

Investigating the Nexus Between Foreign Aid and Economic Development: The Case of Goromonzi District, Mashonaland East Province, Zimbabwe

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[Cite as: Chinorwadza, T., and Siavundu, T. (2021). Investigating the Nexus Between Foreign Aid and Economic Development: The Case of Goromonzi District, Mashonaland East Province, Zimbabwe. *Diverse Journal of Multidisciplinary Research*, Vol. 3, Issue 4, Pages 1-8.]

Abstract – The foreign aid-economic development nexus remains controversial and hence vague as different development economists and researchers give mixed conclusions over the debate. Commanding a place on the list of perpetual recipients of foreign aid, Zimbabwe has its stake in the on-going debate. As one of the perennial beneficiaries of aid, one would expect that at one point aid would cease and countries be self-sustaining. However, this is not the case with Zimbabwe and this leaves one with a question- ‘Is foreign aid ushering in development’? This paper sought to unpack the aid-local development nexus through a qualitative approach. The quantitative approach could not be possible due to data paucity. Through physical evaluation, interviews, questionnaires and focus group discussions in Goromonzi District, results indicated a strong positive impact of aid towards development. However, stakeholder registered some concerns which they felt if attended to would bring more benefits from foreign aid. The study registers some policy recommendations basing on research findings.

Keywords: Foreign Aid, Economic Development, Exploratory, Goromonzi District

1. INTRODUCTION

Time immemorial, economic development has always made headlines on the list of objectives that nations aim to achieve whether rich or poor. However, suffice to note is the inconclusive understanding of the term ‘economic development’ (Arestis and Sawyer, 2003)¹. According to Bandyopadhyay (2012), economic development refers to the process by which the economic prowess and quality of living of citizens of a nation improves. As such, economic development can be viewed to be synonymous to wealth creation (Barrett, 2007). Sen (1981, 1999) argues that economic development is concerned with citizens experiencing improved lives hence the focus should be on economic entitlement, economic capabilities as well as economic functionalities of any given society. This assertion has an impact when it comes to measuring economic development. Owing to the differences in understanding economic development, how to measure it becomes a bone of contention by default. Regardless of inconclusiveness on the definition and measurement, this paper attempts to establish the nexus that exists between foreign aid and economic development, with emphasis being given to Goromonzi District, Mashonaland East Province in Zimbabwe.

¹ For traditional economists, economic development is always about change in measurable economic variables like Gross Domestic Product, Gross National Product, GDP per capita just to mention a few. However, for contemporary economists, economic development encompasses both economic and non-economic variables like education, standard of living and life expectancy.

Foreign aid, normally dubbed Official Development Assistance (ODA) has been considered as one of the conduits of economic development in developing countries (Moreira, 2005)². Siavundu (2020) asserts that foreign aid has been a feature of the globalised world and its contribution to economic growth and development need not be undermined. A mix of authors have suggested that welfare improvement, economic growth and development are the salient objectives of foreign aid (Moreira, 2005; MacMillan, 2011; Mafuso and Moyo, 2017). For Sub-Saharan countries, the World Bank argues that foreign aid has been fronting poverty eradication (Albiman, 2016)³. On the contrarian view, Mafuso and Moyo (2017) argued that foreign aid to Africa has generally benefited the ruling elites, perpetuating corrupt governments' grip on power, thereby entrenching the pervasive underdevelopment that has engulfed the continent! The studies reviewed by the author failed to register a conclusive nexus between foreign aid and economic development. The nexus thus remains the 'chicken and egg' dilemma and hence provoked the need to add a voice to the ongoing debate over the issue.

2. STYLISTED FACTS ABOUT FOREIGN AID IN ZIMBABWE AND GOROMONZI DISTRICT

According to World Bank Indicators, Zimbabwe is amongst the top recipients of foreign aid. This may be attributed to the tight fiscal space that characterises the country and any other developing countries. The tight fiscal space has made it difficult for the country to rely only on domestic resources to front economic development. On average, Zimbabwe receives about US\$794 million as foreign aid (World Development Indicators). Much of the aid is channelled towards the health sector, Water and Sanitation and Hygiene (WASH) programs, food nutrition as well as child and human rights protection. Table 1 depicts statistics of organisations offering aid to Zimbabwe, aggregated by type and the sector of influence. Suffice to note is that there are more than 1000 Non-Governmental Organisations (NGOs) working in Zimbabwe but focus is given to those that offer foreign aid.

Table 1. National picture basing on type and sector

BY TYPE		BY SECTOR	
TYPE	NUMBER	SECTOR	NUMBER
International NGOs	23	Food Security and Nutrition	22
United Nations based	5	Child and human rights protection	9
National NGOs	2	WASH	13
Faith Based	9	Health	7

Source: Sectors, UNHRC Office. Humanitarian Partners (Accessed on 17 December 2020).

In 2018, the average net per capita aid for Zimbabwe was US\$55 (World Development Indicators). Expressed in percentage terms, ODA accounted for 3.5% of Gross National Income (GNI) which is one of the traditional ways of measuring economic development. Compared to other Southern Africa Development Community (SADC) countries, Zimbabwe recorded a higher proportion of ODA in percentage terms against

² Because of the gap in terms of resourcefulness of countries, foreign aid has attempted to re-distribute incomes from high income countries to low-income countries. Foreign aid is also necessitated by the increasing diplomatic ties amongst nations given that the whole world has gravitated towards globalisation.

³ Poverty eradication continues to be on the list of Sustainable Development Goals (SDGs)

gross capital formation in 2018, 34.9%. as a percentage of total government expenditure, ODA accounts for about 10.4% (World Development Indicators).

Goromonzi district has an estimated population of 247 987 people which translates to about 49 597 households. The district used to be characterized by white commercial farmers who used to engage in floriculture exporting flowers to Europe. However, this was overturned by the Land Reform programme which resulted in creation of small holder farms as well as communal land. Unemployment in the district stands over 80%, a cause of concern as most families rely on subsistence farming. According to the Zimbabwe Vulnerability Assessment Committee (ZIMVAC) Lean Season Report of 2019, 37 245 households were considered to be food insecure, a proxy for the need in assistance in not only food but WASH facilities, protection, education and health and nutrition. The following NGOs are currently operating and have recently operated in the district; United Nations Children`s Fund (UNICEF), Zimbabwe Red Cross, World Vision, Christian Aid, Care International, Adventist Development and Relief Agency (ADRA), Mavambo Trust, Child Line and HELP Germany.

3. LITERATURE REVIEW

As an important theme in Economics, a myriad of contemporary models have been developed in a bid to elucidate on the link between foreign aid and economic growth and development. The works of Harrod (1939) and Domar (1946) cannot be ignored owing to their enormous contribution to the field of development economics as many subsequent models have their building blocks from the founding work of the two authors. The following models have been developed in modelling the aid-development nexus; the Two Gap Model, Three Gap Model, Thirwall-Hussain Model and the Poverty Trap Model. The proponents of these models converged in that they established a positive link between aid and development. Suffice to note however is the contrarian view as unpacked through the Dependency Theory which registers a negative impact of aid on development. In this paper, theoretical framework focuses more on theories that speaks to measurement of economic development while the empirical framework focuses on related studies carried out by different researchers as they relate to the aid-development debate.

3.1. Theoretical framework

Classical and neo-classical economists analyse development in terms of efficient allocation of productive economic resources. New schools of thought explain development with socioeconomic, political and institutional factors that accelerate economic development, improve the levels of living and poverty reduction.

Traditional economics` measure of economic development is given by economic variables like Gross Domestic Product (GDP), Gross National Product (GNP) in absolute terms or in per capita terms. On the other hand, contemporary theories have added non-economic indicators for measuring development for example the Physical Quality of Life Index (PQLI) and the Human Development Index (HDI).

Physical Quality of Life Index

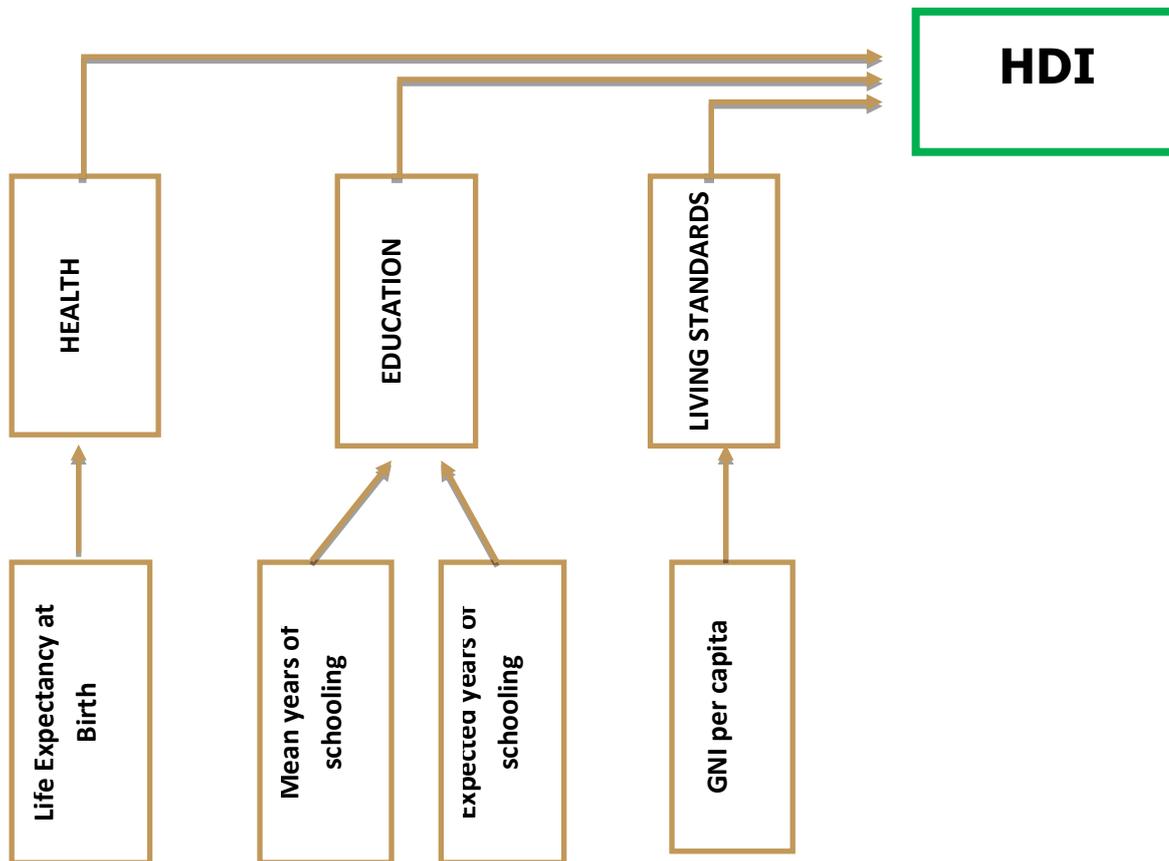
This index attempts to measure the well-being of a society using non-economic social indicators. Developed by Morris (1979), the PQLI draws on the average of three indicators used as proxies to measure the well-being of citizens; the basic literacy rate, infant mortality rate and life expectancy at the age of one, all equally weighted on a 0 to 100 scale. Unlike the tradition economic measures of development like the GDP or per capita income which fail to address the inequalities, the PQLI considers the betterment of physical quality of life as economic development. This is so because improvement of physical well-being signifies that a citizen would have enjoyed economic benefits from economic activities. This is unlike the traditional measures where concentration of wealth on a few cannot be captured and hence a high per capita income may not be a good measure of development⁴.

⁴ Though a higher GDP or GNP is desired, when it comes to welfare economics, it fails to address the issue of equity. Economic resources may be concentrated in the hands a few rich and because of this, there can be economic growth but without economic development.

Human Development Index

The HDI is often referred to as a three-dimension four indicators index. The dimensions include health, education and living standards. The four indicators are; life expectancy at birth, mean years of schooling, expected years of schooling and Gross National Income (GNI) per capita. This index is conceptualised on figure 1.

Figure 1: Self-conceptualisation of the HDI



Source: Own contribution based on theory.

3.2. Empirical review

Employing panel data analysis for 95 developing countries, the study by Yiew and Lau (2018) used Official Development Assistance as a proxy of foreign aid. From the empirical investigation carried out to check the aid-growth nexus with growth proxied using Gross Domestic Product, a U-shaped relation was reported. This finding is paradoxical given it remains open ended. This is so given that one cannot conclude without reservations on the link between foreign aid and economic growth. From the findings, aid would register a negative effect on growth up to some level and then start impacting positively after some period of time. Suffice to note however is failure by the authors to then determine the optimal time horizon that guarantee a positive impact. This finding conforms to that of Sotham (2018) who through an autoregressive distributed lag (ARDL) bounds testing approach revealed that foreign aid had both negative and positive impact on growth. However, the effects recorded were vice versa both in the short run and long run. For Sotham (2018) aid had a positive impact in the short run and a negative impact in the long run. All these findings seemingly add to the inconclusiveness of the debate.

An inquiry made by Kabir (2018) in Bangladesh using data from 1972 to 2016 revealed conditionalities. Apparently, the author concluded that foreign aid yields positive results if and only if donor agencies allow the central government to have a considerable level of involvement in pursuance of its own development road maps using donor funds. Relatedly, Mafuso and Moyo (2017) submitted that donor conditionalities exerted an antagonistic role of pulling down the impact of aid on development. In their case study for Zimbabwe, the authors overall registered a strong positive link between aid and development. Additionally,

the authors revealed that too much involvement by politicians tends to sway the intended benefits from deserving beneficiaries in pursuit of vote buying behaviour. The authors encouraged good corporate governance in the administration of donor funds. This was supported by Nyoni and Bonga (2017) who through a systematic review of literature underscored the need for good corporate governance after realising the important role that aid play on development especially for developing countries.

Using panel data for 10 major recipients of in in Sub Sahara Africa for the period 1990 to 2012, Tang and Bundho (2017) reached a conclusion on the subject matter with reservations. Their study indicated that foreign aid on its own failed to exert positive impact on economic growth and development but rather potentially increases prospects on the condition that the prevailing policy environment is favourable. The authors strongly indicated that bad governance negatively affect the impact of foreign aid and therefore suggested that the same reason best explains why foreign aid remains ineffective in Sub Saharan Africa.⁵

Using a panel co-integration approach, Balcioglu (2016) used Turkish date spanning from 1992 to 2014 to ascertain the nexus between foreign aid and economic development. Data used was for all the Turkic States. The study revealed a long-term relationship between aid and economic growth. As such, the study found a significant positive impact of aid on economic development. This result is similar to the findings of Sheu and Ismaili (2016) who using West African countries reported that foreign aid significantly and positively impacts on economic growth and development.

In a research by Albiman (2016) which utilised a Dynamic Ordinary Least Squares, it was revealed that foreign aid exerted a negative impact on economic growth. This was true for time series data for Tanzania from 1976 to 2014. The study also showed that, foreign aid does Granger Cause economic growth but only in the short run. It was argued that in the long run, politicians tend to sway the intended benefits of foreign aid hence the realisation that foreign aid has no impact in the long run. As a recommendation, the study recommended the need to have transparency and integrity in treatment of foreign aid. This contending result was also shared by Appiah-Konadu *et al* (2016) who investigated the foreign aid-growth and development nexus in Ghana. Using an ARDL approach, the bounds test reportedly confirmed co-integration. However, the impact of aid on growth and development remained antagonistic.

Investigating the link between foreign aid and economic development in middle-income and low-income in African countries, Alemu and Lee (2015) resorted to using dynamic Generalised Method of Moments (GMM). Of the 39 selected countries with data spanning between 1995 and 2010, 20 were middle income economies whilst 19 are low-income economies. Results indicated foreign aid had a positive effect on economic development for all the low-income economies sampled. It was argued that economic growth and development of low-income economies has its tracing roots in foreign aid. The study failed to explained why foreign aid did not have a significant impact on middle income economies. This result aids in explaining why developmental aid is high in low-income countries. The result conforms to the findings by Abouraiia (2014) who focused on Philippines. Using Ordinary Least Squares (OLS) methodology, the author revealed that foreign aid has a positive effect on development. The study however implored low-income countries to create an enabling environment that attracts foreign aid.

Adding to the aid development nexus, Ahmed (2014) revealed the neutrality of aid towards development. In a cross-sectional study focusing on aid towards Sub-Saharan Africa with the country of study included, OLS analysis for 13-year data revealed that foreign aid does not have any significant effect on growth and development in Sub-Saharan Africa.

4. RESEARCH METHODOLOGY

Owing to data paucity, a mix of methodologies was used due to the exploratory nature of the research. The methods include systematic evaluation of the impact of aid on livelihoods through questionnaires, interviews and focus group discussions. However, this qualitative approach was backed by statistics wherever necessary to foster a blended approach. Blending was done to diffuse some delimitations of using exploratory approach in isolation. The following stakeholders were considered during data collection;

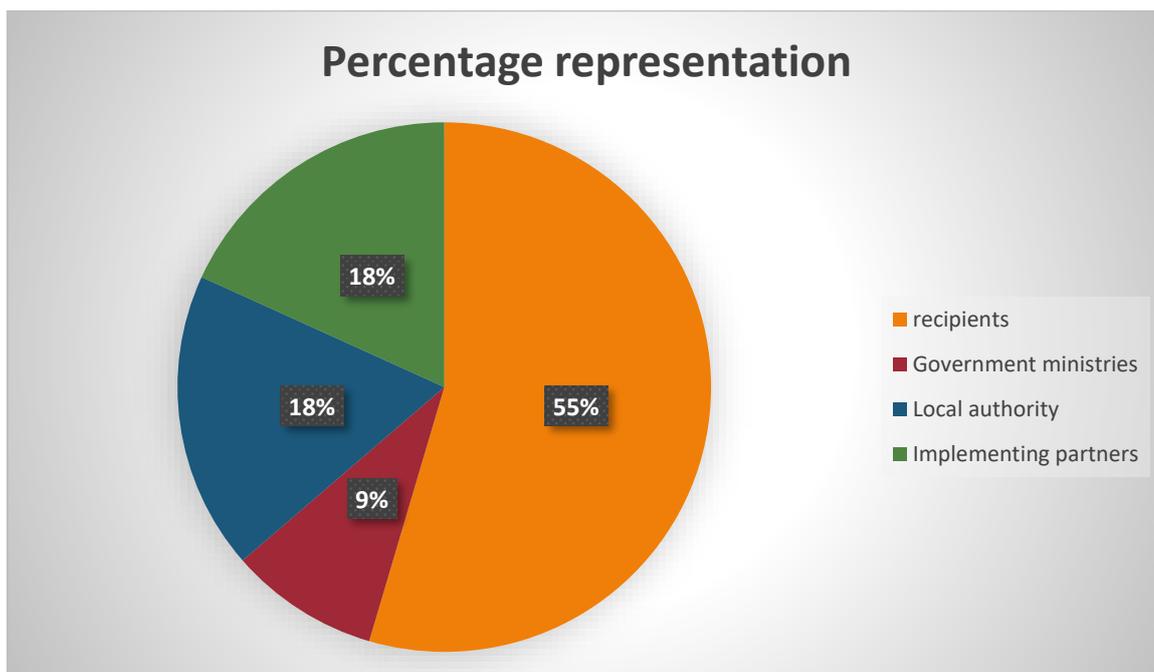
 The Ministry of Health and Child Care (MoHCC);

⁵ Given the set up in most African countries where service delivery is prone to politicisation, politicians tend to influence the decision on who get what and when. In so doing, this may have a negative effect on the impact of aid.

- ✚ The Ministry of Public Service, Labour and Social Welfare (MPSLSW);
- ✚ The Ministry of Primary and Secondary Education;
- ✚ Goromonzi Rural District Council
- ✚ All implementing partners
- ✚ Recipients of aid represented by Village Development Committee (ViDCo)

The above stakeholders were grouped as follows, recipients, implementing partners, local authority and government ministries. Physical evaluation of projects and programs was done in 3 wards, 20 interviews carried out across the district, 9 focus group discussions were done and 60 questionnaires were administered to the stakeholders with the distribution shown on figure 2.

Figure 2: Questionnaire distribution



Source: Own contribution

5. RESULTS PRESENTATION AND DISCUSSION

From the responses gathered, it emerged that 93% of the recipients revealed that the contribution of aid to development cannot be undermined. As such, they revealed that the activities of donors have changed their standards of living significantly one way or the other. Special reference was given to the Food for Assets program whereby locals are paid for partaking development projects like infrastructural maintenance. In addition, the nutritional contribution of programs like lactating mothers' hampers which are aimed at enhancing the nutrition of babies which resultantly aid in increasing life expectancy. The contribution of partners who are in the education sector was applauded as this was argued to aid in literacy as well as increasing the mean years of schooling which is one of the indicators under the HDI approach. However, it was revealed that mean years in primary education increased more significantly due to aid assistance as compared to mean years in secondary school.

Though the impact of aid on development was applauded by recipients, concerns were raised over the 'ownership' of the aid. In this regard, the recipients revealed that they had no choice over where to channel the aid. As a result, recipients noted that they have a tendency of not cooperating with development partners if there is no direct benefit from the programs. Recipients therefore underscored the need for them to be consulted so that they highlight programs which they feel have the greatest impact. This argument was also raised by Mafuso and Moyo (2017).

Discussions and responses from implementing partners unpacked the problem of dependency on the part of recipients. It was argued that this problem has undermined the developmental impact of donor programs given that recipients end up failing to do their part. In some instances, it was reported that there were cases

of diverting the purpose of aid. In isolated cases, this was reported prevalent in resilient crop programs where beneficiaries are given inputs aimed guaranteeing food security but end up selling the inputs at paltry prices hence defeating the purpose of aid. Worryingly, some development partners bemoaned falsification of information during registration and verification exercise where non-deserving beneficiaries end up benefiting at the expense of those who are in actual need of aid. In the end, economic development remains undermined as those that need their lives changed are not considered. This revelation lands perfectly well into findings of Sotham (2018).

Views from government ministries and the local authority revealed the importance of aid towards development. As the monitoring authorities, the stakeholders underscored the contribution implementing partners are making towards the betterment of livelihoods in the district. The Ministry of Primary and Secondary Education (MoPSE) revealed that donor aid in the form of text books, fees payment and procurement of exercise books has reduced the economic burden of education on poor parents and has significantly aided in enrolment as well as number of years of schooling. Arguing on the contribution of aid towards health, the MoHCC revealed that besides the nutritional contribution of donor aid, access to healthcare as well as health education is greatly improved owing to aid. The local authority underscored the immense contribution made by implementing partners through WASH programs. It was revealed that there was great improvement in access to water brought about by foreign aid.

6. CONCLUSION AND RECOMMENDATIONS

The study analysed and solicited views on the contribution of foreign aid towards economic development. Consensus was reached by all stakeholders that foreign aid has positively contributed towards economic development in Goromonzi district. Reservations on the impact of aid on development was argued to be at the backdrop of the lack of 'ownership' of the programs by beneficiaries. The following recommendations are proffered;

- ❖ **There is need for aid community to consult the government and or prospective beneficiaries before implementing programs.** By this, beneficiaries will have their input in terms of the program of their choice. This will create a sense of 'ownership' of programs thus aiding in efficiency of the programs. Beneficiaries are inclined to vote for programs they feel will impact more on their livelihoods.
- ❖ **There is need for the government agencies to constantly monitor and evaluate aid driven programs.** Noticed during the research was a gap where the government was lacking in monitoring the activities of NGOs on the ground. A good starting point will be activation of Village Development Committees (VIDCOs) which should closely monitor and evaluate the implementation of foreign aid induced projects.
- ❖ **The government may also need to compliment the efforts being done by aid agencies.** This helps create wholesome packages that have more impact on improving standard of living of beneficiaries. In most cases, there is always a gap left by foreign aid which the government need to fill.
- ❖ **There is need for the government to create a platform for all stakeholders' engagement.** The platform's objective is to synchronize critical national developments needs with the donor community's requirements. This entails compromise on either party for the betterment of projects. Resultantly, this will increase transparency in programs.

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