs Committee: World Bank, Global Development Finance, 2015

Out of the countries presented in the table, Korea, China and India have now graduated to become provider of foreign assistance nations. Kenya is also improving and recently graduated to lower middle income country, but there are now success stories of Aid effectiveness in Africa, where Botswana and Mauritius are cited as countries that received very huge amounts of foreign assistance at key strategic moments in their development

¹²²Lancaster C, "Aid Effectiveness in Africa: The Unfinished Agenda," Journal of African Economies, 1999, p. 4.

¹²³UK Parliament, *The Economic Impact and Effectiveness of Development Aid*, Economic Affairs Committee, accessed on www.parliament.uk, 4/4/2016.

process, and utilized it well to spur/ boost economic development of their respective countries. These examples support the hypotheses of this study that a given amount of well-targeted foreign assistance, combined with good leadership, can produce remarkable impact on sustainable development. Foreign assistance if well targeted to address specific problems and constantly monitored during the implementation process, will always be highly effective.

Recently, African countries have gained prominence due to Japanese initiative towards Africa through TICAD.¹²⁴ The Sixth TICAD Conference on African Development (TICAD-VI) was held in August 2016 in Nairobi as a demonstration that growing African ownership in the TICAD process, and attracted much attention from African states, all TICAD partners such as, UN system and organisations, African Regional Communities, NEPAD and the 2030 Agenda for Sustainable Development, and Agenda 2063.

4.2 IMPACT OF FOREIGN ASSISTANCE ON DEVELOPMENT IN KENYA

Though it is contested that ODA has never lead to sustainable development in any country, Kenya has had mixed results which support both sides of the argument For example, Kenya's Annual average GDP growth rates were between 6 and 7% in the first decade of independence, when ODA inflows were around 5.8% of GDP.¹²⁵ GDP growth then fell to 4% between the late 1970's and early 80's when ODA inflows were about 9.9% of GDP, declining further to 2% in the late 80's to mid-1990's before declining further to a low of 0.3% in 2003. In the 1990s, Government did not receive any aid due to the Government's refusal to implement SAPs by World Bank/IMF.

¹²⁴ What is TICAD? Ministry of Foreign Affairs Japan. www.mofa.go.jp/region/africa/ticad accessed on 15th February 2016

¹²⁵ Republic of Kenya, various economic surveys, 2012-2016.

ODA inflows to Kenya then rose slightly from 2005 due to foreign assistance to implement the Economic Recovery Strategy for Wealth and Employment creation and the vision 2030 and the renewed confidence in Government. At the dawn of the new Vision, Kenya's development partners financed development budget to the tune of over 45% because of renewed political commitment and donor confidence. Therefore, these results demonstrate that foreign assistance which was provided through shares of private and public investment, and imports in GDP led to strong beneficial effects on per capita income in Kenya.¹²⁶

Njenga found a strong relationship between economic expansion and foreign assistance, but argues that aid can cause a negative effect on economic expansion, if it is not properly invested and used on luxury and salary hike payments, which have the effect increasing consumption which in turn lead to decrease in investments and thus growth.

Currently, Kenya is not aid dependent, attracting questions on whether it needs development partners to finance its budget or not. It has considerably reduced aid-dependence, with government revenues having increased dramatically after the year 2002. Others have argued that Kenya doesn't really need development partners as only 15 percent of Kenya's public expenditures are foreign-financed, compared to more than 40 percent in other EAC countries.¹²⁷ It could use foreign assistance to support its development spending, as many emerging economies have demonstrated.

If Kenya is to attain the objectives of Vision 2030, efforts to ensure that the funds are used for the intended purpose should be pursued. Brian and Kpundeh argue that if resources are not utilized, opportunity cost is lost, thus no development of economy.

¹²⁶ Republic of Kenya, *Resource mobilisation Report*, Ministry of Finance, 2015.

¹²⁷ Ibid

4.3 EFFORTS TO STRENGTHEN FOREIGN ASSISTANCE IN KENYA

In spite of the disillusionment of aid to Africa, there is a wind of hope in the air which provide a number of reasons for optimism about Africa's development prospects.¹²⁸ Africa is now progressing and is no longer in need of much foreign assistance, but an opportunity to do business with the rest of the world under fair and favourable terms. The role of foreign assistance must be redefined to assist Africa achieve sustainable development, as it is now seen as a "Rising" star. Nzomo is optimist that after decades of slow growth, Africa now is on progress to follow the footsteps of Asia.¹²⁹ She points that six of the world's ten fastest-growing countries during the first decade of the 21st century were African, and are growing faster than East Asia, including Japan. Investors from all over the world are now eager to take advantage of Africa's "flourishing market". The reason for this enthusiasm is that consumption of technology is boosting growth, and Africa had more than 600 million mobile-phone users, more than America or Europe, in addition to abundance of skilled unemployed labour. Prominent African leaders who are like minded in this view include; Ellen Johnson Sirleaf, President of the Republic of Liberia and Nobel Prize Winner, Nkosazana Dlamini Zuma, Chair, AU Commission, 2013, Kofi Annan, 7th Secretary-General of the UN, and Mo Ibrahim, Founder of Mo Ibrahim Prize for Achievement in African Leadership, 2012.

Kaberuka and Leke observes that things are not as bad as one would imagine about Africa, because despite that the average growth declined, some African economies have thrived in recent years by increasing their GDP from 4.1 per cent in 2000-2010 to 4.4 per cent in 2010-2015, and this is coupled with long term transformation through rapid digitisation,

¹²⁸ Eicher C, *Flashback: Fifty Years of Donor Aid to African Agriculture*, Went, IFPRI, NEPAD and CTA, Pretoria, South Africa, December 1-3, 2003

¹²⁹The Economist, article titled: "*The Hopeful Continent: Africa Rising*", Dec 3rd, 2011

urbanisation and growth in the working-age population.¹³⁰ Bingen and van de Walle argue that efforts are in place to propel Africa in the direction of sustainable development through the establishment of NEPAD Agency and its pledge to help mobilize African political support for development. There have been some efforts to enhance effectiveness of foreign assistance use, in order to spur Africa's development, through the International aid effectiveness movement which started in the late 1990's, to harmonize work in order to improve foreign assistance impact.

The ministers of developed and developing countries met in conferences to take far-reaching and monitorable actions to reform the way aid is delivered and managed, through the following;

4.3.1 Paris Aid Effectiveness Principles

Adherence to the requirements of the five (5) principles of aid effectiveness was put forward namely; ¹³¹ Firstly, Ownership and Leadership principle, where developing countries were to set their own strategies for poverty reduction, improve their institutions and tackle corruption. Secondly, alignment principle, where donor countries are to align to the Country's development agenda and use of country systems of planning, budgeting, procurement, accounting, auditing, reporting and monitoring. The Government would take lead and ensure that all ODA is aligned to the Country's development goals, which in Kenya case is the Vision 2030. The third principle was Harmonization, where donor countries would coordinate, simplify procedures and share information to avoid duplication and reduction of

¹³⁰ Daily Nation, September. 28 2016 p.218

¹³¹ Republic of Kenya, Ministry of Finance, *The Paris Declaration on Aid Effectiveness (2005), Accra Agenda for Action (2008)*

transaction costs. Programme Based Approaches/ Sector Wide Approaches, and Division of Labour were to be used where donors actively support maximum of four sectors due to comparative advantage and fifth sector through “delegated/silent partnerships” The fourth Principle, is Managing for Results, where developing countries and donors would shift focus to development results and results get measured. Lastly, Mutual accountability principle, where both parties account to each other based on commitments /targets set and also to public.

A number of countries in Africa, including Kenya, Tanzania and Uganda in East Africa endorsed the Paris Declaration. In 2008, the third high level forum in Accra, Ghana took stock of progress and adopted the Paris Declaration to accelerate the pace of change. In Kenya for example, the Government is currently implementing the vision 2030 which targets a growth rate of 10%, to guide Kenya to middle income status through rapid industrialization among other development initiatives. With this in mind, the country is expected to have achieved the gross investment ratio as a proportion of GDP of 30-40 percent. Most of this will be obtained from domestic savings and foreign direct investments. These are huge investment requirements that the country cannot achieve with its own resources and therefore reliance on foreign assistance is necessary.

4.3.2 Global Partnership for Effective Development Cooperation

In 2011, development partners among them Governments adopted the The Partnership for effective Development Cooperation (GPEDC) at the 4th High Level Forum in Busan

South Korea, which represented the international community's commitment towards a fundamental transformation of aid architecture.¹³²

The common principles guiding the GPEDC partnership include; Ownership of development priorities by developing countries, Focus on results, Inclusive development partnerships and Transparency and accountability to each other.

The First High Level Meeting (HLM1) of the GPEDC was held in Mexico in 2014, whose outcome was development of Mexico High level Meeting Communiqué. The Second High Level Meeting (HLM2) of the GPEDC will be held in Kenya in November 2016. The forum agreed that Effectiveness of Aid will be measured against 10 indicators every two years.

The Chapter concludes that there is no consensus in the literature on the question of impact of foreign assistance.¹³³ Though the impact of foreign assistance is difficult to measure, there is both short and long term effects, which can be assessed through aid effectiveness in terms of contribution to the economic growth, poverty levels and the dependency levels of countries. Foreign assistance if not used efficiently can have disastrous effect on development, and there is a lot of evidence that many African Countries have not been using aid optimally, hence loss of benefits, which causes the Opportunity cost to be lost, thus no sustainable development. Sufficient attention in previous studies appear not to have adequately considered the institutional capacity of the recipient, and the sustainability of aid, which is important for foreign assistance work.

Contrary to the hypothesis in this study that foreign assistance has not made any impact in Kenya, the literature and the study findings indicate that foreign assistance works where there

¹³²Post Busan: Kenya's experience, http://www.africa Platform.org/sites/default/files/resources/aid_effectiveness_kenya.pdf accessed on 1/11/2015

¹³³ Nathan Andrews, *Foreign aid and development in Africa*, p.9.

is conducive policy environment, strong leadership and governance institutions in place, such as in Mauritius and Botswana, but becomes detrimental when it is beyond the margin.¹³⁴

Foreign assistance should be used to enhance sustainable development by ensuring that capacity-building is part of all foreign assisted programmes, and policy choices relating to development priorities are determined by recipient Governments. The impact of foreign assistance depends on optional utilization by African Countries, with a view to obtaining higher level economic growth and sustainable development, and also by strengthening governance institutions and strategic leadership for sustainable development.

¹³⁴Paul Collier. “*Aid Dependency*’ p. 40.

CHAPTER FIVE

THE FINDING OF THE STUDY

5.0 INTRODUCTION

This study was concerned with identifying challenges of development to sustainable development in Africa, examining the trends and strategies of Foreign Assistance and assessing the impact of Foreign Assistance in Kenya. These issues were investigated through secondary data analysis, experiential survey, and Key Informant Interview. The study used qualitative and quantitative methods, which entailed collecting and analysing data from relevant research reports, development partners, government, and other sources through interviews using interview schedules. All the 19 respondents were eager and positive to provide solutions to overcome the challenges of development in SSA which have affected efforts to achieve sustainable development. One of the fundamental feeling of the respondents is that, despite the poor performance of foreign assistance in Africa, there is need to strengthen its effectiveness to fight poverty, improve economic growth and achieve sustainable development in Kenya.

The objective of this study therefore is, to assess the performance of foreign assistance in order to highlight how, even if in its most basic form, the major challenges of development can be overcome and impact be achieved.

5.1 MAJOR CHALLENGES TO SUSTAINABLE DEVELOPMENT IN KENYA

The first objective was to identify challenges of development in Africa. The findings of the study are classified into four thematic topics namely; political, social, economic and environment.

5.2.1 Political factors

The results of the study suggest that there are political challenges such as instability, insecurity, coupled with reverse migration for skilled members. Figure 1 shows the political challenges found.

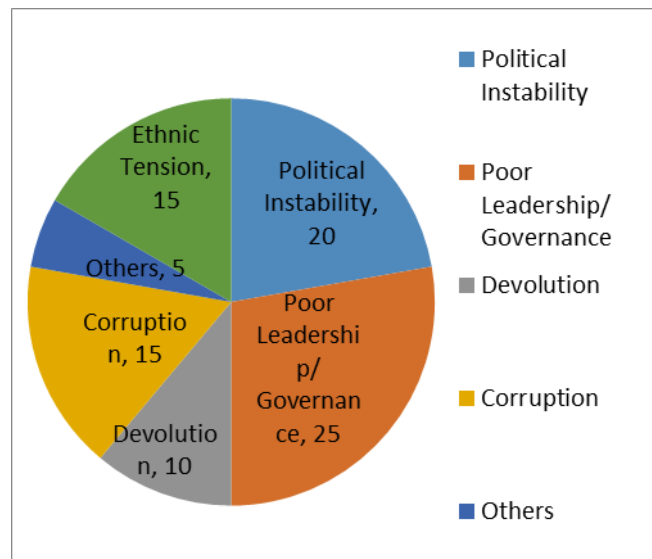


Figure 3: The Major Political Challenges in Kenya

The figure depicts that political instability accounts for 20% of the respondents, poor leadership and governance 25%, and the devolution process 10%, has brought with it governance problems, while 15% respondents mentioned corruption. This is coupled with unnecessary divisions and conflicts in the country accounting for 15%. Other challenges which account for 5%, include lack of capacity by institutional structures to adequately utilise the abundant human and natural resources. As pointed in the earlier Chapters, the study confirms that in Kenya, poor governance and leadership has caused negative vices such as corruption, unfair distribution of resources, and negative ethnicity with adverse effects on sustainable development.

5.2.2 Economic factors

Various economic challenges were mentioned by the Key Informants. Poverty levels accounted for 25% of the respondents, while favouritism resulting into biased or skewed resource sharing patterns was 20% and poor implementation of policies, and inadequate infrastructure were 15% respectively. Table 4 shows the economic challenges as reported by the respondents.

Table 4: Economic Challenges

Challenges	% of respondents
High poverty levels	25
Skewed resource allocation	20
Poor implementation of policies	15
Inadequate infrastructure	15
Others	15

The other challenges (15%) included; use of old age technology, weak manufacturing sector, limited technical capabilities in exploiting the natural resources, bloated wage bill and unemployment remained a hindrance to development efforts by the government, as the rapid growth of domestic debt and increase in interest on government security poses significant risk in debt sustainability.

5.2.3 Social factors

The expert respondents comprising 50%, confirmed the well-known paradox that monetary economy, rapid urbanization, high population growth and cultural barriers inhibit sustainable development. Other factors remain high income inequalities (15%), and unemployment among the youth (20%), gender disparity (15%) was reflected in poor allocation of resources, and gender bias in participation in decision-making. While 5% reported that the main social challenges in the country remain empowering of women and girls, protecting the most vulnerable and marginalized from the devastating effects of poverty.

5.2.4 Environmental factors

Poor environmental planning and governance, was mentioned by 75% respondents as the main environmental challenges while slow adaption to Climate change was 25%.

5.2.5 The available resources in Kenya

The available resources cited by the respondents that Kenya can utilise to overcome development challenges include: forests 15%, large arable land 20%, vast human resource capital 40%, and minerals 10% such as titanium, oil and natural gas.

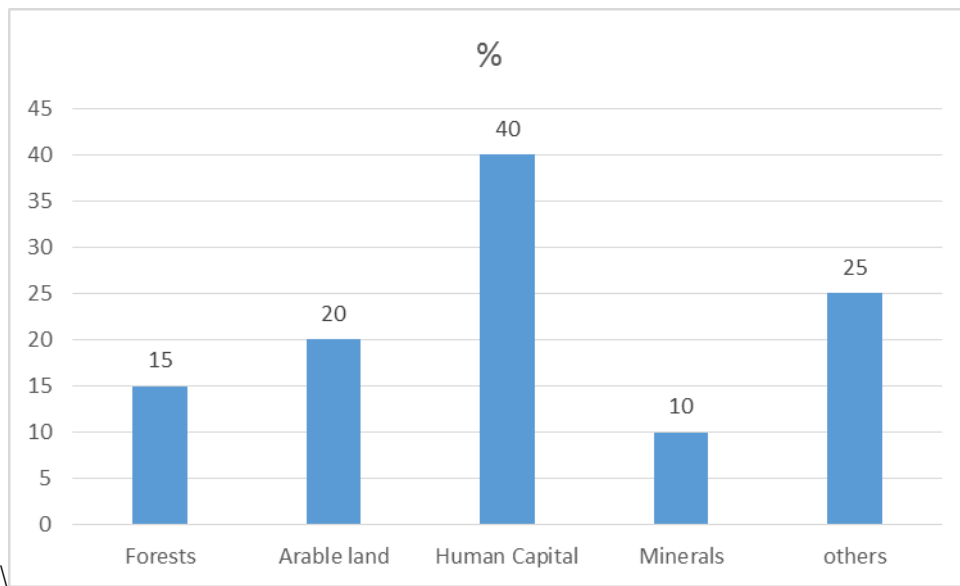


Figure 4: Available Natural Resources in Kenya

Others (25%) are availability of water, skilled manpower, and goodwill of development partners, skilled and unskilled workers, viable land, and trained labour force. The new constitution and its full enforcement offers an environment for supporting such endeavours.



Figure 5: Inadequate exploitation of natural resources; Raw Timber from Congo Forest en route to France for value addition.

Source: Author December, 2015

5.2.6 The existing sustainable development programmes

The key informants listed the programmes and activities that the Government is implementing in addressing sustainable development summarised in table 5.

Table 5: Existing sustainable development programmes

Existing Programmes	% respondents
Establishment of green zones,	19
Infrastructural development,	20
Capacity building investment in agriculture,	8
Food security based programmes,	31
Health and water services sanitation programme	15
Others	10

The study found that the Ministries are embracing Public Private Partnership concept with other organisations like the business sector, NGOs and communities in expanding all weather roads, food production, provision of government support in health projects, irrigation, development of water suppliers, and promoting talents in entrepreneurship. Other programmes are; aid coordination, policy reforms, and environmental programmes and provision of alternative livelihood. The strategies that Kenyan government has put in place, to factor in foreign assistance in the sustainable development of the country include; improving power supply to the low income earners, funding and improving of safety standards, value addition, use of appropriate technology, and tapping into skilled human resource.

In conclusion, the study of the major challenges of development in Africa can be categorised into political, economic, social and environmental. The established finding in this regard, confirms the stated hypothesis that, foreign assistance enhances sustainable development in African countries if there is good leadership and strategic leadership which provide conducive policy environment for investments to take place.

5.3 TRENDS AND STRATEGIES OF FOREIGN ASSISTANCE TO KENYA

5.3.1 Introduction

The second objective was to examine the trends and strategies of foreign assistance to Kenya. The international relations and diplomacy scholars have concluded that there is a growing cavity between the rich and poor countries which can be explained, through the constant foreign assistance from the developed countries to Africa, with the aim of assisting them overcome their problems, so that they can attain their economic growth goals. This is achieved by seeking capital resources in the form of foreign assistance and FDI from developed countries, as posited by the Big Push Theory used in this study. The findings of the study, showed that foreign assistance has increased over the last 10 years, and still there is a clamour and call from international policymakers to increase it further, though its impact still remains controversial to scholars and policymakers.¹³⁵

5.3.2 Flow of foreign assistance to Kenya

The study demonstrated, that foreign assistance is a significant international policy tool that is used by Kenya to foster economic development, as indicated by the respondents' perception on the upward trend over the last 10 years as shown in figure 5.

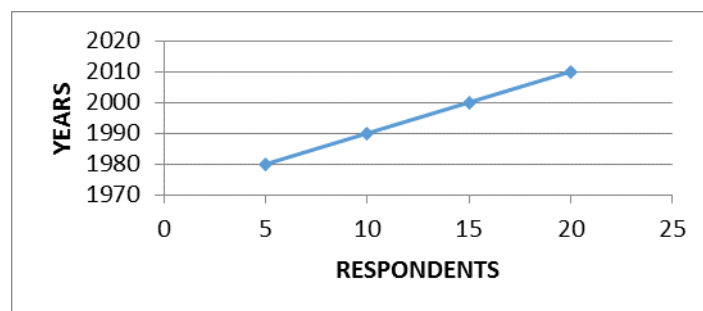


Figure 5: Trends of Foreign Assistance to Kenya

¹³⁵Qian N. 2014. Making Progress on Foreign Aid. Annu. Rev. Econ. 3: Submitted. Doi:10.1146/annurev-economics-080614-115553)

The literature review also confirmed this view, that Kenya experienced escalating flow of foreign assistance in the 1980s, which then declined in the 1990s, but later improved.

5.3.3 Conditions for continued foreign assistance in Kenya

Results of the study indicate that, 80% of the respondents feel that the conditions for continued use of foreign assistance should be for the government to make her external debt sustainable, channel foreign assistance to productive sectors, and ensure that donor funds are channelled to capital investment, and not on recurrent expenditure. Borrowing should also be demand driven to avoid heavy indebtedness. The increase in foreign assistance recently is due government's determination to fight corruption and prudent management of the economy and with the foreign assistance directed to key areas of the economy, a long side improved policies.

Other respondents (20%), feel that Kenya should continue receiving foreign assistance through prudent application but encourage aid free conditions. It should access concessional loans for alleviation of poverty by supporting necessary social amenities, improving infrastructure, grants for education and health sectors, emergency, and capacity building.

5.3.4 International Best practices

Evidence of the international Best Practices that Kenya Government has learnt from the ongoing foreign assistance include; embracing Results Based Management, accountability and transparency, increasing infrastructural investments to spur the economy, and use of programme based-project approach as shown in figure 6.

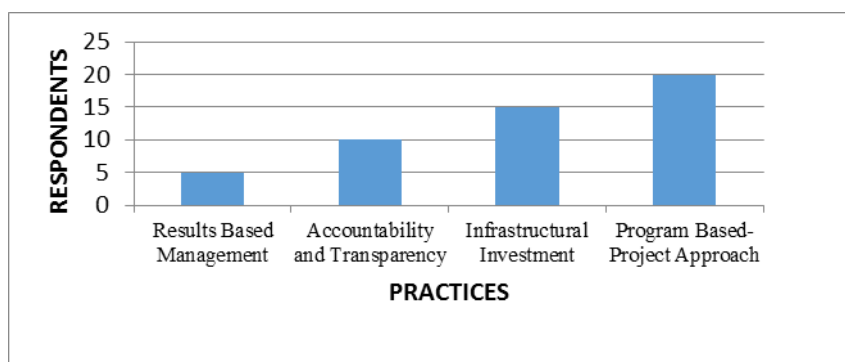


Figure 6: International Best Practices

The study depicts that other best practices include, coordination of foreign assistance which is demand driven, and need to prioritize and invest in key areas of greater impact. The Government need to encourage counterpart funding, with more involvement of stakeholders in planning, implementation, monitoring and evaluation of projects. Capacity building, application of resources for intended purposes, and close collaboration between the borrower and financiers is paramount in development projects. There respondents feel that there should be minimization of overhead expenses, and need to increase absorption capacity in projects.

5.3.5 Key priority areas of foreign assistance to development

The study was informed that the key priority areas that Kenya should channel Foreign Assistance to improvement of infrastructure (roads, education, health, water and sanitation), youth empowerment, environment, agriculture, energy, food security, ICT, and building capacity for counties as shown in figure 7.

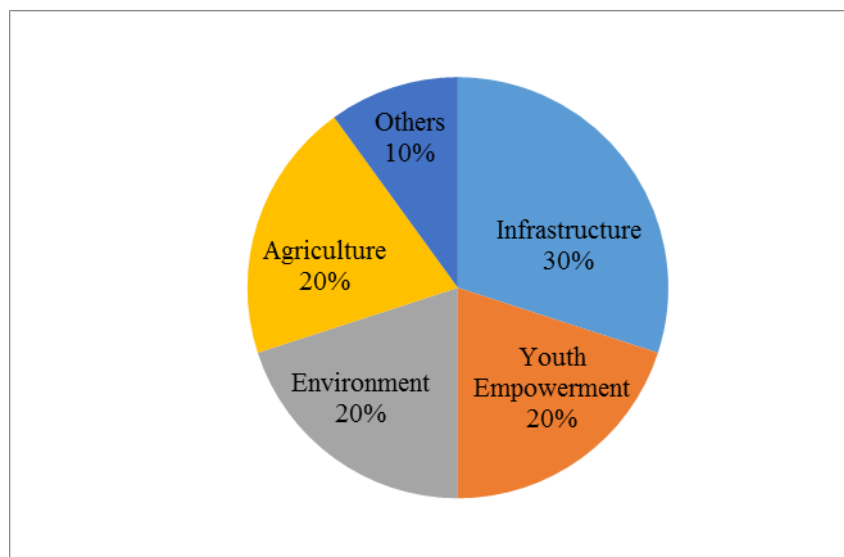


Figure 7: Key Priority Areas of Kenya's Foreign Assistance

5.3.6 Strategies of foreign assistance in Kenya

The results show that the approaches/methods that development partners use in providing Foreign Assistance to Kenya include; loans, technical assistance, grants, concessional loans, mixed credit, humanitarian assistance, and partnering with line ministry from generated proposals. Others approaches are direct requests, especially on request from the President, project financing, and direct budget support. Imposing conditionalities, supervision missions, midterm and end term reviews, technical cooperation, NGO support, results-driven methods, policy based, division of labour, sector wide and project approach are also other methods in place. The study found out that Kenya has over 40 different development partners with varying degrees of strategies, intensity and level of contact through Aid Coordination Efforts such as Development of Kenya Joint Assistance Strategy (KJAS).

It can therefore be concluded that, the trend of the foreign assistance to Kenya, has been increasing over the last 10 years, which has attracted many development partners. The Key Priority Areas of Foreign Assistance are improvement of infrastructure youth empowerment, ICT, and building

capacity for counties. The established finding in this regard supported the hypotheses stated in Chapter one.

5.4 ASSESSMENT OF THE IMPACT OF FOREIGN ASSISTANCE IN KENYA

5.4.2 Introduction

The third objective was to assess the impact of foreign assistance to Kenya and suggest it can be strengthened. The study found out that measuring the impact of foreign assistance is not always easy, because it is controversial and also require extensive modelling which is not part of this study. However, using effectiveness of aid as a parameter, was relevant in finding how best foreign assistance have impacted on the recipient countries. However, the results of the effect of foreign assistance on economic growth is debatable, as all conclusions on the effects are contestable.

5.4.3 Short term effects of increased foreign assistance

The study found (48%) that the short term negative effects of increased Foreign Assistance in Kenya have caused excessive reliance on relatively cheap imports which cripple domestic production, increased spending and capital flow in the country. There was increase in tax collection, reduction in domestic investment, poorly designed projects, over reliance on foreign aid, foreign interference and increased poverty.

At a positive level, the results (52%) indicated showed there was improved infrastructure; roads, increased access to clean water, power generation and connectivity, access to health facilities for citizens, and increased forex flow. The budget support has been forthcoming, stabilization of interest rates, increased liquidity for private sector borrowing, low promotion of human resource capacities, increased borrowing, and economic growth. Kenya also evidenced fiscal stability, avoidance of macroeconomic shocks in the economy, and crowding

out of private investment. Food security improved, as there was evidence of rapid economic growth.

5.4.4 Long term effects of increased foreign assistance

Results of the study identified mixed results for long term effects of increased Foreign Assistance in Kenya; the positive results (65%) include; enhanced governance and human capital, stimulated increased production, employment provision, and poverty reduction. There was improved infrastructure, standards of living, economic growth, and reduction of poverty.

The study (35%) indicated few positive effect of foreign assistance on growth in the long-run, but on the other hand there is no adequate to show that it has significantly negative effect on sustainable development. On the flipside, foreign assistance was found to have side-effects, such as dependency syndrome, increased debt status of the government, poor harnessing of local resources, corruption and misuse of public resources, supply driven projects that leave no impact on the beneficiaries. The respondents cited that increased debt burden over the years has exacerbated government dependency on aid, thus increased foreign debt burden leads to poor credit rating, and the ability to service debt. Foreign assistance, especially budget support, sometimes discourages recipient governments' incentive to invest in effective domestic tax collection. However, the huge and prolonged foreign assistance programmes lead to overdependence on aid. The respondents indicated that at times, foreign assistance is misappropriated, or diverted from its intended use, a phenomena known as "fungibility".

5.4.5 Influence of foreign assistance on Kenya's development policies and strategies

Evidence from the study show that 95% of the respondents admit that foreign assistance has influenced Kenya's Development Policies and strategies, such as the Vision 2030 and CIDPs. Kenya has adopted global planning approaches like Agenda 2063 and SDGs. It was indicated that development partners have always participated in the formulation of the policies and strategies, and that foreign assistance contributes to implementation of policies and strategies through financial or technical assistance. It was observed that planned and prioritized development goals, development policies and strategies are structured in line with foreign assistance requirements. Development policies have always created room for foreign assistance and Participation (PPP) in development, because it provides an alternative source of funding complementing the limited government funding.

5.4.6 Maximization of the effects of foreign assistance

The study found that in order to maximize the beneficial effects of foreign assistance, Kenya government need to create enabling environment and conditions for prosperity, such as swift implementation of capital projects, effective, well governed sound institutions and good macroeconomic management. They need to increase the disbursement of project funds especially counterpart funding, establishment of diligent, non-corrupt bureaucratic institutions, employ high value contract specialists to handle foreign aid, fight corruption. They should ensure that foreign assistance funds are put to intended use, and get development priorities right.

Other measures include; increased participation of people in identifying and prioritizing their development needs, proper accountability, channel foreign assistance towards high impact programmes, and good programming of projects. The Government should ensure that all stakeholders adhere to the Principles of Paris Declaration, Accra Agenda for Action and

Busan Agreement, which ensures that aid relieves credit constraint, and allows it to invest in the development of public infrastructure and human capital, prioritize sectors, minimise corruption, and focus on empowering communities. It should put in place good fiscal policies, and prudent resource management structures.

In conclusion, the short term effects of increased foreign assistance in Kenya have caused excessive reliance on relatively cheap imports which affect domestic production. Long term effects included positive results such as enhanced governance, increased production, employment and poverty reduction. There was improved infrastructure, standards of living, and economic growth, while negative effects undermined the recipient governments' accountability to their own people. The established finding in this regard supported the hypotheses stated in Chapter one.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 CONCLUSION

The three-fold objectives of this study were; firstly to identify major challenges to sustainable development in Africa, secondly to examine the Trends and strategies of foreign assistance to Kenya, and lastly to assess the impact of foreign assistance on development in Kenya and suggest how can it be strengthened. This was done through perusal of the many rigorous academic researchers conducted to determine whether aid works or not, hence the study relied on a plethora of evidence, mostly discussed through other peoples' works and experiences of technocrats in the government and development partners. This research focused on Kenya, and argues that despite Africa's abundant natural resources, it has persistent poverty which perhaps have been contributed by poor leadership and weak governance institutions. Various studies on overcoming Africa's development challenges have tended to focus on few African countries and the findings then replicated to other SSA countries, yet different African countries have different endowments, thus Kenya offers lessons that are applicable to some countries that have embraced the foreign assistance approach, because it provides a unique lesson because it is a country that embraces foreign assistance both from West and East.

Through the various strategy papers since independence, Kenya has made efforts to improve its unexceptional development performance reached out to various development partners to assist it, as it focuses on a path of being a middle-income country by the year 2030.¹³⁶ The

¹³⁶World Bank, Report of 2010c, p. 66

SDGs, and the Vision 2030 sets out milestones to be achieved across a various sectors, in order to industrialize.

Therefore, foreign assistance is being sought by the Kenyan government to assist it achieve those stated goals and priorities, and many development partners have granted billions of dollars in ODA and commercial-oriented assistance to facilitate development of the country's infrastructure and technology.

By any means, these are huge injections to an economy which is expected to grow by five per cent, and resonates with the words of the richest man in Africa, Aliko Dangote. The foreign assistance is provided with the basic assumption that investing in infrastructure, along with the necessary funds, facilitate sustainable development. Currently, some development partners such as China have given more prominence to trade as a development mechanism, along with its direct investments.

This thesis found that there is poor leadership and weak governance both at the national and county level, to implement the economic policies in place, using foreign assistance as a diplomacy policy tool. Failure of performance of foreign assistance can be attributed to both development partners and African governments and beneficiaries, for misappropriation of resources and complicity in corruption. Finally, this thesis found that there are various overlapping methods and approaches of foreign assistance in Kenya which can be streamlined with the Kenya e- PROMIS which seeks to reduce duplication of development projects and programmes supported by the government and development partners..

6.2 RECOMMENDATIONS

Based on these conclusions, it is clear that for Kenya to gain from foreign assistance, it must enhance its aid effectiveness in order to achieve its sustainable development goals. This thesis utilized a framework of analysis which identified the key challenges of development, the flow and strategies, and illustrated the impact of foreign assistance on Kenya, and the areas which are detrimentally affected by foreign assistance. The following are a few general recommendations which, if instituted as policy, the government can gain further from foreign assistance;

1. **Strengthen Leadership and Governance institutions.**

Kenya must address leadership and governance issues by nurturing strong leadership culture, strengthen governance institutions and systems for sustainable development. Leaders must shift their paradigm from the past of being unaccountable, and instead initiate and implement policies that are pro people which aim at sustainable development. This can best be achieved by implementing the country's constitution and strengthening the democratic governance at all levels that have the capacity to deal decisively with corruption. The executive should safeguard the rights of its citizens, promote good values, and decisively deal with corruption.

2. **Growth Focused Policies and Implementation**

Kenya should strengthen the implementation of growth focused policies as envisaged in Vision 2030, SDGs and the County Integrated Development Plan for sustainable development, to deliberately address poverty. These policies must be aligned to Africa's Vision - Agenda 2063, which aims at making Africa becoming a prosperous continent with high-quality growth that creates more employment opportunities for all, especially women and youth.

Therefore, the Government should channel more foreign assistance to productive sectors and capital investment, and not on recurrent expenditure. Other implementation measures include enhancing infrastructural development, diversification of the productive structures, and harness more of the diaspora and its own capital to invest in future sustainable development initiatives. Kenya must also scale up investments in research and development to increase the impact of science and innovation in development. Other policy measures include promoting consultations and cooperation between development partners and the government for consensus through coordination mechanism. The Government should build a more independent and professional bureaucracy to formulate and implement sound and effective pro poor policies.

3. Optimal utilization of the available resources

Kenya being dynamic, has always the problem of scarce resources on a variety of development priorities. Many implementing institutions in Kenya have scarce resources which must be allocated and utilized efficiently between competing projects because every choice has a consequence or an opportunity cost. This can be done by establishing a robust monitoring and evaluation mechanisms to facilitate management of resources, or making informed decisions on available resources.

The Government should relentlessly drive small scale and medium entrepreneurship toward innovation and value addition and nurture competitive manufacturing and high value agriculture. It could also reform land tenure system to eliminate speculation and enhance equity by establishing social norms for equity.

4. Complement Foreign Assistance with Aid for Trade

Foreign Assistance crisis may be solved by encouraging Kenya to go for packages on Aid for Trade as a way out of dependence on aid.¹³⁷ This entails going for foreign assistance which has policies aimed at ‘mainstreaming’ foreign trade into domestic economic development. This can be done by strengthening the productive capacity for trade and infrastructure, or providing foreign assistance to local firms in support of trade liberalisation. Netherlands Government has made a decision to scrap aid to Kenya, and has said that it will label Kenya as a “trade partner” in 2020, on account of the country’s significant economic growth.¹³⁸ The move is expected to impact Dutch support for programmes in Kenya ranging from good governance and human rights, business climate, food security, environment and sanitation as well as culture and sports.

Kenya could also emulate the Dutch Diamond approach, where there is close cooperation between government, businesses, NGOs and research institutions in tackling development issues. The Government could also mainstream the capacity to trade by enhancing the investment climate, encouraging competitiveness, and addressing infrastructure challenges. It could strengthen its engagement in regional economic communities where there is reduced tariff barriers, simplified customs procedures, and non-tariff obstacles to trade.

¹³⁷ Price Waterhouse Coopers, *Aid for Trade: making trade effective for development Case Studies for Kenya, Tanzania and Uganda, 2014.*

¹³⁸ Daily Nation Newspaper, *Kenya Won't need our aid in four years, says Netherlands*, Friday September 23, 2016.

6.3 LIMITATIONS OF THE STUDY

Due to the limited scope and time allotted to this Master's thesis, it suffered the following limitation;

This study obtained information from key informants only, a situation that led to varied opinions aired difficult it to summarise, hence rendered limited quantitative analysis. Due to the busy programme of the course, the author was unable to access adequate information from the Kenyan government and development partners which implies that some crucial information might have been missed. This thesis did not include interviews with project beneficiaries and adequate development partners representatives who could have added unique perspectives in understanding how foreign assistance can be used to overcome major challenges of development. Finally, the study did not interact with crucial international development partner officials who are responsible for creating foreign assistance policies, and who would have been particularly useful to find the true motivations behind these policies.

6.4 Areas of further research

This research provides a framework for future research on measurement the impact of foreign assistance to Africa by considering ODA, FDI, and Aid for Trade in Kenya. These three vectors may form a basis from which more Kenyan specific research can be undertaken through analysis in such diverse topics as international relations, regional integration and role of trade as development mechanisms for foreign assistance.

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ANNEX

ANNEX I INTERVIEW SCHEDULE

PART 1: Bio data

PART I: Bio data. Please tick the most suitable response.

1. Name of Respondent-----Designation-----
Organisation -----
2. Sex: Male Female
3. Age: 25-30 31-35 36- 40 41-45 46-50
 51-55 60 and above
4. Highest level of education attained:
 Primary education Secondary education College education
 University education Other _____
5. Please indicate your professional affiliation.
 Government agencies SAGA
 Development Partner The United Nations office in Nairobi
6. Nationality: Kenyan British Other (indicate)_____

PART II: Major Development Challenges in Africa

7. What are the main development Challenges in Africa and especially Kenya?

8. What are some of the available resources in Kenya that can be utilised to overcome development challenges?

9. Sustainable Development is “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs”. What are some of the programmes/activities that your department/organisation is involved in addressing sustainable development-----

10. How can Kenya confront the many challenges that it faces to achieve sustainable development?-----

11. What strategies has the Kenyan government put in place, to factor in foreign assistance in the sustainable development of the country?-----

PART II: Trends of Foreign Assistance to Kenya

12. In your view, what has been the trend of the foreign assistance to Kenya, over the last 10 years?

13. Under what conditions should Kenya continue receiving Foreign Assistance?

14. List three international Best Practices that Kenya Government has learnt from the ongoing Foreign Assistance to Kenya?

15. Suggest three key priority areas that Kenya should channel Foreign Assistance-----

16. What are some of the approaches/methods that development partners use in providing Foreign Assistance to Kenya? -----

PART III: Assessment of the Impact of Foreign Assistance to Kenya and How to strengthen it

17. What are some of the short term effects of increased Foreign Assistance in Kenya?

18. What are some of the long term effects of increased Foreign Assistance in Kenya?

19. How is Foreign Assistance influencing Kenya's Development Policies and strategies, such as County Integrated Development Plans, and the Vision 2030?

20. What should Kenya do, in order to maximize the beneficial effects of Foreign Assistance? -----

-

ANNEX II LIST OF INTERVIEWEES

Table 6: List of Interviewees

Name	Designation	Organisation
Eliud Munyao;	Economist	National Treasury
Geoffery Sigei	Economist	National Treasury
Jane Musundi	Finance Officer	National Treasury
Nicholas Ochola	Senior accountant	National Treasury
A.Orwa	Senior economist 1	National Treasury
Simon Ngei	Finance officer	National Treasury
C.Mutiso	Senior assistant	National Treasury
Frederick Mutunga	Economist/statistician	National Treasury
Emma Mburu	Senior assistant statistician	Devolution and Planning
Mildred Mwangi	Economist	National Treasury
C.Muthiani	Finance officer	Global Fund(P.M.O)
Collins Ajoka	Development specialist	National Treasury
Beatrice Manyonge	Chief Economist	Devolution and Planning
J.Mwanzia	Senior assistant director	African Development Bank
James Munyithya	Senior accountant	Devolution and Planning
Nandwa M. Eric.	Economist	KIPPRA

