

**FOREIGN AID AND THE POLITICAL ECONOMY IN KENYA**

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**ADMIN NO.MA/DS/00150/2013**

**A THESIS SUBMITTED TO THE DEPARTMENT OF INTERNATIONAL  
RELATIONS IN THE SCHOOL OF DEVELOPMENT AND STRATEGIC  
STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
THE AWARD OF THE DEGREE OF MASTER OF ARTS IN  
INTERNATIONAL RELATIONS OF MASENO UNIVERSITY**

**JANUARY 2021**

**DECLARATION**

This thesis is my original work, prepared with no other than indicated sources and support and has not been presented elsewhere for a degree or any other award.

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**CERTIFICATION BY THE SUPERVISORS**

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## **ACKNOWLEDGEMENT**

I wish to extend my sincere gratitude, first to the Lord Almighty who gave me the endurance needed to tread the rocky path of completing this thesis. I wish also to express my Gratitude to the School of Development and Strategic Studies in Maseno University (SDSS) for admitting me in its Masters Degree Program in International Relations.

I would also wish to express my gratitude to Professor Frank Matanga of Department of Peace and Conflict Studies - Masinde Muliro University of Science and Technology (MMUST) for valuable suggestions and extended discussions, which have contributed greatly to the improvement of the thesis.

The thesis has also benefited from comments and suggestions of Dr. Murumba Wangamati of School of Development and Strategic Studies (SDSS) – Maseno University.

I am grateful to all of those with whom I have had the pleasure to work with during this period of developing my thesis. Each member of Maseno University Ethics Review Committee (MUERC) who provided me with extensive professional guidance.

I wish to thank members of my family who have given me a conducive environment to conduct my research. I wish to thank my parents, whose love and guidance are with me in whatever I pursue. They are the ultimate models. Most importantly, I wish to thank my loving and supportive husband Johnson, sister Florence and my son Gabriel, who provided unending inspiration,

## **DEDICATION**

As a modest tribute, this thesis is dedicated to my loving family and friends for their undying support, inspiration and understanding throughout my studies.

## TABLE OF CONTENTS

### CONTENTS

CERTIFICATION BY THE SUPERVISORS .....	i
TABLE OF CONTENTS.....	iv
CONTENTS.....	iv
LIST OF TABLES.....	vi
LIST OF FIGURES .....	vii
LIST OF APPENDICES.....	viii
ABBREVIATIONS AND ACRONYMS.....	ix
OPERATIONALIZATION OF CONCEPTS .....	xi
ABSTRACT.....	xiii
CHAPTER ONE INTRODUCTION .....	14
1.0 Background to the Study.....	14
1.1 Statement of the Problem.....	15
1.2 Objectives of the study.....	16
1.3 Research Questions.....	16
1.4 Justification of the study .....	17
1.5 Scope of the Study .....	18
CHAPTER TWO LITERATURE REVIEW .....	20
2.1 Introduction.....	20
2.1.1 Empirical Review of Literature.....	20
2.2 Foreign policy .....	20
2.2.2 Global Perspective of Foreign policy and foreign Aid .....	20
2.2.3 Regional Perspective.....	26
2.2.4 Concept of Foreign Aid .....	30
2.2.5 Source and Motive of Foreign Aid .....	35
2.2.6 Nature and Status of Foreign aid in Kenya .....	42
2.2.7 Challenges Accompanying Injection of Aid.....	51
2.2.8 Macroeconomic Policies of Foreign Aid .....	57
2.3 Conceptual Framework.....	64
2.4 Conceptual Model.....	71
CHAPTER THREE RESEARCH METHODOLOGY.....	73
3.1 Introduction.....	73
3.2 Research Designs .....	73
3.3 Study Area .....	75
3.4 Sampling Frame.....	77
3.5 Sample Size and Sampling Technique.....	77
3.5.2 Population Sampling.....	78
3.6 Data Collection Instruments .....	80
3.7 Pilot Test.....	80
3.8 Validity Test.....	81
3.8.1 Reliability Test.....	81
3.9 Data Collection Procedure .....	81
3.10 Data Analysis.....	82
3.11 Assumptions.....	84
CHAPTER FOUR: .....	85
DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS .....	85
4.0 Introduction.....	85
4.1 Demographic Results and Findings .....	85
4.2 SOURCE, MOTIVES OF FOREIGN AID AND POLITICAL ECONOMY .....	86
4.2.1 Correlation Results.....	91
FINDINGS ON NATURE AND STATUS OF AID .....	96
4.3.1 Descriptive Results .....	96

4.3.2	Correlation Results.....	99
4.3.3	OUTCOMES ACCOMPANYING INJECTION OFAID .....	101
4.3.4	Correlation Results.....	105
4.4	CHALLENGES ACCOMPANYING THE INJECTION OF FOREIGN AID ON KENYA’S POLITICAL ECONOMY .....	107
4.4.2	Challenges Accompanying Injection of Foreign Aid.....	114
4.4.3	Challenges in Macro-Economic Policies of Foreign Aid .....	115
4.4.4	Influence of Foreign Aid on Kenya’s Political Economy .....	116
	CHAPTER FIVE .....	118
	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....	118
5.2	Summary .....	118
5.2.1	Source and Motive of Foreign Aid .....	118
5.2.2	Nature and Status of ForeignAid .....	120
5.2.3	Influence of Foreign Aid and the Political Economy in Kenya .....	121
5.2.4	Overall Conclusion on Foreign Aid and the Political Economy in Kenya .....	121
5.3	Recommendations.....	123
5.3.2	Recommendations for Further Research.....	124
	REFERENCES .....	125
	APPENDICES .....	135

## LIST OF TABLES

### TABLE PAGE

3.1 Sample Population .....	79
3.4 Summary Objective Variables, Research Design and Analysis Method .....	83
4.1: Demographic Characteristics of Respondents .....	85
4.2: Source and Motive of Foreign Aid attitude descriptive results .....	88
4.3: Correlation Results and Findings.....	91
4.4: Correlation Analysis of Nature and Status of Aid .....	100
4.5: Descriptive Findings of Challenges Accompanying Injection of Aid .....	101
4.6: Correlation Results Challenges Accompanying Injection of Aid.....	105
4.7: Descriptive Findings of Macro-Economic Policy of Foreign Aid.....	107
4.8: Correlation Results Macro-Economic Policies of Foreign Aid .....	108

## LIST OF FIGURES

FIGURE	PAGE
2.1: Model demonstrating variable Interaction: .....	71
3.1: Map Showing the Area adjacent to Western corridor (Kisumu-Kitale) .....	76



## LIST OF APPENDICES

APPENDIX	PAGE
1 PARTICIPANT'S INFORMATION SHEET .....	135
2 II: SOURCE AND MOTIVE OF FOREIGN AID QUESTIONNAIRE .....	136
3 SECTION C: NATURE AND STATUS OF FOREIGN AID.....	139
4SECTION D: CHALLENGES ACCOMPANYING INJECTION OF FOREIGN AID...140	
5 SECTION D: FOREIGN AID MACROECONOMIC POLICIES .....	141
6 SECTION E: DEVELOPMENT OF POLITICAL ECONOMY .....	142
7 VIAMBATISHO.....	144
8 V: NACOSTI Research Permit .....	153

## ABBREVIATIONS AND ACRONYMS

<b>AFDB</b>	-	African Development Bank
<b>DAC</b>	-	Development Assistance Committee
<b>DANIDA</b>	-	Danish International Development Agency
<b>EC</b>	-	European Commission
<b>EDA</b>	-	Effective Development Assistance
<b>FGM</b>	-	Female Genital Mutilation
<b>GDP</b>	-	Gross Domestic Products
<b>GSF</b>	-	Global Sanitation Fund
<b>HIPC</b>	-	Highly Indebted Poor Countries
<b>IADB</b>	-	Inter-American Development Bank
<b>IBRD</b>	-	International Bank for Reconstruction Development
<b>ICOR</b>	-	Incremental Capital Output Ratio
<b>IDEAS</b>	-	International Development Evaluation Association
<b>IFIs</b>	-	International Financial Institutions
<b>IMF</b>	-	International Monetary Fund
<b>INGO</b>	-	International Non-Governmental Organization
<b>J-PAL</b>	-	Jameel Poverty Action Lab
<b>3IEs</b>	-	International Initiative Impact Evaluation
<b>KADU</b>	-	Kenya African Democratic Union
<b>KANU</b>	-	Kenya African National Union
<b>KPU</b>	-	Kenya People's Union
<b>LDCs</b>	-	Less Developed Countries
<b>MCA</b>	-	Millennium Challenge Account
<b>MDB</b>	-	Multinational Development Banks
<b>MDGs</b>	-	Millennium Development Goals
<b>MIT</b>	-	Massachusetts Institute of Technology

<b>NGO</b>	-	Non-Governmental Organization
<b>NSA</b>	-	Non-State Actors
<b>ODA</b>	-	Official Development Assistance
<b>OECD</b>	-	Organization for Economic Cooperation & Development
<b>PD</b>	-	Paris Declaration
<b>PMUs</b>	-	Project Management Units
<b>SAPs</b>	-	Structural Adjustment Programs
<b>SIDA</b>	-	Swedish International Development Cooperation Agency
<b>UKaid</b>	-	United Kingdom Agency of International Development
<b>UK</b>	-	United Kingdom
<b>UNEG</b>	-	United Nations Evaluation Group
<b>USAID</b>	-	United States Agency for International Development
<b>USA</b>	-	United States of America
<b>US</b>	-	United States
<b>USD</b>	-	United States Dollars
<b>WASH</b>	-	Water Sanitation and Hygiene
<b>WSP</b>	-	Water Service Provider

## **OPERATIONALIZATION OF CONCEPTS**

**Economy:** In this study, economy referred to the wealth and resources of a country or a region in terms of production and consumption as a result of Foreignaid.

**Foreign Aid:** Transfer of the main types of aid include grants, loans, export credits and technical assistance. from developed countries to the developing countries for the benefit of the recipient country or their population.

**Foreign policy;** Alden, C. (2011) StatesForeign policy is, to use Christopher Hills definition, “purposive action with the view towards promoting the interests of a single political community or state”. The study of foreign policy is referred to as foreign policy analysis, and its focus is the intentions and actions (primarily) states aimed at the external world and the response of other actors (again, primarily states) to these actions.

**Independence:** Referred to the day Kenya gained its independence from Britain “With Britain’s Union Jack replaced by the black, red and green flag of the new states, political power in Britain’s last East African colonial holding slipped from the grasp of its 55,759 whites and was taken up by its 8,365,942blacks.

**Parochial Aid:**very limited or narrow in scope or outlook; provincial:insular, petty, sectarian, biased, bigoted, conservative, conventional, limited, local, narrow, prejudiced, provincial, regional, sectional, shallow, small-minded, small-town

**Politics:** referred to the activities that relate to influencing the actions and policies of a government or getting and keeping power in agovernment.

**Political Economy:** In this study, political economy referred to the way the nation's wealth is organized by the government. Political and economic goals such as poverty index, governance, unemployment, equitable distribution of wealth and economic growth rate.

**Policy interest;** A country's foreign policy, also called foreign relations or foreign affairs policy, consists of self-interest strategies chosen by the state to safeguard its national interests and to achieve goals within its International Relations milieu. The approaches are strategically employed to interact with other countries.

**Bilateral:** Bilateral aid is provided on direct country to country and government-to-government basis.

**Multilateral:** International institutions or agencies to recipient countries or governments, on the other hand, provide multilateral aid.

## ABSTRACT

Globally, foreign aid forms one of the largest components of foreign capital flows to low-income countries. For the last four decades, countries of Sub-Saharan Africa including Kenya have relied on external aid to alleviate poverty and address underdevelopment. Up to 2015, global foreign aid stood at \$152.5 Billion with \$45.8 billion given to Sub Saharan African countries and \$2.5 billion given to Kenya. However, current socio-economic indicators reveal that Kenya, just like other Sub Saharan African countries, is fairing worse as compared to Asian Tigers with unemployment rate at 40.0%, poverty rate at 57.0%, indebtedness at 52.8% of GDP and economic growth rate of 5.5% despite 30.13% of global foreign aid given to Sub Saharan African countries. Past studies have hardly focused on the nexus between foreign aid and the resultant political economy status in Africa and whether foreign assistance has any impact in Africa as it is still caught up in poverty and remains behind the developing world. Similarly, studies in the contexts of the relationship between foreign aid and political economy have yielded mixed results with some indicating positive and others negative results. The purpose of this study was to examine the nexus of foreign aid, Kenya's political economy and outcomes in macro-economic policies. Specifically, the study examined the (i) sources and motive of foreign aid(ii) the nature and status of foreign aid, (iii) the challenges accompanying the injection of foreign aid on Kenya's political economy. The study significance was outcomes of principled and parochial aid and growth relations. The study used the inter-dependency and modernization theories to conceptualize and model the relationship between the foreign aid, political economy and macro-economic policies in Kenya. Population sample were heads of departments in GOK, donor embassies missions and NGOs. The study used mixed and cross-sectional survey (descriptive and inferential) design method for both quantitative, qualitative and secondary, data sampling used both stratified random and purposive techniques to sample 191 respondents. A questionnaire was used as the tool for collection of primary data while secondary data was collected through content analysis, annual reports, Journals and publications. The data was analyzed using descriptive statistics (percentage and frequencies), and inferential. The study found a positive and significant relationship within index of foreign aid source and motive, nature and status, including outcomes in the use, the political economy and macroeconomic policies in Kenya. Since the results show positive relationship, the study concluded that foreign aid significantly influences the political economy in Kenya. The study recommended government of Kenya in sourcing foreign aid and not parochial motive driven donors, further studies to be undertaken to conclude studies in constructivism in political economy of Kenya, Realism in political economy and divergence from the dependency syndrome and principled reception of foreign aid.

## CHAPTER ONE INTRODUCTION

This chapter examined the background to the study, statement of the problem, the objectives of the study, the research questions, and the justification of the study and the scope of this study.

### 1.0 Background to the Study

Foreign policy according to (Alden C., 2011) is purposive action with the view towards promoting the interests of a single political community or state. The study of foreign policy is referred to as foreign policy analysis, and its focus is the intentions and actions (primarily) states aimed at the external world and the response of other actors (again, primarily states) to these actions.

Foreign aid forms one of the largest components of foreign policy by way of foreign capital flows to low-income countries (Ojiambo, 2013). Radelet (2006) notes that foreign aid is advanced, by developed to developing economies, either for economic, political or humanitarian motives. According to the Organization of Economic Cooperation and Development (2008), foreign aid refers to all grants and loans that are undertaken by the official sector with promotion of economic development or welfare as the main objectives.

Aid is a multifaceted and takes many different forms, such as bilateral or multilateral, non-governmental, humanitarian, emergency, aid in form of food, or technical aid (Clemens, Radelet, Bhavnani, & Bazzi, 2012). Todaro & Smith (2006) considers foreign aid as an international payment that consists of either a loan or a grant, from one country to another, which is bilateral, multilateral, or private assistance from a non-governmental organization. Also known as official development assistance (ODA), foreign aid targets to help developing countries exit the prolonged poverty and economic backwardness, specifically, to provide financial and technical assistances in order to make these countries to put their economies on the track of sustainable economic development (Mustafa, Elshakh, & Ebaidalla, 2018).

After the background, the next section we shall discuss the Statement of the problem, Objectives of the study, Research questions and the Scope of the study.

## 1.1 Statement of the Problem

The question as to how foreign aid affects the economic growth of developing countries has drawn the attention of many scholars over time. Many leading development scholars, claim that aid, whatever the form it takes, establishes a great deal in filling the capital gap experienced by developing economies in which saving rates are very low (Mustafa, Elshakh, & Ebaidalla, 2018). Furthermore, it is argued that a part from its contributions in capitalizing the undercapitalized developing economies, aid can boost economic growth through the opportunities it offers for building the capacities of local cadres, elevating healthiness of human capital and establishing better infrastructures (Adeniyi & Abiodun, 2017). Several studies have lent support to this positive aid-growth relationship. Papanek (1972), Fayissa and El-Kaissy (1999) found a positive relation between aid and growth. The findings of Singh (1985) and Snyder (1993) were in support of the positive relationship but conditional to the exclusion of state intervention and taking country size into consideration.

Burnside and Dollar (1997), and World Bank (1998) emphasized that good policy environment was essential for this positive relationship to occur and that developing countries with sound policies and high-quality public institutions had grown faster than those without them at 2.7 per cent per capita GDP and 0.5 per cent per capita GDP respectively. Furthermore, World Bank (2014) notes that one per cent of GDP in assistance under normal circumstance translated to a sustained increase in growth of 0.5 per cent per capita with countries having sound policies and receiving small amount of aid, still being able to achieve a 2.2 per cent per capita growth. It was also noted that countries characterized with good management and received more aid grew much faster at 3.7 per cent per capitaGDP.

The motives of foreign aid are rarely a form of charity and the donor countries operate along principles adopted by the Official development Association ODA which operates through the Development Assistance Committee DAC that has an index for foreign aid provision the index has indicators such as :“Criteria for indicator selection, Indicators to proxy the development gaps dimension”, “Indicators to proxy the global cooperation dimension”, “Indicators to proxy the public spiritedness dimension”The Index ranks donors according to their foreign aid allocations to support a principled or parochial national interest. (Silcock E and Nilima Gulrajani N 2020).



The Principled Aid (PA) index are explained in the Kenyan context through examination of various International Relations theories (Interdependence and Modernization) and its manifestation through international and Kenya's foreign policy outcomes and the prevailing negative effects of international and Kenyan political economy and the unsustainable effects on Kenya's macro economy.

It is notable that there has been increased aid and borrowing which should lead to increased growth, but from the above discussion, even if aid was increasing, this has not led to increased economic growth. As noted earlier, aid flows to Kenya have increased sharply in the last few years. However, economic growth has remained dismally low and dependence on foreign aid has kept increasing the dependence on foreign aid manifests through impacts of political economy qualities of low governance It is for this reason that this study found the debate on the influence of foreign aid on Kenya's political economy an issue worth examining as most studies had just but mentioned it without specifically factoring it in their models. The objective of this study was therefore to examine the extent to which output growth increased as a result of the increase in aid flows to Kenya.

## **1.2 Objectives of the study**

The overall objective of the study was to critically examine The Influence of Foreign Aid on the Political Economy in Kenya.

The specific objectives of the study were to:

- i. Examine the effect of source and motive of foreign aid on Kenya's political economy.
- ii. Assess the status of Kenya's political economy.
- iii. Identify challenges accompanying the injection of foreign aid on Kenya's political economy.

## **1.3 Research Questions**

The research questions were:

- i. What influence does the source and motive of foreign aid have on Kenya's political economy?

- ii. How does the nature and status of foreign aid affect Kenya's political economy?
- iii. What challenges accompany the injection of foreign aid on Kenya's political economy?

#### **1.4 Justification of the study**

Foreign Aid contributes heavily in Kenya's infrastructure and facility development. It has been noteworthy that despite being a recipient of foreign aid since independence in 1963, Kenya has still not been able to have its own interior resources to undertake growing population demands for roads, water, WASH and education needs. The driving factors behind this study lies in the quest to outline the source and motive of donors and Aid recipients, the International Relations rationale that enables such bilateral, multilateral, international cooperation and the role of political economy that drives the Marco economic policies for both the donors and the aid recipient, Kenya that have had negative, regressing or stagnant effect on Kenya's growing economic needs in financing of development projects.

The significance of this study is to inform policy debate on aid-growth relations and add to the literature on the subject of aid effectiveness in Kenya. To the Government of Kenya, the study findings and policy implications therefore are of significance in as far as enhancing economic growth and improving the country's relations with the private sector and development partners. This study also pointed to areas that Kenya's development partners should improve on in line with their international commitments on aid effectiveness.

Other studies have however found a negative relationship between foreign aid and growth. Knack (2000), for example, observed that high levels of aid had the potential to erode institutional quality, increase rent seeking and corruption, thus negatively affecting growth. Easterly, Levine and Roodman (2003) reexamined works by Burnside and Dollar (1997) using a larger sample size and found that the results were not as robust as before, he found a negative relation between aid and growth. Pedersen (1996) noted the inconclusiveness of the impact, as Morrissey (2001) argued that aid worked well conditionally on other variables in the growth regression.

Mustafa, Elshakh, and Ebaidalla (2018) argues that there has been a controversy

around the aid-growth nexus since aid resources seem not to be performing effectively in achieving the desirable developmental targets. It appears not to be functioning well in remedying the economic illnesses experienced by recipient economies. The high illiteracy rates, breakouts of diseases, severe poverty and extremely low standards of living are still dominant in the majority of aid recipient countries.

The obvious ineffectiveness of aid is manifested in the failure to realize sustainable and reasonable levels of economic growth (Papanek, 1972; Bauer, 1976; Bauer, 1982; World Bank, 1985; Mosley et al. 1987; Levy, 1988) hence the need for this study to identify whether foreign aid has an influence on Kenya's political economy.

The study will be significant to the private sector in so far as its increased role in Kenya's economic development. For researchers with interest on aid effectiveness, this study examines aid predictability, an issue that development partners have committed to but seem not to have adhered to over a considerable period of time. It underscores the need to incorporate the issue of aid predictability or unpredictability in empirical may have studies on aid effectiveness.

The information from this study may be valuable to formulating policies that facilitated both foreign aid and political economy. The policy makers for both traditional donors and emerging donors may find the information useful as they scramble for resources and markets in Sub-Saharan countries. For the recipients or beneficiary countries.

This study was academic in grounding and served to provide materials for future reference on how donor aid affects the economic and political growth of the developing countries. Future researchers may find results of this study as invaluable to their studies, touching on this wider but critical topic on donor aid, its effectiveness and impacts to the beneficiaries as there has been limited study on how foreign aid influence economy and politics of Kenya since independence and more so in the areas identified by this study.

### **1.5 Scope of the Study**

The academic scope of the study was to examine the effects of foreign aid on the political economy of Kenya, through study of international relation theories that explain how the Interdependency and Modernization theories have manifested on the

macro-economic policies in Kenya.

The study focused on western corridor road as being a link in the transport corridor through South, East, Central and North Africa. This Road forms a commercial hub to landlocked countries in the region. The road experiences heavy traffic flow as well as transporting bulky goods and is an example of foreign aid support.

This study sample population were key informants at Republic of Kenya National government level responsible for foreign aid support in five counties namely Kisumu, Vihiga, Kakamega Bungoma and Trans Nzoia. All are situated along the Western Corridor highway and specifically focused on infrastructure development cooperation Kenya - World Bank and China; Kenya-UK relations with reference to free primary Education in Kenyan Schools; Kenya-EU relation with reference to Governance support offered to the Republic of Kenya, and; Kenya-Sweden relations with reference to support on WASH activities through SIDA.

The next chapter reviewed the literature review of the study.

## **CHAPTER TWO LITERATURE REVIEW**

### **2.1 Introduction**

This section reviewed empirical literature related to Foreign Aid and the Political Economy in Kenya. To establish the level of knowledge available to the research title, knowledge gap from the reviewed literature was identified.

#### **2.1.1 Empirical Review of Literature**

The empirical review in this section provides literature from studies which have been conducted that were found related to the study that was being undertaken. The empirical review was in line with the variables and objectives, which were set to be tested.

### **2.2 Foreign policy**

According to (Cassese,2002) a country's foreign policy, also called foreign relations or foreign affairs policy, consists of self-interest strategies chosen by the state to safeguard its national interests and to achieve goals within its International Relations milieu. The approaches are strategically employed to interact with other countries.

The constitution of Kenya 2010 states that Foreign policy is the constitutional preserve of the national government in Kenya although the constitutional requirement of public participation is germane to legislation and cannot be legally ignored or disregarded (GOK 2010).

The signing of the Vienna convention affirmed the world's and Kenya preparedness to ratify, the United Nations Charter that emphasized the principle of complementarity made it clear that by domestication and actualization of social, political, economic and cultural rights in international conventions should outrightly form part of municipal rule of law through a mutually reinforcing (or complementary) international system (Cassese,2002).

#### **2.2.2 Global Perspective of Foreign policy and foreign Aid**

The advent of the United Nations Charter together with the Vienna conference are the precursor of modern-day international solidarity, this in consonance with the

interdependence theory (Roger, Jeffrey, & Steven, 2015) which highlights the nature of international cooperation in the reduction of resource conflict and introduction of peace whilst nation states interact. The modernization theory (Mayhew, 1985) highlights the desire for both developed and developing nations alike for economic exchange between foreign former colonial states (foreign aid) and its impact on the political economy and Macro-economic policy dichotomy (Kerlinger, 1979).

Scholars have noted that the role of “donor support” in the growth process of developing countries has been a topic of intense debate. Previous empirical studies on donor support and economic growth however generate mixed results. For instance, Gomanee, Girma, and Morrissey (2005) and Karras (2006) found evidence for positive impact of donor support on growth while Burnside and Dollar (2000) and Brautigam and Knack (2004) reported for negative impact of the support. Jensen and Paldam (2003) find evidence to suggest that donor support has no impact on growth in developing countries. Burnside and Dollar (2000) concluded that foreign aid has positive effects but only to economies with good fiscal, monetary, and trade policies. Doucouliagos and Paldam (2008) found that the effect of aid on growth estimates scatters considerably and adds to a small positive but insignificant effect on growth.

A study by Bjornskov and Schroder (2010) indicated that aid should not be considered as a principal factor for development but rather as a necessary compliment to the domestic efforts nurtured by culture of self-reliance and hard work. Rejan (2005) concluded that aid has had no systematic effect on growth. Chenery and Strout (1996) adopting empirical data from less developed countries show that foreign aid has a significant positive effect on the recipient country economic growth. Other researchers however have disrupted this, findings that indeed foreign aid has often had a negative impact on economic growth of developing countries as it negatively affects economic growth by replacing the local savings (Leff, 1969; Griffin, 1970). The main argument is that foreign aid in its negative impact offsets the advantages of transferring resources and that it undermines or weakens governance by increasing the return to corruption or increase in lending for the developing countries. Djankov, Montalvo and Reynal- Quero (2008) opines that foreign assistance has a significant negative effect on the changes in political institutions more specifically democracy.

Djankov et al. (2008) argues that the negative impact of aid on the political institutions is wider than those caused by natural resource windfalls. Likewise, a study by Rajan and Subramanian (2007) found that the developing countries manufacturing sectors were undermined by the detrimental effect of assistance of aid inflow on their governance. Khan et al. (1992) opine that foreign aid led to the decline of national savings in Pakistan in the era of 1959-1960 to 1987-1988. There has been a negative impact of foreign assistance of Pakistan national savings during the same duration (Shabbir and Mahmood, 1992). Adopting Mozambique as a case study, Arndt et al. (2007) show that the effects of foreign assistance across diverse drivers and growth, beginning with a long-run growth of accounting estimates has a significant role in developing infrastructure and also enhancing access to education and health.

Similarly, Arndt et al. (2009) found that foreign assistance has a strong and statistically significant causal effect on growth in the long-term with point estimates at levels suggested by growth theory. Aid has supported rapid reconstruction and seems to have crowded-in private and foreign investment, but has also brought substantial governance and economic management challenges (Arndt et al., 2007). Burnside and Dollar (1997) was emphatic that there is a relationship between foreign assistance and economic development but it requires a positive policy environment. Their study used 56 countries with four-year time periods of 1970-1973, which showed, that foreign assistance was associated with good economic policies and the impact was positive and strong.

There is evidence that foreign assistance is conditionally effective with good policies, low rates of corruption conflict and governance (Collier & Dollar, 2002). Notwithstanding the support that Burnside and Dollar stance has combined (Dovern and Nunnemkamp, 2007; John and Sackey, 2008), there are other studies that indicate no important association among aid and growth. Easterly (2003) found different results when they added more data and also extended the year range from 1993 to 1997. Although they do not actually argue that aid is ineffective, they find that with the introduction of the new data, the positive relationship between aid and growth withers away. That aid reduces the incentives to invest, especially when the recipient is assured that future poverty will call for more aid. Gibson et al. (2005) this occurrence is referred to as the Samaritan's Dilemma. Foreign assistance can also lessen

the recipient country's competitiveness (Rajan and Subramanian, 2005), leading to the Dutch disease (a condition that reduces competitiveness of the manufacturing sector due to overabundance of foreign assistance). The ills of aid, according to Reusse (2002), include inertia, easy money, ignorance, complacency and the fact that an interventionist paradigm is imposed on recipients of aid regardless of their internal socio-cultural dynamics. The culture has always been associated with the economic activities and performance of a people, in this case a nation. Calderisi, (2006) associates the underdevelopment of the African continent to the diversity in the culture. Pomerantz (2004) argues that donors have not made efforts to comprehend the context with which aid could be made to work.

According to Sen (2004), the issue at hand is the manner in which the culture matters towards the effectiveness of aid. Sen (2004) argues that culture influences political participation, gives people a sense of identification and similarly influences economic behavior. Landes (2000) opines that the history of economic developments shows that culture does indeed make all the difference. Indeed, the effectiveness of aid can be attributed to culture as evidenced by the difference of effects of aid between countries. For instance, Korea and Ghana in the 1960s were comparable in terms of their growth, however, after thirty years, South Korea has become an economic giant whereas Ghana is still reliant on foreign aid. Huntington (2000) asserts that although many issues might clarify this, culture has to be a large part of the explanation. Hayden (2006) has admitted that culture may not be dismissed by political scientists as it is the foundation on which not only formal, but also informal institutions arise. The government plays a significant role in the regulation of economic policies.

According to Singh (1985) the state's intervention in the economy of a country has often had negative impacts on economic growth and thus reduces the significance of foreign aid. Burnside and Dollar (1997) a prerequisite for foreign aid to be effective is the existence of a good macroeconomic policy environment. Aid has been found to be ineffective when there are no sound policies (Tadesse, 2011). Burnside and Dollar (1997 and 2000) found that aid has an optimistic result on growth in a setting of good fiscal, monetary, and trade policies.

Two meta-studies focusing on the effectiveness of aid have been drawn based on the



limitation of space, but also due to their contemporary and comprehensive in terms of the coverage of empirics of aid. These studies comprise studies by Tsikata (1998) and Doucouliagos and Paldam (2008). Likewise, Hansen and Tarp (2000) and McGillivray et al. (2006) are also contemporary and comprehensive in their review of the literature in foreign aid. Tsikata's (1998) study shows that there is still debate on the effect of foreign aid towards economic growth showing that there are still poor relationships between growth and foreign aid in the empirical literature. However, the study finds that there has been a positively significant impact of the economy of developing countries as long as there are conducive policy conditions for economic growth.

This publication was done after the World Bank (1998) publication report, *Assessing Aid* and could not have anticipated the criticism after the findings of Burnside and Dollar (1997, 2000). Tsikata (1998) finds that in terms of the impact of foreign assistance on the growth of domestic and savings and investment; the outcomes were mixed, with some pointing to an important association in countries that thrived in supporting the adjustment effort. Doucouliagos and Paldam (2008) study does not support the significant relationship between aid and economic growth as found by McGillivray and Morrissey (2000) that foreign assistance does not sustain the positivity found by the argument on aid influences on financial development; is established following a rising twist in the indication since the late 1990s to an optimistic and important relationship; neither do the outcomes support the confident assumption that Hansen and Tarp (2000) found.

Doucouliagos and Paldam (2008) argue that even after 2006 there is cumulative indication to demonstrate that aid does not endorse economic development. They additionally show that the stated aid-growth association was weaker in the 1970s and 1980s, but improved in the 1990s and 2000s; this improvement however does not suggest that there was no recent indication of insignificant relationships as recent as suggested by McGillivray et al. (2006).

However, this evidence does show that there was improvement in the association between aid and growth during this period as contrasted as in the earlier literature. Thus, and as advocated an appropriate research agenda may be to unpack the different effects of aid on growth by focusing on intermediate outcomes which are proximate determinants of income growth. With these mixed outcomes on the effect of foreign

aid by various studies, this current study assessed the impact of foreign aid on development in Kenya. These studies have come out with mixed results.

The advent of globalization has seen more advanced countries increasingly face security threats due to poverty and state weakness in developing countries (Andersen, 2013). Potential threats from developing countries include terrorism, environmental degradation, mass migration, global epidemics, weapons of mass destruction, organized crime and drug trafficking (Bandyopadhyay & Vermann, 2013).

Developed countries cannot isolate themselves from these security threats. However, these security threats can be mitigated by closing the global development gap as well as stabilization of weak states. Developed countries have the capacity to address these issues. Foreign aid is among the instruments developed countries can use to address these issues (Brainad et al., 2003). Poverty in Sub Saharan Africa and underdevelopment have been the way of life for citizens of most of its countries since the advent of self-rule in the 1950s (Brautigam, 2010). This region has also been a major recipient of foreign aid in order to alleviate poverty and underdevelopment. Official Development Agency (ODA) remains the largest single source of capital inflow for most countries of Sub Saharan Africa. ODA contributes almost half of net capital inflows of these countries (OECD, 2012).

Development in these countries has mostly been linked to foreign aid whose intentions change with the doctrines of development. ODA has targeted the improvement of investment and GDP per capita from 1950 to 1990. From 1990 to 2000, ODA has been focused on alleviating poverty (Faiola, 2007). However, it is a naivety to assume that foreign aid has always been given for development reasons. Hjertholm, Laursen, and White (2000) opine that the developmental objectives of aid programs have been distorted by the use of aid for donor commercial and political advantage. Foreign aid dependence in Africa remains an impediment to economic and political development since the current aid system wastes much national energy and political capital in interacting with donor agencies, and distracts African governments from domestic debate and consensus building (Wilkie, 2008).

Foreign aid facilitates corruption and bad governance and increases the size of resources fought over by interest groups and delays the adoption of policy reforms.

There is some evidence that foreign aid deteriorates governance, including bureaucratic quality, the rule of law, and state institutions (Knack, 2001; Svensson, 2000; Moyo, 2009)). As some scholars claim, international aid assistance can prop up leaders (be they democratic or authoritarian), providing them with additional sources of finance to distribute patronage, buy off political support and consolidate their power (Briggs 2012; Tripp 2013; Morrison 2009; Jablonski 2014). Although this line of argument is sound and has gained currency in the literature, very little is known about how aid has influenced political development in Kenya with special reference electoral development and governance.

### **2.2.3 Regional Perspective**

The dichotomy of foreign aid is illustrated at relevel as although virtually all Western governments make lofty statements about the virtues of democracy, they done none too little to aid and establish sustainable governance in Africa. There have been more than 170 changes of government in Africa since 1960, but one would be hard pressed to name five countries that the West successfully democratized from 1970 to 1990.

The record since 1990 has been dismal. Pro-democracy forces in Benin, Cape Verde Islands, Zambia, Malawi, and other newly democratized African countries received little help from Western governments. Nor have democratic forces in Ghana, Nigeria, and Kenya for that matter. This was not the case in South Africa or Eastern Europe. In South Africa, the African National Council received funds and materiel from Western governments. Similarly, in Poland, Solidarity received substantial assistance from Western governments. But the West seems incapable of abandoning its racist way of thinking and applies one race-neutral standard to the whole of Africa (Remmer, 2004).

Nevertheless, this does not mean that, these African nations should submissively accept any political conditions that could open the gate for foreigners to meddle in the internal affairs of the continent as an exchange for any sort of aid. Freedom of sovereign political decision should not be compromised for any charity in the name of foreign aid. Foreign aid can only be valuable, if the recipient country benefits from the reduction and elimination of poverty, inequality, and unemployment through promotion of work-culture.

It can only be realized by bringing cultural transformation to the existing deep-rooted

dependency syndrome and parasitism, through helping people to help themselves. Aid should not be considered as a principal factor for development; rather it should only be regarded as a necessary compliment to the domestic efforts nurtured by culture of self-reliance and hard work, because aid cannot be depended upon indefinitely (Bjørnskov & Schröder, 2010). Besides, governments of Africa must be allowed to enjoy the policy space so as to determine their own trade policies, and to set their development priorities. Aid can help, but it should be concentrated on countries with good macroeconomic policy and governments genuinely committed to improving public services and infrastructure, and stamping out corruption (Rena,2008).

More than \$50 billion of foreign aid is given to African countries every year to address poverty on the continent. Moyo (2008) claims that foreign aid, as charity-based, has been an unmitigated political, economic and humanitarian disaster for it has not provided long-term sustainable development for Africa (Moyo, 2008). Inflows of aid allow governments and politicians to spend aid on popular, as opposed to productive, purposes, and to ignore structural problems for substantially (Boone, 1996); Moss, Pettersson & van De Walle, 2007).

Aid may undermine a number of political incentives and institutional reforms that would be beneficial to long-run growth (Remmer, 2004; Knack, 2001, 2004; Djankov, Montalvo & Reynal-Querol, 2008; Heckelman & Knack, 2008); Bjørnskov and Schröder, 2010). Kilby and Dreher (2010) suggest that aid given with political motives is less likely to contribute to development. Due to Fungibility, politicians can rationally decide to reprioritize the budget allocation and finance something that would have otherwise been partly covered by ordinary budget means hence aid may contribute to activities well outside the interest of donors (Feyzioglu , Vinaya , & Min , 1998; Swaroop & Devarajan, 2000; Collier & Hoeffler, 2007; Werker, Ahmed, Cohen 2009).

### **2.2.3. Kenyan Perspective of Foreign Aid**

Kenya, in recent years has received foreign aid from multiple sources both bilateral and multilateral. A part from traditional donor countries such as UK, US and Germany, new donors especially China, Russia, India among others have advanced foreign aid to Kenya especially in infrastructural development (Bjørnskov(2013).

The source, level, and type of foreign aid in Kenya have changed since independence. Immediately after independence, the international foreign aid policy was mainly driven by cold war with the main source of foreign aid to Kenya was the United States of America and Britain (Dalgaard, Hansen, & Tarp, 2004). With end of cold war and collapse of Berlin war, foreign aid in Kenya was mainly multilateral with IMF and World Bank emerging as key donors (Ojiambo, Oduor, Mburu & Wawire, 2015). This aid was mainly for structural adjustment within government institution and was tied to democratization.

Recently, there has been increase in emergence of bilateral donors in Africa key among them being China and other Asian countries such as Japan. China is probably the most significant emerging bilateral donor especially in the area of infrastructure assistance, equipment, and plants; academic and technical training; and humanitarian relief and it is considered second largest donor in Kenya after European Union (McCormick et al., 2007). During the early post-independence period, Kenya was well favored by the donor community. The country followed a capitalist, open market approach during years when the governments of most other sub-Saharan African countries were bringing much of industry under state control and otherwise heavily intervening in their economies. By consequence, total aid to Kenya rose steadily in nominal terms from Independence until around 1990 to about more than \$1billion.

According to Mwega (2004), 78 per cent of Kenya' said has been from the bilateral donors, and that the share of multilateral aid increased moderately in the 1980s and early 90s, primarily due to the disbursement of the World Bank adjustment lending under the Structural Adjustment Programme (SAPs). However, the bilateral aid share rose again since then, with the decline in new adjustment lending after 1991. The period 2001-2011 recorded some growth in ODA flows from the multilateral donor that is comparable to that of the previous period (Ojiambo, 2013). This could be attributed to the increased donor interest in Kenya arising from the regime change in 2002.

On the bilateral flows, it is evident that there was a steady increase in the period 1979-89, a period that recorded the highest foreign aid flows to Kenya (Muli, 2016). This was partly due to the flows arising from the need to cushion the economy from

the effects of the effects of the SAPs and the need to ensure sustenance of the reforms that the country was undertaking during this period. This period also witnessed much of the bilateral support being channeled outside of the Government to the Civil Society Organizations following a not so good relationship between the government and the development partners during certain periods. After a dip in the period 1990-2000, there was a noticeable increase in bilateral flows for the period 2001 -2011, possibly due to the regime change and Kenya's commitment to reform (Oduor & Khainga, 2009).

Wawire (2006) confirms Kenya has had a cheered history on economic growth since independence. The first period was from 1963 to the beginning of the 1980s, which was characterized by strong economic performance and huge gains in social outcomes. A second period was from the 1980s to 2002 which was typified by slow or negative growth, mounting macroeconomic imbalances and significant losses in social welfare, notably rising poverty and falling life expectancy. The third period from 2003 to 2011 was marked by the resurgence in economic growth following the 2002 elections and regime change thereof (Mwega, 2004).

Since the 1980s Kenya has experienced relatively unpredictable flows of international aid (Mwega, 2009; Oduor & Khainga, 2009). According to OECD-DAC statistics, while Kenya experienced a dramatic build-up in nominal aid flows in the 1980s, the 1990s witnessed a reduction in donor support (Mwega, 2009). Nominal aid flows increased from US\$55.6 million in 1963 to a peak of US\$1.2 billion in 1990, before declining to a low of US\$309.9 million in 1999, with some recovery thereafter in response to a new government in December 2002. The question to whether donor aid has resulted to desired social political development is an issue worth examination (Legovini, 2000). This is because, despite huge amounts of aid to Sub-Saharan Africa, countries in Africa are still the poorest in the world (Njoroge, 2014).

Jackson Institute for Global Affairs (2013) confirms that Global Human Development Index (HDI) indicates that the 10 countries that place last in the 2011 HDI are all in sub-Saharan Africa despite these countries receiving large sums of aid from the 1960s from their former European colonizers. Riddell, (2007) contemplates that although more than \$500 billion in foreign aid were pumped into Africa between 1960 and 1997, instead of increasing development, aid has created dependence with the Per

capita GDP of Africans living south of the Sahara declining at an average annual rate of 0.59 percent between 1975 and 2000.

Njoroge (2014) confirms Kenya had a marked increase of ODA between 2010 and 2012 with bilateral gross share going down by 5% in 2012 yet per capita economic growth was lackluster with Per capita income in 2010 being the same as in 1981 and a modest 7.8% cumulative increase over three decades with output and employment not shifting from low-productivity areas to high productivity areas. According to Bertelsmann Transformation Index (2014) although Kenya has received substantial aid, it has made little progress because it is one of the poorest countries in the world ranked 147th worldwide on the Human Development Index (HDI), whose economic growth since 2002 has not been enough to move it into the category of medium human development.

#### **2.2.4 Concept of Foreign Aid**

Different literatures allude to different meanings of foreign aid. Some authors will allude to foreign aid as all the financial assistance given by donor nations to developing countries, including official loans and grants, and military assistance. Others will only allude to foreign aid as any official loans and grants. Muli (2016) acknowledges that Foreign Aid is synonymous with international Aid and foreign assistance. Nyoni (1997) defines foreign aid as transfers from abroad that have a grant element which may be in the form of soft loans, grants or technical assistance and that may be administered on bilateral, government to government, or multilateral basis. The Organization of Economic Cooperation and Development (OECD) defines foreign aid as official development assistance (ODA) which consists of official grants and highly concessional loans from bilateral or multilateral donors to developing countries aiming to promote economic development and welfare.

The largest proportion of aid worldwide has long been provided for investment projects such as the construction of infrastructure, the expansion of social services, or the financing of research. The role of foreign aid has shifted considerably over time from the one-dimensional concern about resource mobilization to close the investments-savings gap or the foreign exchange gap into a more multi-dimensional role (Wangwe, 2006).

Aid is a multifaceted term based on the fact that aid takes many different forms, such as bilateral or multilateral aid, nongovernmental aid, humanitarian aid, emergency aid, aid in form of food, technical aid (Clemens, Radelet, Bhavnani, & Bazzi,2012). Foreign aid is an international payment that consists of either a loan or a grant, from one country to another. These payments can either be bilateral, multilateral, or private assistance from a nongovernmental organization (Todaro,2009).

The distinction between bilateral and multilateral aid is that bilateral is a two-way stream meaning that it is sent from one government to the other whereas multilateral aid is given by a coalition of countries and/or organizations to a specific country (Todaro,2009).

Economists require that foreign aid has to be met by two criterions; one, its purpose of has to be non-commercial and concessional, and two both the repayment stage and the interest rate should be softer than commercial terms that is, concessional terms (Todaro, 2009). Burnside and Dollars (2000) in their definition of aid excludes the use of the term concessional and defines aid as a grant which agrees with Easterly (2003) as an Effective Development Assistance (EDA). Development Assistance Committee (DAC) defines foreign aid as Official Development Assistance (ODA), an inflow to countries and regions on the DAC list of ODA recipients and to multilateral development institutes with conditions such as if it is multilateral it should be provided by official agencies such as states and local governments, or by their policy making agencies; each transaction having purpose to stimulate economic developmentandwelfare in developing countries, and if a concessional loan, should have a grant element of at least 25% (OECD. (2005).

In some aspects, multilateral aid might seem more of an altruistic motive than bilateral aid clearly regardless of what form of aid (Remmer, 2004). However, bilateral aid tends to be more of self-interest related than multilateral aid, on the basis that a donor country can satisfy their own strategic and economic interests, also donor countries often support countries that they find having a connection with e.g., cultural and strategic ties than can be historical ties, trade relations or political connections (Ram, 2003). On the other hand, multilateral aid has a greater outcome in recipient countries whenever emergency aid is in desperate need. For example, in 2011 when the great



drought in East Africa contributed to a massive famine, in such cases multilateral aid is more efficient than bilateral aid (Cassen,1994).

Politico-legal institutions remain central in nurturing economic and political development. Foreign aid has the ability to affect the functioning of institutions. Foreign aid changes how politics is played. It may undermine democratic principles and civic participation of citizens in governance and development. However, aid should remain an instrument for initiating development and good governance (Faiola, 2007). To meet the Millennium Development Goals, including cutting global poverty in half by 2015, donor countries have been called upon to allocate 0.7 per cent of their GNP for official development assistance. However, Aid composition matters to recipient countries as it determines its allocation and volatility.

Donors have very different motivations, as they saw foreign assistance as an instrument to build strategic alliances, gain political influence, and various economic benefits. Supporting economic growth and reducing poverty are only secondary goals. Donors have reformed the quality and allocation of their aid resources as a response to changes in global realignment. Donor interests may be classified into four broad groups: political, economic, security and ideological interests.

The various motivations may be present both in the short run and the long run and greatly determine a given donor's aid policies perform in practice (Paragi, 2006). If a donor puts a special emphasis on securing short term economic benefits through foreign aid, resources granted by her will be highly tied to exports, which on the other hand can have negative implications on the effectiveness of these resources. If, however poverty reduction is a crucial goal for a donor, she will favor partners with high levels of poverty.

Kenya has been a recipient of donor aid since independence. This period transcends cold war, post-cold war, global terrorism and the emergence of China and other countries as donor. The allocation of aid to Kenya may vary depending on the donor motive as per specific period and this may have impacted on its political economy of which this study has investigated (Paragi, 2006). Most of the donor partners and institution have the final decision on which project to fund and for how long. Unlike Europe after WWII, when the USA gave them foreign aid and they were at liberty to

use in areas where they felt it would generate maximum return. In developing world and more so Kenya, donors have been found to fund projects that will benefit the donorcountry.

For example, the US has been funding the fight of terror groups such as al-Qaida for security reasons, while China have invested heavily in Africa natural resources and infrastructural development. This selection of projects without considering the recipient voice have been found to have profound effect on the development of a country be it socially, economically andpolitically.

With the Millennium Declaration, both donors and recipients, committed to a new global partnership in the battle against poverty, based on eight time-bound targets called the Millennium Development Goals (MDGs). The goals were to be met by 2015 and provide specific targets for education, gender equality, child mortality, HIV/AIDS, to mention a few. The MDGs call for a particular focus on increasing aid to the absolute poorest countries of the world (United Nations (UN, 2000). The MDGs quickly became a central milestone in development aid, but in order to achieve them the UN called for a dramatic increase of ODA. At the 2002 International Conference on Financing for Development in Monterrey, Mexico, donors were urged to harmonize their efforts, reduce transaction cost, untie their aid and promote ownership in developing countries. Developing countries were urged to adopt good governance and their role was emphasized in contributing to aid effectiveness (UNDP,2006).

Wangwe notes that the 1950s was dominated by foreign aid as a source of capital to trigger higher growth through higher levels of investment; in the 1960s, due to balance of payments concerns, the role of foreign aid became that of filling the investment-savings gap and the foreign exchange gap; in the 1970s it was used to raise the standard of living of the poor largely through increased employment as there was concerns about employment, basic needs and income distribution; the1980s were concerned with mitigation of the adverse effects of debt and to induce countries to adopt stabilization and structural adjustment policies (SAPs) and to absorb the shock and other negative effects of SAPs whereas in the 1990s, the trend towards integrating poverty concerns in development and towards comprehensive models of development emerged with the main role of aid being concerned with ownership and good

governance as important influences on aid effectiveness.

Tarp (2000) confirms that this debate about the effectiveness of aid has continued to rage especially in recent years taking advantage of availability of a wider range of sophisticated analytical tools and more comprehensive data.. Most African countries receive foreign aid for development of various sectors of the government and economy. These governments implement national development strategies based on domestic resource mobilization and support from the international development community (Wangwe, 2006). The results of studies of the impact of aid on aggregate growth have been mixed. Many studies have found that aid increases aggregate savings, increases investment and that there is a positive relationship between aid and growth (Hansen & Tarp, 2000). However, as Burnside and Dollar (1997) agrees, this relationship is not automatic since the strength of the relationship is subject to influence of policy which influences effectiveness.

In a study by Lancaster and Wangwe (2000) in Tanzania, it was observed that from independence to around 1977/78 aid played an important role in bridging the savings-investment and the foreign exchange gap with impressive achievements in terms of economic growth averaging about 5% during 1961-78 and in terms of rapid development of the social sectors. They also found that the share of investment in GDP increased with aid in Ethiopia with aid having a positive impact on public expenditure

and a negative impact on revenue. Foreign aid is therefore advanced by developed to developing economies, either for economic, political or humanitarian motives. According to the Organization for Economic Cooperation and Development (OECD), foreign aid refers to all grants and loans that are undertaken by the official sector with promotion of economic development or welfare as the main objectives.

The role and effectiveness of foreign aid in promoting economic development in the recipient countries has been a matter of controversy. The available empirical studies are notable for their conflicting findings on the impact of foreign aid on these economies. The results also, show that the existence of Fungibility of foreign aid leads to diversion of aid to expenditures other than those that were intended to finance. Therefore, this study assessed the influence of foreign aid economic development in Kenya especially water, infrastructure and education sector.

Unfortunately, researches on effectiveness of aid have failed to comprehensively investigate the sources, types and level of foreign aid which has ultimate effect on the usage of foreign aid for political economy development (Tiongson, 2004). Therefore, this study investigated the composition of foreign aid since independence in Kenya. This study examined various sources and types of foreign aid in Kenya.

### **2.2.5 Source and Motive of Foreign Aid**

Muli (2016) identifies reasons for foreign aid as for emergencies, Poverty reduction, a show of solidarity, promotion of donor's strategic, political and commercial interests, historical ties, reduction of globalization ills and aid giving based on recipient's records of human rights. The main goal however in donor funding is fostering development and raising the least developed countries from poverty as well as change their status, if possible, from being donor recipients to states that are self-sufficient or change some recipient countries to donor states such as Portugal or Japan. Historically, most aid has been given as bilateral assistance directly from one country to another. Donors also provide aid indirectly as multilateral assistance, whereby resources are pooled together from many donors.

Notable multilateral institutions include the International Monetary Fund (IMF) and the World Bank. There are also regional development banks such as the Asian Development Bank (ADB), African Development Bank (AfDB) and Inter-American Development Bank (IADB). Various United Nations agencies such as the United Nations Development Programme also fall in this category. According to Mwega (2004), 78 per cent of Kenya's aid has been from the bilateral donors, and that the share of multilateral aid increased moderately in the 1980s and early 90s, primarily due to the disbursement of the World Bank adjustment lending under the Structural Adjustment Programme (SAPs). However, the bilateral aid share rose again since then, with the decline in new adjustment lending after 1991. A summary of the Official Development shows that average flows from multilateral donors were high in 1990-2000 compared to the other periods. The period 2001-2011 recorded some growth in ODA flows from the multilateral donors that is comparable to that of the previous period. This could be attributed to the increased donor interest in Kenya arising from the regime change in 2002.

On the bilateral flows, it is evident that there was a steady increase in the period 1979-89, a period that recorded the highest foreign aid flows to Kenya. This was partly due to the flows arising from the need to cushion the economy from the effects of the SAPs and the need to ensure sustenance of the reforms that the country was undertaking during this period. This period also witnessed much of the bilateral support being channeled outside of the Government to the Civil Society Organizations following a not so good relationship between the government and the development partners during certain periods. After a dip in the period 1990 -2000, there was a noticeable increase in bilateral flows for the period 2001 -2011, possibly due to the regime change and Kenya's commitment to reform.

According to the Kenya National Bureau of Statistics (2010), the major bilateral donors to Kenya include the United Kingdom, United States of America, and Germany. Others are Japan, Netherlands, Denmark, Norway, and Sweden. Increased foreign aid flows have been seen from China from the early 2000. The major multilateral donors include the World Bank, the United Nations Organizations, the European Commission (EC), the IMF, and African Development Bank.

Development assistance promotes a self-sustaining increase in the quality of life, particularly for the poorest in society. Kenya receives development assistance to bolster its economy and to alleviate its population's poverty, help fund the government, and to improve infrastructure such as building roads and railroads, improving health and education (Elmi, 2012). The World Bank spearheaded policy lending via SALs or the Structural Adjustment loans which the bank felt was a way of handing over foreign exchange, and so filling the holes left by the commercial banks which were designed to make the country's balance of payments look healthy by compressing demand (especially investment) and increasing exports as SALs were supposed to provide a cushion against economic shocks, deliver external financing that generates local counterpart funds in support of government development programs as well as promote policy reforms (Koeberle, 2003). The promotion of good governance through combating corruption and improving transparency and accountability is another principal goal of foreign aid (Lawson,2013).

Approaches to deal with conditionality have been part of the policy strengthening

attempts by donors. Increasing country ownership and enforcement of loan conditions; country ownership has always been a central concept in development aid, on the assumption that it makes the policy and institutional changes associated with lending operations more likely to be implemented even in the face of political opposition. Improving the design of conditionality and introducing results-oriented approach to conditionality based solely on outcomes and for the use of different disbursement procedures to align conditionality with country performance rather than promises.

Strengthening partnerships on conditionality between recipients and donors and between donors themselves; increased partnership coordination and collaboration between donors and borrowers and among donors have been part of the response to conditionality. Transparent partnerships between donors and countries will encourage true country ownership of reforms. The World Bank supports coordination and harmonization efforts, in an attempt to combine partnerships with a focus on results (Koeberle, 2003). Foreign aid has played a critical role in the elaboration of the development discourse (Wood, 1986). Foreign aid stands at the intersection of political and security interests and economic and social development. The economic rationale for aid is based on the claim that the macroeconomic contribution of aid to recipient countries is positive through the promotion of improved economic policies and resource allocation.

It increases the efficiency of capital through strengthening technical, managerial, institutional and administrative capacity. The World Bank view links the economic growth of developing countries with the provision of aid; "...many developing countries have achieved remarkable development progress. Official development assistance, together with the growing markets provided by OECD countries, significantly contributed to these gains (OECD, 1985). The aims of a sustainable development strategy are: to reduce poverty while achieving economic growth; strengthen the domestic human and institutional capacities to meet the challenges of development and to prevent social disintegration; to improve the developing countries' capacity to contribute to the management and solution of global problems; to reinforce the transformation of institutions enabling developing countries to play a bigger role in the world economy; and to shift the focus of development from central government to organs of civil society (OECD, 1996). Sustainable development signifies a new phase in the aid regime (OECD, 1985). This phase describes the

negotiating framework between donors and recipients and maintains the dominance of the donor community although new actors (NGOs and CBOs) have been added to the recipient community.

The Kenyan Government is increasingly being forced to compete with civil society organizations, and in the distribution of aid, the western world NGOs have been allocated a greater role. Donors maintain control over the identification of legitimate uses for aid. The scope of projects funded has altered to take greater account of the environmental impact of lending. Secondly, increased emphasis is placed on private sector financing of development (United Nations Development Programme, 2005).

According to the 2005 Human Development Report (United Nations Development Programme 2005) there is a general consensus that foreign aid's first objective should be human development. Aid is a major factor in the development successes of some SSA countries. Aid has funded roads constructions, agricultural reforms, education, healthcare reforms, employment opportunities creation, censuses, and elections and so on. According to Comprehensive Africa Agriculture Development Programme (CAADP), 2006, The Millennium Challenge Corporation of the United States of

America signed a \$547m compact with the Republic of Ghana aimed at reducing poverty levels. This was to be achieved by raising farmers' income through a vibrant private sector led agri-business revolution. This has been the single largest donor support to Ghana in its history. Similar agreements have been signed with other countries like Benin, Burkina Faso, Cape Verde, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Morocco, Mozambique, Namibia and Niger (MCC, 2006)

According to the United Nations 2011 Millennium Development Goals Report, the continued aid support has led to visible and measurable improvements in the lives of the developing world. In particular, poverty levels continue to decline, SSA recorded the highest recorded percentage point increases in school enrolment, malarial deaths continue to decline, targeted interventions have reduced child mortality and investments in treating and preventing HIV is yielding positive results. The trade policy framework for the European Union for Sub-Saharan Africa is based upon the Economic Partnership Agreements (EPA) agreed under the Cotonou Partnership Agreement with African, Pacific and Caribbean countries (Faria & Sheriff, 2009). The partnership's aim is to comply with the internationally agreed rules of the WTO and

particularly to formulate guidelines for adoption by the least developed countries. The Cotonou Agreement unfortunately appears to benefit East, West and Southern Africa but parts of Central Africa from where several fragile states with largely unexploited, productive trade potential appear to be left out adds a report by EEC (EEC, 2014). The agreement framework is aimed at facilitating political dialogue, development support and economic and trade cooperation. In West Africa, Côte d'Ivoire and Ghana, the agreement covers goods and development cooperation and includes rendezvous clauses providing for further negotiations on services and rules chapters.

In Central Africa, both sides of the negotiations have discussed market access, services, cultural cooperation and accompanying measures. Progress has also been made on the text of the agreement. The negotiations are currently delayed because of the situation in the Central African Republic. Talks are expected to end by the end of 2014. In the ESA region, or the Eastern and Southern African region negotiations of the regional EPA took place in Mauritius in November 2011 on the basis of a joint draft text. Further progress in the negotiations is linked to presentation of the market access offers for both goods and services by the ESA states. Other open issues are inter alia export taxes, special agricultural safeguards, rules of origin and export subsidies, non-execution clause, institutional provisions and dispute settlement.

In the East African Community region adds the report, Burundi, Rwanda, Tanzania, Kenya and Uganda initialed a framework EPA (mainly dealing with trade in goods) on 28 November 2007, and are now negotiating a comprehensive regional EPA. The framework agreement has not been signed or ratified. Following a Ministerial meeting on 30 January 2014 in Brussels, Technical and Senior Officials met in Nairobi on 25-27 March and made substantial progress. Outstanding issues were the export taxes and the non-execution clause. The SADC region never ratified their bit of the agreement but they produced an Agreement that should replace the interim EPA signed by the EU and by Botswana, Lesotho, Mozambique and Swaziland in June 2009 continues the report.

China has strong ties with Sub Saharan Africa (United Nations Economic Commission for Africa, 2012). This relationship facilitates the production of stronger African economies in exchange for manufactured goods and natural resources that China desperately seeks. Some Chinese foreign assistance partially resembles official



development assistance (ODA) as defined by the Organization for Economic Cooperation and Development (OECD), but in other aspects shares characteristics of foreign investment. Relative to major OECD donors, China donations are considerably smaller. China is fast becoming a top trading partner to Africa. China's venture into the foreign aid world formerly dominated by the west has tended to raise speculations in the western world. According to Lum (2009) Few of China's foreign aid activities fit the Organization for Economic Co-operation and Development's (OECD) definition of ODA. China's aid projects to a large extent serve its own development needs, facilitating the export of raw materials to China, and requiring that 50% of project materials and services are to be sourced in the China (Lum, 2009).

In Ethiopia, the Canadian Fund for Africa has set up a fund whose main agenda has been to strengthen the human and institutional capacities of African Governments to formulate and implement sound trade policies and participate more effectively in trade negotiations at the bilateral, regional and multilateral levels. African Trade Policy Centre (ATPC) (United Nations Economic Commission for Africa, 2012) was established in June 2003. Other objectives of the fund are attaining sustainable and inclusive growth through structural transformation, strengthening Sub-Saharan Africa's role in the global trade arena as well as promoting regional integration, in the spirit of collective development.

The Africa Region of the World Bank has worked to increase its assistance for the development and implementation of Adult Basic Education (ABE) (Lauglo, 2005) programs. This is in line with the Bank's increased focus on helping African countries accelerate their progress towards Education for All. The ABE programs are targeted at adults (particularly women) and out of school youth, have literacy and numeracy as a core, and include other elements defined by demand and context. Literacy and basic education are key skills in helping the poor extract themselves from the conditions causing poverty. The World Bank has helped finance implementation of ABE programs in Ghana, Senegal and Côte Ivoire (Njoroge,2014).

The World Bank is continuously recognizing that improving the basic education status of women in Sub-Saharan Africa is a pre-requisite to achieving the development goals of enhancing agricultural productivity, improving the health and nutrition status of the family, and reducing fertility (Romain & Armstrong, 1987). Investment by the

World Bank into adult and child education has not been without challenges. There are theories of learning 143 that imply that adult illiterates' capacity for learning to read with good fluency will be severely constricted by age; therefore, ABE cannot be expected to enable illiterate adults to read significant amounts of text or read with comprehension. The Bank policy favors non-formal education strongly, but the clients commonly want projects supporting formal schooling.

## **2.2.6 Nature and Status of Foreign aid in Kenya**

It is important to disaggregate different forms of aid as they are likely to exert different macroeconomic effects on the recipient economies (Gitaru, 2015). There are four main forms of development aid which include project aid, financial programme aid, technical assistance, food aid and humanitarian aid or emergence relief (Karras, 2006). However, (White & Lensink, 2001) identified three major forms of aid which include project aid, programme aid (including food aid) and technical assistance. The effect of the nature of foreign aid on economic growth has been studied. For example, Ouattara (2006) tested empirically the impact of different forms of aid on savings in aid recipient countries. He found that, in overall, project aid flows and food aid (excluding emergency and relief food aid) are associated with a reduction in domestic savings whereas financial programme aid and technical assistance grants did not appear to reduce domestic savings.

Project aid is dominated by funds channeled to interventions in sectors such as health, education, rural development including agriculture, transport and power, housing, and water supply and sanitation (Gitaru, 2015). However, small amounts of project aid are channeled to industrial, mining, trade and cultural projects (Riddell 2007). Many ODA funded development projects aim at achieving specific outputs by providing resources, skills and systems which the recipient country needs. Programme aid is defined by OECD as financial contributions not linked to specific activities (Riddell 2007).

Programme aid is divided into balance of payments (BOP) support and the budget support (GBS). Under the budget support, aid funds are provided to boost aggregate revenue and increase overall spending while budget support funds are channeled to ministries of finance and sector support (SBS) funds are channeled to particular sectors (Gitaru, 2015). Under the GBS, donors provide funds for implementation of development and poverty alleviating strategies paying attention to the capacity of the recipient governments to use funds efficiently.

Technical Assistance (TA) includes the provision of skills, knowledge know-how and advice. For many decades, technical assistance has also been provided in form of

teaching staff mainly in primary and secondary education in developing countries (Gituru, 2015). Furthermore, more specialized trainers have continually performed skills training functions to meet their needs and to achieve their immediate objectives. For example, the London-based Overseas Development Institute (ODI) has been running its fellowship scheme for graduate economists and placing them in key ministries in developing countries (Riddell 2007). Despite this positive impact of TA, there have been several problems associated with it. Some of these problems include high costs of providing the TA. Humanitarian aid is designed to save lives, alleviate suffering and enable those suffering to maintain (or retain) their human dignity during and in the aftermath of natural disasters and man-made crisis (OECD, 2005). Humanitarian aid has been successful in most cases in achieving its tangible outcomes such as saving lives, providing food to the hungry; healthcare and medicines to those vulnerable to acute disease in emergencies; and water, sanitation and shelter to those whose homes have been destroyed (Ouattara, 2006).

Food aid comprises of programme food aid and humanitarian food aid. Programme food aid may relieve the foreign exchange constraint to the import of the necessary intermediate inputs or by providing fiscal resources through counterpart funds generated by the local sale of programme food aid (EEC, 2014). These resources can be used by the recipient country to invest in agricultural research and extension and improvement of rural infrastructure in particular. However, programme food aid may have Dutch disease effects on domestic food producers and thus hurting the food sector's competitiveness in the world markets (Barret, 1999).

Kenya has been a beneficiary of huge flows of foreign aid, yet the economy has witnessed a progressive decline especially in the last two decades spanning 1982-2002. Rather than achieve objectives of growth, aid has tended to create overdependence on developed countries with an upward trend in public consumption rather than investment. It is argued that the ever-swelling public expenditures are fueled by foreign capital inflows, taxation, and domestic borrowings.

More often than not, aid comes with donor prescriptions which do not reflect government priorities or prudent economic management. At times, the prescriptions are harmful to the welfare of the citizens. Statistics indicate that nominal aid flows during the 1970s and 1980s were high with a record high of over Ksh16 billion or

11.5% of GDP in the fiscal year 1989/90. In the late 1980s and early 1990s, donor support slackened (GoK, 1970- 2000).

Because donors were not satisfied with Kenya's domestic policy, there have been three aid freezes in 1992, 1997 and 2000 to pressurize the government to adopt political and economic reforms and rationalize public expenditures (GoK, 1970-2000). Although there was a steady increase in foreign aid during the 1970s and 1980s; a trend that continued until 1993 and slackened thereafter, during the period 1970-2002, foreign aid averaged about 9% of GDP.

This constitutes about 20% of the annual government budget with over 80% being spent on financing development activities. The share of grants has also been rising from an average of 46.7% in the 1970s to about 70% in the 1990s. During the 1980s and early to mid-1990's (GoK, 1970-2000) when donor support was high, the government implemented various market intervention programs which led to increased government expenditure as a result of donor conditionality on retrenchments and golden handshakes.

Kenya has also been receiving aid in kind in various forms such as drugs and food aid. Food aid is only a short gap measure coming during prolonged dry periods. According to Kenya's expenditure review (2005), the government utilization of donor funds has been below averaging in recent years. Apparently, it is donor countries who decide whether Kenya is to receive aid, how much, in what form, for what purpose and under what conditions based on the donors' assessments. This creates problems given that Kenya's absorptive capacity for both domestic and external resources is generally low (Gituru, 2015)

The timely flow of aid matters a lot in this process as countries that are dependent on aid become vulnerable when funds are committed and scheduled, but not disbursed on time, or when there is insufficient information about donors' intentions to disburse (Oduor & Khainga, 2009). In this respect, the Paris Declaration of 2005 commits donors to provide reliable indicative commitments of aid over a multi-year framework, and disburse aid in a timely and predictable fashion according to agreed schedules (OECD, 2005). According to Celasun and Walliser (2008), whereas aid predictability has been highlighted as a key issue for aid effectiveness little information is available

on the magnitude of the predictability problem and thus its potential impact on aid recipients.

Zimmermann (2005) has argued that donors had not been able to make multi-year financial commitments that would enable the recipients to rely on during their planning and budgeting process. They have continued to apply complicated and inconsistent conditionalities, and have in a secretive and slow way been determining how to allocate the resources. Thus, donors have continued to use different disbursement mechanisms and monitoring procedures instead of coordinating their activities (Saasa, 2005; Gómez, 2005).

Aid is said to be unpredictable when there is disparity between commitments and disbursements (Ojiambo, 2013). The government may plan using the amounts committed, but sometimes donors disburse less than they committed to give. Therefore, at the point of planning, the government is not in a position to plan well using the commitments, since it cannot predict how much of the commitments will actually be disbursed. The Government of Kenya has continued to factor foreign aid in her national budget, but on commitment basis (Republic of Kenya, 2011).

As observed by Bulir and Hamann (2008) aid unpredictability arises due to first, donor aid commitments, budget approval and disbursements are often made by multiple actors or agencies. For example, commitments by the Minister for Development Cooperation of a country to provide aid to a given country will need parliamentary approval and disbursement by the Ministry of Finance. This commitment might end up not being the same given the approval process and the fact that other priorities might arise during this process. Secondly, the conditions imposed by donors also contribute to the lack of aid predictability. The conditionalities attached are sometimes process-related or policy or performance-based conditions (Ojiambo, 2013). In a study by OECD (2006; 2008), it was found that there are cases of both under-disbursement and over-disbursement. The reasons given by donors for delays include administrative problems on the donor side, and the government failure to meet fiduciary conditions (OECD, 2009).

Since the 1980s, Kenya has experienced relatively unpredictable flows of

international aid (Mwega, 2009; Oduor & Khainga, 2009). According to OECD-DAC statistics, while Kenya experienced a dramatic build-up in nominal aid flows in the 1980s, the 1990s witnessed a reduction in donor support (Mwega, 2009). Nominal aid flows increased from US\$ 55.6 million in 1963 to a peak of US\$ 1.2 billion in 1990, before declining to a low of US\$ 309.9 million in 1999, with some recovery thereafter in response to a new government in December 2002. Kenya has a beneficiary of huge flows of foreign aid, yet the economy witnessed a progressive decline especially in the last two decades spanning 1982-2002. Rather than achieve objectives of growth, aid has tended to create overdependence on developed countries with an upward trend in public consumption rather than investment.

Kenya has also been receiving aid in kind in various forms such as drugs and food aid. Food aid is potentially a problem if Kenyans were to change their consumption preference. This would cause resource re-allocation in the long run. But then food aid is only a short gap measure coming during prolonged dry periods. Historically, most aid has been given as bilateral assistance. There are also regional development banks such as the Asian Development Bank (ADB), African Development Bank (AfDB) and Inter-American Development Bank (IADB). Various United Nations agencies such as the United Nations Development Programme also fall in this category.

Most scholars have identified two major types of aid that most donor countries give to recipient countries. These may be emergency aid or development aid. Emergency aid, as the name suggests, are aid given to recipient countries in order to overcome unpredicted calamities such as floods, earthquakes, terrorist attacks, and so on. However, development aid is aid geared towards a long-term development plan, such as building roads and railway system, construction of airports and other infrastructure, building hospitals to improve healthcare, and so on (Ali & Said, 2007).

It is common for countries whether rich or poor to respond charitably to natural disasters. However, Africa is the best-known recipient of disaster relief in famine although other tragedies have affected the continent too. For instance, in 2007, floods swept over Central Africa leaving a trail of destruction, from destroyed property, homes and schools, crops and livestock, to leaving thousands homeless. The global community was quick to respond by providing assistance in form of food, shelter and

basic service to those affected by the misfortune. Emergency aid also known as humanitarian aid is the fastest growing type of aid because natural calamities have been on the rise. This aid is different from development aid although it contributes to development objectives (Malmqvist,2000).

This aid targets the short, medium, and long term, thus promoting economic growth and reducing poverty. Its goal is on improving the health care, in terms of the services provided, the education system i.e., spent on schools and teacher's salaries, the infrastructure, for instance, improving the roads and ports to ensure the private and public sectors work efficiently. Aid is also spent on large development projects such as oil pipelines, hydroelectric pumps which are considered vital by investors to the long term economic and political prospects of the recipient countries (Malmqvist, 2000).

Foreign aid may be in the form of official development assistance (ODA) that transfers money from government-to-government is a relatively new concept, with its foundations in the 1948 European Recovery Plan, or Marshall Plan, for rebuilding Europe after World War II. The Marshall Plan and its contemporaries were followed more formally with the establishment of the OECD's Development Assistance Committee (DAC) in 1960 to expand and improve the flow of long-term funds from wealthy donor governments for development. Since then, the members of the DAC meet regularly to discuss volumes, standards, and best practices for effective development assistance (Jensen & Paldam, 2003).

The aid regime developed mostly during the Cold War years (1945-89) and has been undergoing significant changes recently. The first large-scale use of aid for foreign policy purposes was the U.S. Marshall Plan, implemented at the end of World War II to rebuild Western Europe's national economies. During the Cold War, the Western countries developed an aid program under the auspices of the OECD to help contain communism and promote Western values such as democracy and market economies. In response, the Soviet Union and its allies developed their own aid programs to foster the extension of communism. The end of the Cold War changed this dueling aid system dramatically. The Western countries became the main source of aid around the globe and they developed a code of conduct for giving aid, codified by the OECD (Oduor & Khainga,2009).



New donors have entered the field over the past two decades, including Arab countries and emerging market states like China, India, and Brazil. These new donors accounted for roughly 10% of total aid as of 2008, or about \$15 billion (UNDP, 2011). A number of non-DAC donors have become important providers of aid, there is substantially less empirical work on them, although there is now a growing body of work on the politics of Arab aid (for example, a special issue of *Mediterranean Politics* from November 2014 focuses on aid in the Middle East).

Partly, this is because key data are unavailable and partly it is because non-DAC countries have not systematically articulated the objectives, preferred mechanisms, and principles that are to govern their flows of aid. Without such standards, there is no benchmark against which to measure aid effectiveness. It cannot be readily assumed that DAC standards are applicable. Non-DAC countries differ from the original DAC members in that they tend to be smaller in absolute size, have pronounced regional priorities, and have different foreign policy and other motivations for their assistance (UNDP, 2011).

After World War II, the international system changed in profound ways. Interstate relations increasingly occurred in the shadow of international institutions rather than simply between governments. Thus, the role, and face, of geopolitics began to change. During this same period, foreign aid was institutionalized as a regular policy tool. At first most foreign aid was bilateral; that is, a donor country set its own policy and interacted directly with a recipient. However, after the emergence of the World Bank and International Monetary Fund (IMF), countries began channeling more and more aid through these multilateral institutions than ever before (Keohane & Nye, 1977).

By 2009, multilateral aid was approximately \$36 billion. It has averaged around 30% of total economic aid since the 1990s. Since its peak in 2001, the share of multilateral aid has been relatively constant, or if anything has declined. The US has historically delivered a lower percentage of aid multilaterally (12%) compared to other countries (roughly 30%). The relationship between aid and international institutions raises two central

questions in our collection. One issue is whether aid flows are used to influence the relations among countries, especially their activities within an international institution. The second is the nature of multilateral aid flows themselves (Zimmermann, 2007)

Denmark through DANIDA has a long tradition of development cooperation and assistance as development work has been a key link between Denmark and the surrounding world since the end of the Second World War (Danida, 1994). From the small beginnings in 1945 to extensive efforts today, Denmark has played an active role in reducing poverty and strengthening sustainable development around the world. In the 1950s, the Danish development assistance effort was channeled almost exclusively through the UN system. In 1962 Denmark established its first overall bilateral development assistance programme for the developing countries under the Ministry of Foreign Affairs.

From the beginning of the 1970s there was growing emphasis on poverty orientation as the basis for the allocation of Danish development assistance. In 1971 the organizational framework was established when the Act on International Development Cooperation was adopted. In the 1980s, the environment, gender equality, and human rights were established as important factors in all Danish-supported development activities. The 1990s saw an administrative reorganization when Danida went from being an independent unit to being part of a single-string service in the Ministry of Foreign Affairs. The reorganization also meant that development assistance became a high-profile element of Danish foreign policy (DAC, 2000).

In the new millennium, Danish development assistance has been expanded with large-scale interventions in conflict areas such as the Balkans, the Middle East, Afghanistan and Iraq. Development assistance is also utilized as an active instrument of foreign policy in such new areas as conflict resolution, the struggle against terrorism and the promotion of good governance. In 2010 about 40 per cent of Denmark's bilateral assistance went to social sectors, not least education, and health. The focus of bilateral assistance is on a limited number of partner countries and sectors, while multilateral assistance is primarily granted through the UN, the World Bank, the regional development

banks and the EU. (Danida, 2014)

Swedish development cooperation (SIDA) is another source of foreign aid which has helped reduce poverty in the world. Their support contributes to economic and political development in poor countries which strengthens their democracy and creates conditions for people to lift themselves out of poverty (Svensson, 2006). The objective of Swedish development cooperation is to create opportunities for people living in poverty and under oppression to improve their living conditions (Zimmerman & Smith, 2011). SIDA's Aid is both for humanitarian aid (emergency relief) and long-term development cooperation. With help of aid, poor countries get opportunities to build up their economy and develop their trade and industry which leads them to earn export incomes and job opportunities for their residents because Sweden promotes the removal of trade barriers that currently prevent poor countries from gaining access to the world market (Riddell, 2007). As poor countries develop their economies the risk of conflicts reduces and democracy develops. When people get political rights according to SIDA, they can participate in and influence social development.

The European Union (EU) is another source of foreign aid. The main objective of their aid is to support good governance in a very pragmatic way by focusing on constitutional reforms and strengthening democratic governance by supporting many different activities including support to local governments and support to non-state actors (Bachmann, 2012). The EU has managed to contribute positively to an increased influence of non-state actors (NSAs) on local and national government activities and in promoting the capacity of local governments to engage with communities, which is of great value in the context of the current devolution process (Hoebink, 2006)

Another aid donor is the United States Aid (USAID) which over the past fifty years USAID has worked closely with the Kenyan government, the private-sector and civil society to advance access to education, improve quality health care through nutrition, family planning, maternal and child health, malaria, tuberculosis, HIV/AIDS and strengthening health systems programs; lay a foundation for long-term economic growth through trade, agriculture and

infrastructure programs and make devolution work for the benefit of all Kenyans through democracy, governance and conflict programs. USAID works in partnership with the Government of Kenya to improve learning outcomes in early-grade reading provide pathways to education for bright but disadvantaged students and empower youth with skills and opportunities to lead the way to a peaceful and prosperous Kenya (USAID, 2015). In partnership with Kenya's Ministry of Education it has worked to ensure growing classroom enrolment and in quality education. The partnership with key government, donor and private sector stakeholders to develop and launch a nationwide early grade reading activity designed to benefit every first and second grade student enrolled in a public school. Free primary and secondary education is a centerpiece of the Kenyan Government's Vision2030, which has seen nearly three million more students enrolled in primary school (USAID, 2015).

### **2.2.7 Challenges Accompanying Injection of Aid**

Looking at recent developments in the aid and growth literature, Hansen and Tarp, (2001) divide the studies into three generations. The first generation, being influenced by the Harrod-Domar model, mainly focused on the aid-savings link. Saving was assumed to lead to investment and growth. Second generation studies investigated the aid-investment-growth link more directly without focusing on savings. Third generation studies entail a number of contributions, such as improved country coverage, use of repressors representing the policy environment, acceptance of non-linearity in the aid-growth relationship (Hansen & Tarp,2001).

A key study of the third generation by Burnside and Dollar (2000), where the authors find support for the basic idea that an increase in aid flows strengthens economic growth in poor countries when the policy environment is conducive. In the presence of poor policies, aid was not found to have any positive effect on growth. The Burn-side and Dollar result was supported by a number of follow-up studies. Collier and Dollar (2002), using a different data set and another specification, validated the significance of the policy environment. Collier and Dehn (2001) found that well-timed aid alleviates effects of negative export shocks, while (Collier & Hoeffler, 2002) found

that aid works particularly well in good policy environments a few years after a conflict has ended.

In theory, foreign aid could relax any or all of three constraints on investment. The savings constraint arises if, as is likely in low-income countries, domestic savings are insufficient to meet (public) investment requirements; aid (foreign savings) relaxes the constraint. The foreign exchange constraint arises because investment requires imported capital goods and the „free“ foreign exchange available from export earnings may be insufficient; as aid is in the form of foreign exchange, it permits a higher level of (capital) imports. The fiscal constraint captures the possibility that government behavior affects private savings and public investment can affect private investment; aid, by financing public investment and reducing the need to raise enough revenue to finance a deficit, can relax this constraint (Bacha, 1990)

Chenery & Strout (1996) also posit a knowledge gap in developing countries and foreign aid in the form of technical assistance can relax this constraint (and increase productivity). If foreign aid is used to relax these constraints it is expected to be positively correlated with investment and growth. Gomanee et al. (2005) show that aid has a beneficial impact on growth in Sub-Saharan African countries through financing public investment, although the impact on growth is small because productivity is low. Of course, aid may not have these beneficial effects, or may have other adverse effects. Elbadawi, Kaltani and Schmidt-Hebbe, (2008) argues that in Sub-Saharan Africa foreign aid causes exchange rate appreciation thereby dampening growth of exports and thus economic growth (Hjertholm et al., 2000).

Developing countries face constraints on savings and export earnings that hamper investment and economic growth. Aid flows are meant to fill the gap between investment needs and domestic savings, but this study faced severe criticism virtually since its origin. Foreign aid is important to developing countries (LDCs) and lower-middle income countries such as Namibia, because it is used to face their economic and social challenges“ namely: poverty, HIV/AIDS, malaria, and other communicable diseases, unequal distribution of income, inadequate economic growth, and high level of unemployment, human resource development, and inadequate capacity (Chenery & Strout, 1966).

Several other researchers also addressed the problem of aid and economic development. According to Bandow and Vasquez (1994) foreign aid has failed despite the best efforts of many dedicated professionals. Bandow supported his claim by using African countries that received aid in 1970 and 1995, The United Nations Development Program reported in 1996 that 70 developing countries were poorer than they were in 1980; 43 were poorer than they were in 1970. Bandow argument is supported by (Moyo, 2009) also advocated that Limitless development assistance to African governments has fostered a dependency syndrome, encourage corruption and ultimately perpetuate poor governance and poverty, foreign aid helps perpetuate the cycle of poverty and hinders economic growth in Africa (Moyo,2009).

There has been a growing gap between the developed and developing countries for decades and this debate has dominated the International Relations and diplomacy for a long time. This has led to constant capital inflow from the developed countries to Africa and other developing countries mostly in the form of grants and ODA to enable them reduce this gap and tackle their problems (Kaufman, 2009). However, growing research as well as empirical evidence shows that this assistance has not done much to change the narrative of most African states as some are even experiencing low growth rates (Arnab, Ana, & Mick, 2006). A research study conducted by Addison, Mavrotas, and McGillivray (2005) examining trends within the official aid to African countries for the period between 1960 and 2002 found a tremendous decline in foreign aid for that past decade on the African economy and the African people who lived in poverty.

Aside from these findings on the status of aid, several other researchers have also addressed the problem of aid and economic development. According to Bandow and Vasquez (1994) foreign aid has failed despite the best efforts of many dedicated professionals. Using African countries that received aid in 1970 and 1995, The United Nations Development Program reported in 1996 that 70 developing countries were poorer than they were in 1980; that 43 were poorer than they were in 1970. The same findings were supported by Moyo (2009) who advocated that Limitless development assistance to African governments has fostered dependency, encourage corruption and ultimately perpetuate poor governance and poverty, and concluded that foreign aid helps perpetuate the cycle of poverty and hinders economic growth in Africa.

There are many reasons to why foreign aid has not worked in recipient countries. Among the main challenge facing the use of foreign Aid in Kenya in order to make it effective is fragmentation. There are very strong reasons to believe that all other considerations aside, aid often underperforms because it flows through too many institutional channels. This channel generates high transactions costs within each recipient nation, and so reduces the value of aid. Collective action theory suggests that when numerous donors with each providing only a small fraction of a country's total aid, responsibility for the country's development success or failure is diffused. It is widely and plausibly believed that fragmentation of aid significantly reduces the value of aid by increasing direct and indirect transactions costs (Arnab, Ana, & Mick, 2006)

The higher the number of aid agencies involved in a certain sector and country, the harder it will be to evaluate the performance of each (Knack & Rahman, 2003). Aid fragmentation causes a variety of problems on the donor's as well as on the recipient's country. The principal drawbacks for the donor are a lack of specialization and inefficient scale. If a donor is active in almost every developing country and sector, staff will need to be spread over a large number of very different projects. The result is an inability to generate the country/sector specific knowledge that might be necessary to carry out the project in a successful manner. At the same time, the donor will have to maintain a presence in many different locations, incurring high fixed costs for a limited number of projects.

Another critical challenge for aid is the selection of projects to fund. In most cases donor country or donor agency decides which country and which project to fund with inclusion of the recipients. Even though this is usually done after the consultation of the high commission or embassy in the recipient countries, the project may be unpopular with the locals putting it long term sustainability to jeopardy. It is essential to emphasize that there can be a funding agency's misunderstanding of developing community's real needs due to a developmental, cultural and knowledge gap between donors and target beneficiaries (Moe & Khang, 2008). The more multifarious effect on project selection is presented by diverse interests of stakeholders involved such as the donor, the recipient country, target beneficiaries, the project team and the NGO or projectrunner.

The donor has a target to ensure socio-economic development of the beneficiary

country through the most efficient exploiting of the given budget. As a result, the project choice can be biased by the principal desire of selectors to satisfy donor's requirements (Shaw and Allen, 2009). From the other side, the receiving government has a main interest of meeting Millennium Development Goals target and national development by exploiting the funding budget at its most. Moreover, ID projects often become a means of political manipulations in beneficiary countries (Diallo & Thuillier, 2005; Moe & Khang, 2008). The fight for power can lead politicians to reject some viable projects, unfavorable for them, and lobby for projects, which are politically beneficial but infeasible for target recipients (Moe & Khang, 2008).

Donors often fund countries where there is need for short-term relief and development. The question of how many lives can be saved right now might get answers that are difficult to reconcile with strategies related to long-term development. Should development assistance focus on providing antiviral drugs to people infected with HIV/AIDS or should they invest in setting up health care systems in a sustainable way? Donors often offer a combination of short and long-term approaches in countries where capacity building is possible. If it is not, then bypassing government might be the only option (Muriithia & Crawford, 2003)

Each year donors give development assistance to developing countries many of which exhibit unproductive situations in which aid goes to waste through government incentives to pocket the aid for personal gain and/or limited capacity on the part of state institutions to ensure that aid reaches its intended beneficiaries. Aid transfers between donor and recipient governments are at great risk of aid capture through agency problems and bureaucratic inefficiencies in poorly governed countries (Brautigam & Knack 2004; Djankov et al 2008; Gibson et al 2005; Reinikka & Svensson, 2004; Svensson, 2000).

In these countries' institutions fail to provide minimal levels of corruption control, rule of law, government effectiveness, and regulatory quality. In countries with better governance the threat of aid capture is lower because more effective institutions provide rules and constraints that limit exploitative elite behavior and bolster administrative capacity (North, 1991). If governance does not pose a problem, therefore, donors will prefer to deliver aid through the government-to-government channel, all else equal. Government-to-government aid contracts may not have



sufficient bite to align recipient government incentives in ways that ensure assistance reaches the intended beneficiaries. To avoid capture of aid, donor may decide to aid delivered through non-state development channels as that which does not engage government authorities at all. This may include local/international NGOs, multilateral organizations, private contractors, and public-private partnerships (Djankov et al., 2008)

Local NGOs are important development partners for donors. Their issue focus and local knowledge about what types of projects are needed most make them attractive to donors who seek to deliver services effectively. Examples of local/regional NGO success stories in foreign aid delivery across the developing world include Love Live in South Africa, The AIDS Support Organization in Uganda, and the Grameen Bank in Bangladesh. Not all NGOs are equally virtuous and capable, however. In poorly governed countries, NGOs may not necessarily be a viable alternative for better service delivery. To mitigate potential implementation problems of aid delivered through local NGOs, donors' resort to funding international NGOs such as Oxfam, Doctors without Borders or Care International. Like their local counterparts, international NGOs are issue-focused and typically have better knowledge of local capacities than donor officials in donor countries (Svensson,2000).

Donors will opt for bypass government in poorly governed countries because they expect bypass aid to have a greater likelihood of achieving the desired outcome than government-to-government aid. Many studies that examine aid effectiveness gauge the success of aid by its impact on economic growth. In the world's poorest countries, however, economic growth may not serve as the most appropriate measure for aid success. For growth to occur many moving parts need to fall in place. At a minimum, one would like to see a healthy and educated population to take advantage of growth opportunities (Moss, Roodman & Standley, 2005).

Even if we assume that it is possible for the incentives of all parties involved to align in a manner that facilitates successful coordination surrounding foreign aid, we must address the possibility that both donors and recipients do not have adequate knowledge to achieve development goals. This section explores this possibility. Hayek (1945) identified in his article "The Use of Knowledge in Society" the central problem to social coordination. This central problem, later known as "the knowledge problem",

identifies that every society faces decentralized knowledge.

Information is discontinuous, dispersed across many individuals, and often contained in inarticulate forms. Every society must find a way of tapping into this fragmented information in order for individuals and society to flourish. Hayek applied this insight in order to successfully argue that central planning could never achieve widespread wealth because not one person or group of persons holds all of the information necessary to successfully coordinate an economy. Von Mises (1922) illustrates that in a market economy, it is not necessary for one person to hold all the information. An institutional regime built on private property disperses the necessary information to economic actors. These actors engage in rational economic calculation to make efficient decisions. Economic calculation hinges on the ability to gather essential information. This information-gathering process utilizes prices that reflect relative scarcity. Without such a price mechanism, decision makers do not have a guide us on how to best allocate resources. Thus, central planning could never replicate what private property and a price system provide (Von Mises, 1922)

Unlike markets, central planning has no mechanism of gathering and integrating the fragmented information that is held across many individuals. Central planning simply cannot tap into this local knowledge. Based on this argument, Hayek contended that only private, decentralized actors operating in the market are capable of achieving social coordination. We should not expect foreign aid to be any different than coordination in other economic activities. The success of foreign aid involves coordination from both the donors and the recipients. On both sides, information is dispersed, local, and decentralized (Williamson, 2009)

Donors are very good at specifying goals and what they hope to achieve with the aid, but they may not know where aid is required, who it is needed, in which locations, and in what quantities. Similarly, the poor recipient countries know what they need and in what quantities, but they may not know who has the aid or how to get it. Effective foreign aid, just like successful social coordination, must solve Hayek's knowledge problems for both the donors and the recipients (Heckelman & Knack, 2008).

### **2.2.8 Macroeconomic Policies of Foreign Aid**

According to Burnside and Dollar (1997), and World Bank (1998), a good policy

environment is a prerequisite for aid effectiveness. It is in this regard that the World Bank and other donors have pushed for policy reforms in developing countries; Kenya included (Ojiambo, 2013). For example, the basic objectives of the Structural Adjustment Programmes were to restore developing countries to macroeconomic stability and to revive economic growth through increased resource mobilization and more efficient use of resources through monetary, fiscal and exchange rate management, interest rate deregulation, domestic price decontrols, cereals market liberalization, with export incentive schemes, reform of financial management and regulatory reforms (O'Brien & Ryan, 2001).

The need for reforming the public finance system was emphasized in the Economic Recovery Strategy for Wealth and Employment Creation (the ERS) for 2003-2007 (The World Bank, 2007). According to Republic of Kenya (2003), this was to enable the economy to achieve, among others, fiscal sustainability and balance in the public economy, restructuring and reallocations for growth and poverty alleviation which could result into improved performance of the public sector coupled with efficiency and effectiveness resulting into improved service delivery. As a result of this, a number of relevant and important reforms was initiated some of which have been related to an improved budget process and documents and have included automation of payroll and financial management systems.

Ojiambo (2013), notes that these reforms have also been visible in the legal regimes which govern the financial management, ethics and procurement including the introduction of improved audit techniques and the clearing of audit backlogs which have been essential components of this process. Kombo and Tromp (2006), says that institutional reforms have also been undertaken to promote good governance and fight corruption, reforms which were premised on the fact that an efficient Public Finance Management (PFM) system is a key factor to the efficient use of a nation's scarce public resources and the realization of public sector objectives such as poverty reduction and support towards national growth and prosperity (Republic of Kenya, 2003). These reforms were seen to be important as it was a requirement for donors who were interested in providing general budget support and using national PFM systems. The impact of these reforms on the government's financial management is of essence.

To continue improving governance system, Republic of Kenya (2008) confirms that the Government of Kenya unveiled Vision 2030 with a focus on transforming national development with the aim of turning Kenya into an economic powerhouse by increasing income per head fivefold to \$3,000 and achieving and sustaining a 10 per cent GDP growth per annum, and leading into the transformation of the country into an efficient modern democracy. The impact of aid on most macroeconomic variables has not been simple and straightforward because it does exhibit more of a mixed picture of relationships rather than clear and significant causal relationships among them in most cases (Ojiambo, 2013). This is because the relationship is most times blurred by the varying policy environments under which aid has been managed in the recipient countries (Wangwe, 2006).

Debate on aid effectiveness has drawn attention due to the complexity of relationships between aid and policy. In spite of the debates around technicalities and methodologies adopted, there is general agreement that aid works better in good policy environments (Njoroge, 2014). In general, where policy performance is good aid tends to work. However, performance itself needs to be interpreted broadly beyond the issue of growth as such and extend to consider issues of poverty and human development (Knack & Rahman., 2003). This finding helps to shift attention towards defining what constitutes good policy environment and striving to put it in place (Brautigam, 2010).

The extent to which aid allocation has been able to induce good policies is not encouraging either (Adeniyi & Abiodun, 2017). Burnside and Dollar (2000) performed an econometric investigation on this relationship and failed to find any significant effect of aid on policy on average. Taking into account different contributions on the practice of conditionality, Asteriou and Price (2007) have provided further arguments in favor of an outcome-based conditionality as a means to optimize the economic impact of aid on recipients. Conditionality has influenced the kinds of policies that were adopted. Linking aid delivery to adoption of SAP policy reforms in the 1980s meant that liberalization of policies was made towards a particular type of policy package (Ojiambo, 2013). SAPs remain focusing on macroeconomic stabilization, public sector reform and liberalization of markets and trade. However, the relationship between aid and policy is more complex (Collier & Hoeffler, 2002).

The approach adopted in the Burnside and Dollar (1997) study explicitly models the simultaneous interactions among aid, policy and growth. This approach faces an identification problem of whether aid causes policy or good policy attracts aid (Ojiambo, 2013). It would appear that there is no simple answer to this identification problem. However, the studies of aid in some recipient countries such as Tanzania have suggested that it is important to distinguish the practice of the 1960s and 1970s on the one hand from the practice of the 1980s and 1990s on the other (Wangwe, 2006). During the 1970s aid allocation was influenced by the degree to which the development philosophy proclaimed by the recipient country was perceived to be congruent to that of the donor (Njoroge, 2014). It is in this context that Tanzania, for instance, received considerable aid from social democratic governments of the time.

The questions of macroeconomic policies were introduced in the aid agenda in the 1970s. From the 1980s explicit reference began to be made to the kinds of macroeconomic policies that countries should be pursuing if they were to continue receiving aid from multilateral financial institutions (Ouattara, 2006). In response to the perception that aid effectiveness was impaired by pursuit of poor policies, donors, led by multilateral institutions became quite explicit in tying aid to the kinds of policies that the recipient countries were pursuing (Bandyopadhyay & Vermann, 2013). Even when bilateral donors were not explicit about this new policy stance their actions were influenced by the stance taken by the multilateral institutions.

At this time the concept of “seal of approval” gained recognition in the literature on aid and policy making in developing countries (Bulir & Hamann, 2008). Oduor and Khainga (2009) note that prior to the 1980s it was confirmed that policy caused aid to the extent that donors allocated aid because they endorsed the development philosophy which the recipient followed while in the 1980s and 1990s the scenario was more likely that aid caused or at least it deliberately attempted to cause policies through explicit conditionality on macroeconomic stabilization policy and later on institutional reforms (Ojiambo, 2013).

A further point to note is that over time there has been policy learning on the part of governments and multilateral institutions which have been administering policy

conditionality (Bertelsmann Transformation Index, 2014) such that what was good policy in the mid-1980s has been modified considerably since the 1990s. It is clear that the concept of good policies has also been evolving benefiting from experience overtime. In this context, to have regression using a fixed index of policy over a long period of time can lead to ambiguous or misleading results. Measuring good policies in terms of the level of a scalar policy index arrived at by weighting three elements of standard macroeconomic policies as represented by budget surplus, inflation and openness is not an adequate representation of what may constitute good policy (Muli, 2016). The fact that the econometric results are reasonable may be a reflection of a high correlation between these three elements of policy and the more complex array of policies which have not been entered in the index (Adeniyi & Abiodun,2017).

The targets of macroeconomic policy as defined in the study may be achieved but at high cost in terms disruption of the economy depending on the process and path they take. The process adopted in achieving inflation control, reducing budget deficits and opening up the economy and how these are sequenced can be as important in signifying good policy, if not more important than the quantitative targets that are reached at a point in time (Andersen,2013).

The quality of policies pursued is not fully reflected in the observable quantities like rate of inflation, size of budget deficit or level of tariffs. The process and path which the country goes through to achieve those targets is probably more important in determining good policy. Inflation can be reduced through a credit squeeze to the detriment of pro-investment initiatives; budget deficits may be reduced by cutting down on growth promoting public expenditure such as infrastructure; and trade openness may be achieved in ways which may erode key domestic production activities. Openness may devastate domestic industry if complementary policies are not put in place to promote potentially efficient economic activities. In this context, the World Development Report (1997) and the Trade and Development Report (1997) have cautioned about the risk that trade liberalization may bring in terms of erosion of domestic industry and employment and the need to implement a carefully phased liberalization.

What is of greater concern is that the policy index and the structural model used do not

always give due weight to the process of policy making and dynamics of shifting from poor policies to good policies (Knack & Rahman., 2003). In practice, policy improvement is much more demanding than the achievement of targets. The experience of policy making in many developing countries has shown that challenges of policy making involve many more policy instruments depending on the development objectives that a country sets out to achieve (Knack, 2001). For instance, poor countries may choose to pursue policies which enhance pro-poor growth. In such cases the process of shifting from bad policies to good policies and the path that such a shift and would differ from a situation where only macroeconomic stability was sought.

The dynamics of policy making and policy improvement are therefore important (Knack & Rahman., 2003). This shift is a process which has occurred in many developing countries even if for some of the met may not have been translated as yet into what would pass as good policies in terms of the policy index used in the study (Bertelsmann Transformation Index, 2014). There are usefulness lessons to be learned about the process of policy making, the path followed in shifting towards good policies and sequencing of policy instruments and how best to combined if ferment policy instruments.

The process of building the capacity for policy analysis and economic management faces greater challenges in developing countries which are also undergoing the transition from public sector led and administratively controlled economies towards private sector led market economies and from one party closed political systems to more open multiparty political systems (World Bank, 2014). The situation is complicated further by the imperatives of globalization. The challenges of policy making under the new conditions of economic and political liberalization and the globalization process call for more explicit support for building the capacity for managing the path towards good policies (OECD, 2009). This is much more demanding than achieving selected quantitative macroeconomic policy targets. Development assistance should be directed towards supporting the build-up, rather than erosion, of this capacity.

The policy process deserves greater attention than has been the case in past. In particular, the need to build the capacity for public finance management and policy

coordination is an important aspect of paving the path towards good policy making (World Bank, 2014). The many cases of failure to meet local financial obligations in aid projects, a situation which limits aid effectiveness, are largely a reflection of the low capacity for budget management even when this problem may not show explicitly in the size of the budget deficit (Adeniyi & Abiodun, 2017). In such cases budget ceilings may be observed as an aspect of “good policy” but at high cost in terms effectiveness and efficiency in project implementation (Andersen, 2013).

Research has been conducted on effect of governance on foreign assistance in different countries (Arndt, Jones, & Tarp, 2010). Freytag and Pehnelt (2009) indicate that countries that are well governed get more debt relief and good governance gives a positive prediction of economic infrastructure aid, budget support aid, as well as aid towards productive sectors. They also confirm that poor governance gives a positive prediction of technical assistance together with aid being channeled via Non-governmental organizations (NGOs). Countries that are better governed receive more budget support aid with the donor countries much willing to use government institutions as channels for their aid funds in the better governed nations (Muli, 2016).

There are various studies that have also been carried out to investigate on the relationship between inflows of donor funding and economic development of nations. For instance, the studies conducted by Knack (2001) and Bräutigam (2000), revealed that foreign aid has positive impact upon growth in cases where good economic policies have been established. The studies emphasized that poor governance have a negative effect on a nation’s development due to the mismanagement of the donated funds. When the intensity of aid continues for a long duration of time, it is likely to create aid dependence that is linked with political challenges as well as attitudinal and behavioral problems (Adeniyi & Abiodun, 2017).

These studies concluded that good governance is vital for not only promoting governance but also foreign aid. Another study conducted by Karras (2006), on the investigation of the correlation between donor funding and growth within per capita through use of data from 1960 to 1997 using a sample of 71 developing countries that received foreign aid. The results of the study indicated that foreign aid has a positive and permanent effect on economic growth. The research concluded that this effect is statistically significant however; these results were attained without putting



consideration on the impact of policies. A study by Burnside and Dollar (2000) on a panel of 56 countries over the period 1970-1993 with a time interval of four years concluded that with the right monetary, trade and fiscal policies, foreign aid can cause economic growth.

The following section conceptualizes the study, which will comprise some theories of International Relations and concepts in developmental aid.

### **2.3 Conceptual Framework**

This study will be guided by two theories namely:

Modernization and Interdependence theory of International Relations. Further, concepts arising out of the World Bank recommendations on developmental aid will be employed.

Subsequently, the following are assumptions of the modernization theory as spelled out from different authorities. Modernization theory, one of the most influential theories in the social sciences, holds that as the composition of the economy develops, from an agrarian to a postindustrial society, communities will develop post-materialist values, which should lead to a higher representation of women in elected positions. However, while this reasoning is intuitive, there is no consensus on how to operationalize and measure this process. Existing studies use different types of national level proxy measures such as aggregated survey data on public attitudes on gender equality and broad development indicators such as per capita GDP or population density.

Modernization theory is a theory used to explain the process of modernization within societies. Developed by Mayhew (1985) this theory refers to a model of progressive transition from a pre-modern or traditional society to a modern society. The key tenets of modernization theory encompass economic development, democratization, weightless economy, credible polity, social modernization the theory looks at the internal factors of a country while assuming that with external assistance traditional countries can be brought to development in the same manner more developed countries have been. Historians link modernization to the processes of urbanization and industrialization and the spread of education. As Kendall (2007) notes urbanization accompanies modernization and the rapid process of industrialization. When modernization increases within a society, the individual becomes increasingly

important, eventually replacing the family or community as the fundamental unit of society.

According to Payne (2005) modernization theory is a theory used to explain the process of modernization within societies. The theory looks at the internal factors of a country while assuming that, with assistance, "traditional" countries can be brought to development in the same manner more developed countries have. Modernization theory attempts to identify the social variables, which contribute to social progress and development of societies, and seeks to explain the process of social evolution. Modernization theory not only stresses the process of change but also the responses to that change. It also looks at internal dynamics while referring to social and cultural structures and the adaptation of new technologies.

Modernization theory was developed to provide a specifically non-communist solution to poverty in the developing world. Its aim was to spread a specifically industrialized, capitalist model of development through the promotion of Western, democratic values (Baran & Hobsbawm., 1961). The theory tries to explain why poor countries are underdeveloped and proposes solution to the underdevelopment. The theory explained the reasons for underdevelopment of countries in Asia, Africa and Latin America primarily in terms of cultural barriers to development, basically arguing that developing countries were underdeveloped because their traditional values held them back (Payne, 2005).

In order to develop, less developed countries needed to adopt a similar path to development taken by the West by adopting Western cultural values and industrialize in order to promote economic growth. In order to do this, they would need help from Western governments and companies, in the form of aid and investment. The theory favored a capitalist- industrial model of development believing that capitalism or free market encouraged efficient production through industrialization. According to these theorists, obstacles to development are internal to poorer countries. That undeveloped countries are undeveloped because they have the wrong cultural and social systems and the wrong values and practices that prevent development from taking place.

According to Talcott Parsons (1964) argued that traditional values in Africa, Asia and Latin America such as particularism, where people are allocated into roles based on

their affective or familial relationship to those already in positions of power; collectivism, where the individual is expected to put the group (the family or the village) before self-interest; patriarchy where women are much less likely to gain positions of political or economic power, and remain in traditional, housewife roles; ascribed status and fatalism where your position in society is ascribed (or determined) at birth based on your caste, ethnic group or gender and the feeling that there is nothing you can do to change your situation acted as barriers to development.

Talcott Parsons believed that Western cultural values which promoted competition and economic growth such as individualism, where individuals put themselves first rather than the family or the village/ clan; universalism which involves applying the same standards to everyone, and judging everyone according to the same standards; and achieved status and meritocracy, where one achieves their success based on their own individual efforts.

Modernization Theorists like Rostow (1971) believed that traditional societies needed western assistance and models to develop. Although they advanced numerous debates about the most effective ways to help countries develop, the general consensus was the view that aid was a good thing and if developing countries were injected with money and western expertise it would help to erode backwardness and cultural barriers and kick start their economies.

According to Bandyopadhyay and Verma (2013) this theory has been criticized for one, that there are no examples of countries that have followed the modernization theory approach to development; secondly the theory assumes that western civilization is technically and morally superior to traditional societies implying that traditional values in the developing world have little value compared to those of the West. Many developed countries have huge inequalities and the greater the level of inequality the greater the degree of other problems: High crime rates, suicide rates, poor health problems such as cancer and drug abuse. Thirdly, the argument that development is not really about helping the developing world at all but about changing societies just enough so they are easier to exploit, making western companies and countries richer, opening them up to exploit cheap natural resources and cheap labour.

Although Modernization theory stresses the importance of foreign aid, but corruption

often prevents aid from getting to where it is supposed to be going (Andersen, 2013). Much aid is siphoned off by corrupt elites and government officials rather than getting to the projects it was earmarked for. This means that aid creates more inequality and enables elites to maintain power. Similarly, post-development thinkers argue that the model is flawed for assuming that countries need the help of outside forces. The central role is on experts and money coming in from the outside, parachuted in, and this downgrade the role of local knowledge and initiatives (Bacha,1990).

It is also noted that industrialization may do more harm than good for many people such as cause social damage where some development projects such as dams have led to local populations being removed forcibly from their home lands with little or no compensation being paid (Bandow & Vasquez, 1994). However Modernization theory was relevant to this study because the developed countries use foreign aid to influence the developing countries, but it takes a high percentage of the developing countries budgets to service foreign aid loans and conditionalities and yet Foreign aid, is availed to developing countries with an aim to offer a solution towards solving theeconomic and political problems, however, from the available records, it has not resulted in financial independence (Andersen, 2013).

The modernization theory addresses the foreign aid provision and acceptance motive on the outcomes seen in the foreign aid political economy and internal political economy on Kenya's macro-economic policies and is therefore relevant to the study of Foreign Aid and Political Economy. There is need to further look at the assumptions of Interdependence theory, which stresses the complex intertwining of global economies.

Interdependence theory introduces a win-win situation in International Relations when nation states cooperate;it is opposed to a zero-sum game of the realists' theory (Donnelly, and Snidal 2008, 150). The work of the theorists surfaced in the 70s to become a significant challenge to political realist theory in international politics and became foundational to current theories that have been categorized as liberalism, neo-liberalism and liberal institutionalism.

Traditional critics of liberalism are often defined alongside critics of political realism, mainly that they both ignore the social nature of relations between state and the social fabrics of international society.

With the rise of neo-liberal economics, debates and the need to clarify International Relations theory, Keohane has most recently describe himself as simply an institutionalist, nothing purpose for developing sociological perspective in contemporary International Relations theory.

Liberal, neo-liberal and neo-liberal institutional theorists continue to influence international politics and have become closely intertwined in political realism.

Military power is not the only form of power, economic and social power matters a great deal too. That exercising economic power has proven more effective than exercising military power. That international rules and organizations can help to foster a cooperation, trust and prosperity. Another assumption here is that the consequences of using military power often out way the benefits and that the national cooperation is therefore in the interest of everystate.

Interdependence in International Relations is a theory put forth by Robert Keohane and Joseph Nye who hold that states and their fortunes are inextricably tied together. The concept of economic interdependence was popularized through the work of Richard N. Cooper. With the analytical construct of complex interdependence in their critic of political realism, Robert Keohane and Joseph Nye go a step further and analyses how international politics is transformed by interdependence.

The theorists recognized that the various and complex transnational connections and inter-dependencies between states and societies were increasing while the use of military force and power balancing are decreasing but remain important.

In making use of the concept of interdependence Keohane and Nye importantly, differentiate between interdependence and dependence in analyzing the role of power in politics and their relations between internationalactors.

The analysis of complex interdependence has three characteristics as follows:

- 1) The use of multiple channels of action between societies in interstate, Trans governmental, and transnational relations hasincreased.
- 2) There is an absence of hierarchy of issues with changing agendas and linkages between issues prioritized and theobjective.
- 3) Bringing about a decline in the use of military force and coercive power

## in International Relations.

Nye and Keohane thus argue that the decline of military force as a policy tool and the increase in economic and other forms of interdependence should increase the probability of cooperation amongst states. This cooperation may mean direct foreign investment, trade or foreign aid and therefore to average degree interdependence brings forth the spirit of cooperation through which foreign aid becomes relevant. It is also important to look at Developmental aid concept.

Foreign aid cuts across interdependence and modernization theories and principled Aid index (PA) developed by the Overseas Development Association (ODA), (Silcock E and Gulrajani N 2020).

ODI's Principled Aid (PA) Index measures the 29 bilateral Development Assistance Committee donors' motivations for providing Official Development Assistance. The Index ranks donors according to whether their foreign aid allocations support a principled or parochial national interest.

The index for principled aid were Development gaps, Global cooperation, Public spiritedness, (Silcock E and Gulrajani N 2020).

The indicators for principled aid include:

- Target poverty: aid flows weighted by the poverty rate (poverty headcount ratio) in recipient countries.
- Support to displaced populations: amounts of bilateral ODA to countries that cumulatively host 70% of themes cross-border forcibly displaced populations, as a share of bilateral ODA.
- Assisting conflict-affected states: amount of humanitarian bilateral ODA to countries with active violent conflict, as a share of bilateral ODA.
- Targeted gender inequality: amount of gender-focused bilateral ODA, as a share of total bilateral ODA.

- Global safety net: share of ODA on health, education and social security that is spent in Severely Financially Challenged Countries (SFCCs) (Silcock E and Gulrajani

A. Enhancing global trade prospects: amount of bilateral ODA allocated to aid-for-trade activities, as a share of total bilateral ODA (ODEN 2020).

DB. Providing core support for the multilateral system: amount of ODA as core multilateral funding (minus core funding to EU institutions), as a share of total ODA.

2C. Tackling the effects of climate change: three-year rolling average amount of total ODA (bilateral and imputed multilateral) for climate mitigation and adaptation activities, as a share of total ODA.

2D Reducing the spread of communicable disease: amount of ODA (bilateral and imputed multilateral (Silcock E and Gulrajani N 2020)

3A Minimizing tied aid: share of bilateral ODA that is formally or informally tied.

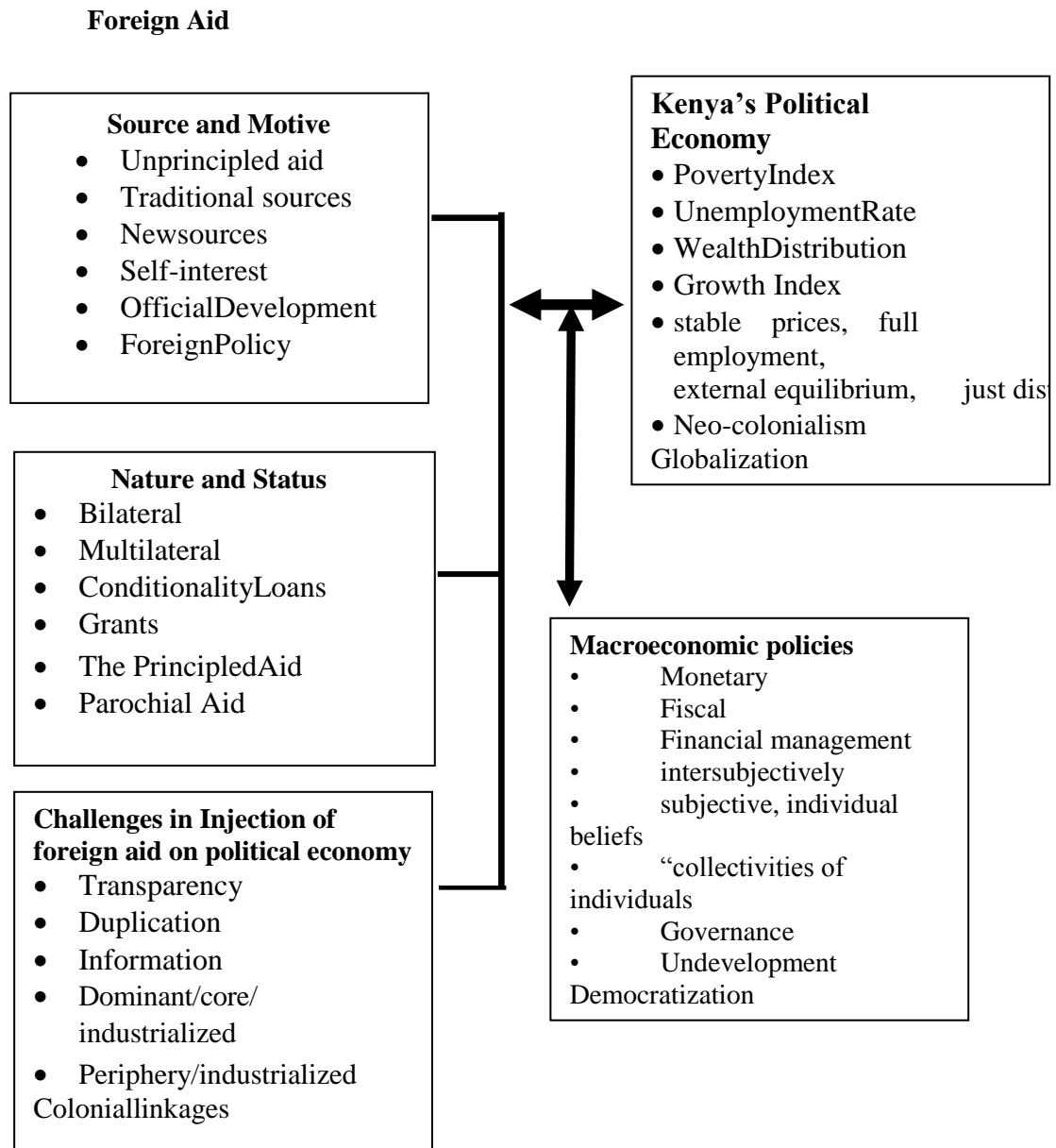
3B. Reducing alignment between aid spending and United Nations voting: correlation between UN voting agreement across donors and recipients, and bilateral ODA disbursements from donors to recipients.

3D. Localizing aid: share of bilateral ODA spent as Country-Programmable Aid (CPA), plus share of bilateral ODA spent in Country-Based Pooled Funds(CBPFs).

3E. Influencing elections: absolute value of the difference between expected and actual ODA flowing to a recipient during an election year (Silcock E and Gulrajani N 2020).

## 2.4 Conceptual Model

**Independent Variable    Intervening Variable    Dependent Variable**



**Figure 2.1: Model demonstrating variable Interaction:**  
**Source Researcher (2017)**

This conceptual model shows the relationship between the variables. The independent variables were derived from the Modernization theory, which indicates that less developed countries relate with developed countries both for their social and economic development. According to the model, foreign aid which usually comes from developed to developing countries is conceptualized by the study objectives namely: source and motive of aid, nature and status of foreign aid, challenges



associated with injection of foreign aid and the mediating effect of macro-economic policies from (undevelopment, underdevelopment, poverty index, unemployment, equity distribution of wealth, governance and economic growth) foreign aid. The Political economy, which is the dependent variable, is conceptualized in terms of the modernization and interdependence theory.

The modernization theory when applied to Kenya's International Relations with foreign aid donors and its political economy presents a major deviance from the Raul's observation on inherent drivers as they impact on macroeconomic policies in Kenya.

This conceptualization is based on the interdependence theory (Roger, Jeffrey, & Steven, 2015) and modernization theory (Mayhew, 1985). These two theories provide the best insights in the relationship between foreign aid and its impact on the political economy and Macro-economic policy (Kerlinger, 1979).

After reviewing the above literature review, the next step looked at the Research Methodology that this study used.

## **CHAPTER THREE RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter discusses research design, study area, study population, sample size and sampling techniques. The chapter further presents data collection instruments, pilot study, validity and reliability of research instruments, data collection procedure and data analysis. Research methodology referred to the scientific way of conducting research in a systematic manner (Cooper & Schindler, 2011). A research methodology is important as it helps a researcher to identify and explain relevant methods that were used in collecting and analyzing data, the limitations of each method and why a given method is chosen over another method (Kothari, 2014). It helps to identify area of study, research design, target population, sample size, the sampling procedure, sampling frame, research instrument, and data processing and analysis (Saunders, Philip, & Thornhill, 2015).

### **3.2 Research Design**

Cooper and Schindler (2011) assert that a research design constitutes the blue-print for collection, measurement, and analysis of data and a plan and structure of investigation concerned with obtaining answers to research questions. A research design is the way a researcher turns a research question into a research project and the general plan of how one will go about answering research questions (Saunders et al., 2012).

This study employed a cross-sectional research approach using both descriptive and correlational research designs. Cross-sectional research design was appropriate as it combines the use of both qualitative and quantitative approaches. According to Kombo and Tromp (2006), the use of both qualitative and quantitative methods in data collection and analysis are important to a study as the methods complement each other making it easy to understand procedures in a study. The methods should be combined to maximize the strengths and minimize the limitations of each other.

The study used a cross-sectional research design thus combined both qualitative and quantitative forms. The inferential statistics were derived using the Pearson's moment statistical test, to determine the relationship and interrelationship among

independent (Foreign AID ) and dependent (Macro economic (policies) variables moderated by the intervening (Political economy ) variables .This mode of design enables a researcher do research extensively across disciplines to explain and interpret; and explore the phenomenon understudy phenomenon; develop and test a new instrument; serve a theoretical perspective; complement the strengths of a single design; to overcome the weaknesses of a single design; to address a question at different levels and to address a theoretical perspective at different levels and employ sequential explanation by using qualitative results to assist in explaining and interpreting the findings of a quantitative study (Biddix, 2009).

Likert scale was applied as a fundamental psychometric tool in social sciences research. a variance in indecies for the four variables under study namely (foreign aid source motive nature and status, political economy and macro-economic policies) have varying number of indicators hence the the difference in number of questions within the likert scale tools for each variable and objective (Kothari, 2014).

The Cronbachs Alpha test was used to validate the conceptual relationship between the varaibles through indiceis and indicators and the overall concept of the dimension it represents., the study design drew from existing secondary data to establish the nexus amongst foreign aid source motive nature and status, political economy and macro-economic policies (Kothari, 2014):

A. Source and motives of Foreign aid which is indexed around the three aspects of: Development gaps, Global cooperation, Public spiritedness.

B. Political economy Social constructivism

Focuses on the social facts of the world. among individuals within states who hold intersubjective understandings that affect their behavior intersubjectively (that is, collectively) “collectivities of,” just as do “collectivities of states.” held beliefs that cannot be reduced to a series or summation of subjective, individual beliefs. material facts, causal properties, (Ruggie D.J., 2004) (democratic, market-based, respecting of human rights), sets the boundaries for legitimate and illegitimate policy (OECD) And the World Trade Organization (WTO) and International Monetary Fund (IMF) defined practices of “market” economies in trade and money. Currency regulation and protection of domestic industry and agriculture with tariffs and nontariff barriers

(Dobbin F, 2004).

C. Macro-economic policy impacts on Firms government households' non-residents value changes and targets stable prices, full employment, external equilibrium, just distribution of income; questions to macro-economic examined: what causes business cycles (episodes of stronger and weaker economic growth)? can an increase in the monetary supply by the central bank cause real effects? What is responsible for long-run economic growth? should the exchange rate of a currency be kept at a fixed level? can one decrease unemployment, if one accepts an increase in inflation Kunst MR (2006).

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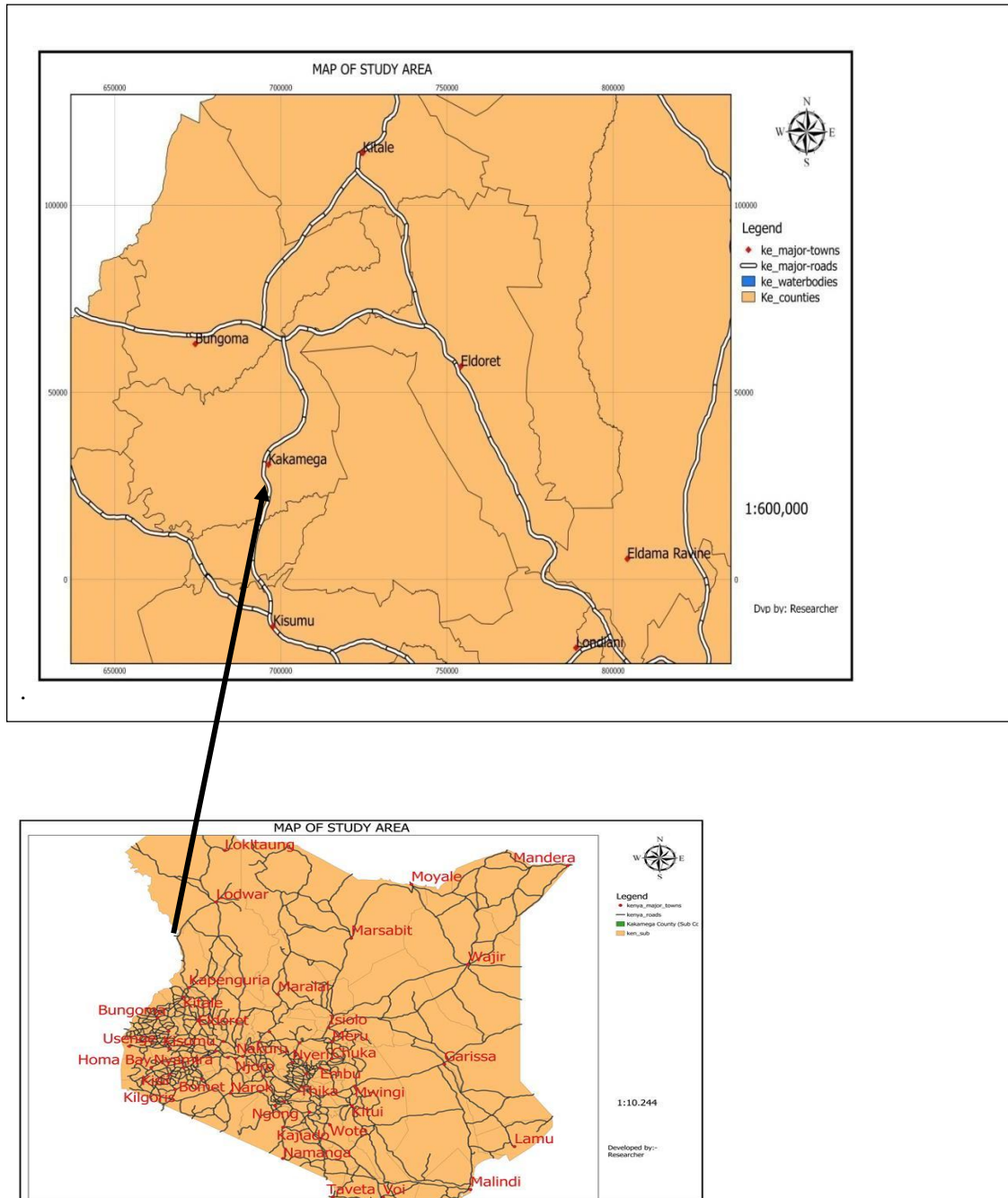
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### **3.3 Study Area**

This study was carried out in the Republic of Kenya specifically with reference the counties of Kisumu, Vihiga, Kakamega Bungoma and Trans Nzioa which all lie

along the western corridor (Kisumu - Kitale highway) and have received foreign aid funded by the world Bank and other donors.



**Figure 3.1: Map Showing the Area adjacent to Western corridor (Kisumu-Kitale) Highway supported by foreign Aid**  
**Source: Researcher, 2017**

### 3.4 Target Population

Population refers to an entire group of persons or elements that have at least one thing in common (Kothari, 2014). Population sample refers to the larger group from

which a sample is taken. The target population in this study were key informants (Section heads) in the Ministries of water, Road and infrastructure, Foreign Affairs, and Education in the government of Kenya; and in donor country missions and embassies. This study was carried out among key informants responsible for infrastructure project aid free primary Education in Kenyan Schools; Governance support and WASH foreign Aid activities. In the counties along the Western corridor in the Republic of Kenya with reference to

### **3.4 Sampling Frame**

To obtain this number of participants, a sampling procedure/ technique that ensured a smaller sampling error and reduce systematic bias was used (Kothari, 2014). This study adopted probability-sampling techniques, which ensured each possible sample combination had an equal opportunity of being picked up and gave each item in the entire population an equal chance of being included in the sample (Sekaran & Bougie, 2013). To achieve randomness the study set up processes and procedure that assured that the different units in the population had equal probabilities of being chosen. The importance with probability sampling is its assumption that the population elements under study are usually already grouped into sub-populations and lists of those sub- populations exist or can be created (Gujarati & Porter, 2010).

### **3.5 Sample Size and Sampling Technique**

A sample frame is an index of cases, a complete list of all the cases in the population from which a sample will be drawn (Saunders et al., 2012). The sampling frame for this study was obtained from the public service commission of Kenya secretariat for a list of heads of department in ministries in the government of Kenya. The sampling frame for the donor countries was obtained from the human resource office in the embassies and missions.

#### **3.5.1 Sample size**

A sample is part of the target population that has been procedurally selected to represent the population in a study (Brinkmann & Kvale, 2015). It is an important feature of any empirical study whose goal is to make inferences about a population (Gill & Johnson, (2010). A sample size is determined based on the expenditure of the method of data collection and the need to have sufficient statistical power (Mkansi & Acheampong, 2012). To have a sufficient statistical power a study considers required

confidence level, margin of error, type of analysis and size of the total population (Gujarati & Porter, 2010). Since the population which was being studied was finite and the data was to be analyzed at 0.95 confidence level or significance level of 0.05, the following formula by Kothari (2014) was used to obtain the sample size of 191 respondents from a study population of 380.

$$nf = \frac{z^2 pq}{d^2}$$

Where: nf = desired sample size when population is over 10 000

**p** = population proportion

q= 1-p.

d<sup>2</sup> – significance level (0.05)

z= z-value at the given significance level

When the values were substituted  $nf = \frac{1.96((1.96)(0.5)(0.5))}{(0.05)^2} = 384$

When this figure is reduced to the definite population size with less than 10000, then

$$n = \frac{nf}{1+(n/N)^2}$$

Substituting for values

$$n = \frac{384}{1+(384/380)} \quad n = 191$$

Therefore n = 191 respondents

### **3.5.2 Population Sampling**

The study design comprised of stratified sampling and simple random sampling techniques that were developed. The target population was stratified into government

of Kenya officials and officials from donors. Kenyan officials' heads of departments were categorized in their respective ministries. After this categorization random sampling technique was applied to select officials who participated in the study as shown table 3.1.

**Table 3.1 Sample Population**

Category	Sub- Category	Target	Proportion %	Sample Size
Government of Kenya	MOE	65	30	33
	MOR & ID	60	28	30
	WARI	45	21	22
	Foreign Affairs	43	20	21
	<b>Total</b>	<b>213</b>	<b>56</b>	<b>106</b>
Civil Society	<b>Total</b>	<b>126</b>	<b>34</b>	<b>65</b>
Donors	EU	11	26	5
	Chinese Embassy	12	29	6
	UK	10	24	5
	Swedish	8	20	4
	<b>Total</b>	<b>41</b>	<b>10</b>	<b>20</b>
Total		<b>380</b>		<b>191</b>

The study sampled respondents where 106 were from the government of Kenya officials with (33) respondents from the office of the permanent secretary of education Section heads in the directorate basic education, secondary and tertiary education, policy partnerships and east Africa community affairs , Directorate of alternative provision of basic education and training, Directorate of technical education ,Higher education, Research management and development, youth training from the Ministry of Education, (30) were section heads from the ministry of roads and infrastructure, (22) respondents were section heads from the ministry of water and irrigation, and (21) respondents were from the ministry of foreign affairs.

The study interviewed 20 officials from Donor community EU Embassy (5), Chinese



(6) respondents UK High Commission (5) respondents, and Swedish Embassy (4) respondents. Sampling of Civil Societies had 65 respondents selected.

### **3.6 Data Collection Instruments**

According to Creswell (1998) data collection is the means by which information is obtained from the selected subject of an investigation.

Primary and secondary data was collected through thorough evaluation of policy related annual plans and reports.

The Primary data was collected using a questionnaire covering attitude and perception of the research questions namely: source and motive of foreign aid, nature and status of foreign aid and political economy and macro-economics of the study. The questionnaire for this study was structured using the Principled and parochial aid index, the Political economy tenets and constructs of macro economy (Kothari, 2014). Similarly, all respondents replied to the same set of statements using the same five- point Likert scale. The questionnaire was structured in order to limit the respondents to give aspects of the variables in foreign aid, political economy and macro-economics.

The questionnaire had both open-ended and closed-ended questions and statements. The open-ended part gave respondents room to express their views in a more pragmatic manner in order to collect their free opinion on the variables while the closed part restricted the respondents to give specific responses which were measured using the five-point Likert measurement scale developed for the questionnaire (Kothari, 2014). Secondary data was gathered from existing theoretical and empirical sources that were found credible in literature review.

### **3.7 Pilot Test**

To reduce the chances of instrumentation error and increase reliability and validity of the data collected a pilot study was conducted to pre-test the questionnaire. 10% of the sample size was selected randomly from one ministry and one donor country. This group which was selected for pilot test was not allowed to participate in the main study.

### **3.8 Validity Test**

To ensure validity of the questionnaire, it was formulated based on theoretical basis of the research and was modified and revised after the pilot study (Noorlaila et al., 2016). Views of experts were sought on the questionnaire to guarantee validity.

Validity of an instrument is a measure of how well an instrument measure what is to be measured. This is the degree to which results obtained from the analysis of data actually represents the phenomena under study (Mugenda and Mugenda, 2003). Therefore, it has to do with how accurately data obtained in the study represents the variables of the study. Kathuri & pal (1993) posits that validity is the degree to which

A test measures the variable it claims to measure. Content and face validity of the research instruments was determined before they were used in the study. Content validity refers to the representativeness of the items on the instrument as they relate to the entire domain or universe of the content being measured, while face validity is simply the appeal and appearance of the instrument (Kathuri & pal 1993). Thereafter, the further validation of the research instruments was determined during the pilot study.

#### **3.8.1 Reliability Test**

Reliability analysis was done to determine the properties of the measurement scales and the items that composed the scales (Mkansi & Acheampong, 2012). A measuring instrument is reliable if it provides consistent results (Kothari, 2014). Reliability test provided information about the relationships between individual items in the scale. Cronbach's alpha which is measures of coefficient of internal consistency is commonly used as an estimate of the reliability of a psychometric test for a sample of examinees (Brinkmann & Kvale, 2015). All variables were found to have Cronbach's alpha of over 0.7. This reliability was adequate and the questionnaire considered reliable and hence usable for data collection.

### **3.9 Data Collection Procedure**

Data collection is the precise, systematic gathering of information relevant to the

research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories (Sekaran & Bougie, 2013). This study collected both primary and secondary data. Before data was collected several ethical principles were adhered to. These principles included respect for People, treatment with kindness, Justice among others. In applying ethical principles, the study focused on informed Consent where participants were given an opportunity to choose to participate in the study voluntary and there was no coercion and undue influence.

The participants were also assured of the confidentiality of the information they provided. The participants were however guided to comprehend the intentions of the study and how to approach questions asked.

### **3.10 DataAnalysis**

Given that the data obtained from the study was both quantitative and qualitative, analysis was done as follows. Quantitative Data Analysis was performed by use of descriptive statistics. According to Wolverton (2009), descriptive analysis involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages, which are a vital part of making sense of the data. Data from questionnaires was analyzed by descriptive statistics using percentages and frequencies as well as inferential statistics such as Pearson's correlation

**Table 3.2 Summary Table Showing Objective Variables, Research Design and Analysis Method.**

	<b>Objectives</b>	<b>Research Tools</b>	<b>Analysis Method</b>
1.	Examine the source and motive of foreign aid in Kenya.	<ul style="list-style-type: none"><li>• Questionnaires</li><li>• Interview schedule</li></ul>	Frequency Pearsons correlation
2.	Evaluate the nature and status of foreign aid on political economy in Kenya.	<ul style="list-style-type: none"><li>• Questionnaire</li><li>• Document Analysis</li></ul>	Frequency Pearsons correlation
3.	Identify challenges accompanying the injection of foreign aid on Kenya's political economy.	<ul style="list-style-type: none"><li>• Questionnaires</li><li>• Focused group discussion</li></ul>	Frequency Pearsons correlation

### **3.11 Limitations of the study**

The study encountered the following limitations:

During the pilot test stage, I discovered that there was a lack of knowledge of Kenya's foreign policy and foreign aid disbursement among the county government officials.

The Embassies missions and donors have no representation within the counties. Securing appointments with key informants at foreign embassies and missions

### **3.11 Assumptions**

The study assumed that the proposed respondents had enough data to the study.

The International Relations nature of the study assumed that foreign aid and foreign policy would be available at national government level.

The next chapter looked at the data presentation, analysis and discussion of the findings of the study.

**CHAPTER FOUR:  
DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS**

**4.0 Introduction**

This chapter presents the findings of the study at four levels guided by and in accordance to the study objectives and research questions. Section 4.1 describes the Demographic characteristics of the Respondents; Section 4.2 describes the perception of the source and motive of foreign aid in Kenya’s political economy. Observations by the researcher and interviews with key stakeholders. This section is designed to fulfil the specific objective (i) one of the study. Section 4.3 presents a detailed exploration of the nature and status of foreign aid on Kenya’s political economy. To address specific objective (ii) two of this study. Section 4.4 presents analysis of the challenges accompanying the injection of foreign aid on Kenya’s political economy to fulfill specific objective (iii) three.

**4.1 Demographic Results and Findings**

The profile data included gender, age, education and duration of the respondents in the current workstation. Table 4.1 gives the results, which were obtained.

**Table 4.1: Demographic Characteristics of Respondents**

Category	Profile	Frequency	Percent
Gender	MALE	92	56
	FEMALE	73	44
	<b>Total</b>	<b>165</b>	<b>100</b>
Age	20-28 YRS	49	30
	29-38 YRS	65	39
	39-48 YRS	32	19
	ABOVE 49 YRS	19	12
	<b>Total</b>	<b>165</b>	<b>100</b>
Education level	Diploma	6	4
	Bachelors	91	55
	Masters	42	25
	Doctorate	26	16
	<b>Total</b>	<b>165</b>	<b>100</b>
Work Experience	0-1 Years	21	13
	1-2 Years	76	46
	3 and above	68	41
	<b>Total</b>	<b>165</b>	<b>100</b>

**Source: Researcher (2018)**

From table 4.1, it is evident that majority of the participants were male at (f=92) 56% while female was (f=73) 44%. On age of Respondents shows that majority of the respondents were aged between 28-39 years at (f=65) 39%, followed by those between 20-28 years at (f= 49) 30%, 39-49 years at (f=32) 19% and those above 49 years at (f=19) 12%. On the distribution of respondents by level of education, majority of the respondents had a bachelor’s degree at

(f=91) 55%, followed with those having Masters at (f=42) 25%, Doctorate at (f=26)16% whereas those having diploma where only (f=6) 4%. None of the respondents had o-level and certificate qualification.

This indicated that those working in this department had adequate qualification. On distribution by work experience respondents who had served in their organization for a period of between 0-1 years were (f=21) 13%, those between 1-2 years were (f=46) 46% whereas those who had served for 3 years and above were (f=68) 41%. This shows that majority of the respondents had worked in their organization for over two years which was a good time enough to understand matters to do with effect of foreign aid on the development of the political economy in Kenya.

#### **4.2 SOURCE, MOTIVES OF FOREIGN AID AND POLITICAL ECONOMY**

This section presents descriptive analysis of source and motive of foreign aid and which was obtained through the statements, which were presented to respondents and measured on a five-point Likert scale as shown table 4.2.

The study sought to establish if sources of foreign aid that have been increasing since independence have had an effect on Kenya's Political economy. Secondary data sources in World Bank reports indicate that foreign aid has been increasing since independence as a result of new sources such as China, Japan, Brazil and Middle East. The reports note that Kenya secured KSh.21.9 billion financial assistance from China for infrastructure development and drought mitigation. The money includes a KSh.19.2 billion grant to deepen ties between the two countries. An additional KSh2.2 billion (150million Yuan) is for measures to tackle drought and a further KSh.500 million (5million Yuan) for refugees (world Bank,2018).

Polarization between East and West Alliances in the Kenyan political economy began early in the nascent Kenya nation with foreign aligned ideological differences as stated by a study secondary source:

“European investment and settler interests were strong enough to influence Kenyan policies if and when necessary, but it was evident, and

became increasingly evident throughout the years, that Kenyatta and his colleagues favored these links not just for their own benefits (the thrust of the neo-colonial thesis), but because they sincerely believed that everybody in Kenya was to benefit from such links” (Jackson H. R,1970).

The emergence of non-traditional sources of foreign aid emerged due to an apparent non-alignment foreign policy position by the then Kenya government leadership as revealed by a study secondary source:

“The government followed the common African path of a highly moralistic foreign policy, as well as a firm commitment to non-alignment, which was to allow the country's leaders to judge each issue on its individual merits and not how one or other of the power blocs wanted them to judge it. In practice, this policy of non-alignment was undermined to a large extent by the country's close economic relationship with the west.”(Jackson H.R,1970).

A key informant at Ministry of Water and irrigation stated that:

“Sweden through the Swedish International Development Agency SIDA has increased its funding through supporting programmes that are carried out by the World Food Programme to build capacity of the national government, county governments and households to handle the crises that regularly strike dry and semi-dry areas. Among other things, it concerns cash transfers to vulnerable people, projects to increase the supply of water and find new agricultural methods, and support for local governments so that they will be able to reduce the negative effects of the drought. Greater access to water has also been prioritized in Kenya and, for decades, Sweden has been involved in the work for people to have good access to clean water. At present, Sweden supports the Water Sector Trust Fund, which should improve access to water and sanitation, both in the countryside and in urban areas” (GoK 2018).



Table 4.2 shows the old and new sources and motive of foreign aid in Kenya.  
**Table 4.2: Source and Motive of Foreign Aid attitude descriptive results**

Statement	SD		D		N		A		SA	
	F	%	F	%	F	%	F	%	F	%
Most aid is from west	16	11	20	12	25	15	65	40	24	14
Kenya has new sources of aid	18	11	53	32	32	20	54	30	12	7
Source of foreign aid has been increasing	33	20	63	38	25	15	39	24	5	3
All donor funds aim at development	43	27	48	29	35	21	30	19	7	4
Donors give funds for self interest	15	9	48	29	39	24	52	31	11	7
Donor funds have conditions	28	17	48	29	36	22	25	15	20	12
Aid is both bilateral and multilateral	30	18	51	31	30	18	42	26	12	7
There is adequate information sharing between Kenya and donors	28	17	48	29	32	20	41	25	15	9
<b>Average</b>		<b>16</b>		<b>25</b>		<b>19</b>		<b>26</b>		<b>8</b>

**Source: Researcher (2018)**

The evidence from world bank reports shows the active injection and utilization of foreign aid. This finding reveals the foreign policy of the interdependence and modernization theories of International Relation through various sources of Foreign Aid in Kenya since independence (world Bank 2018).

The motive of donor countries in giving aid to recipient countries however is dichotomous and can be explained further by internal political economy vis-a-viz the Neo-colonialist nature of Kenya's political economy structure as Wanjohi states:

“They must (a) recognize that their country is truly a neo-colony of Western imperialism, and therefore take every measure within their reach in order to end such a relationship and (b) try to obtain the kind of aid with the pattern, terms and techniques which will enable the country to end neo-colonial relations and to establish independent, economic and social infrastructures conducive to independent industrialization as a basis for total national technological, economic and social development”. (Wanjohi.N. G (1980).

External factors inimical to both donor and recipient nations like Kenya vis the:

Principled Aid under the aegis of: Development gaps, Global cooperation, Public spiritedness,

Early scholars such as Wright stated:

'neo-colonial' society in which political activities are constrained and circumscribed by the need to maintain links with foreign financial and political interests. The term 'neo-colonialism' here is used to mean the survival of the colonial system of economic exploitation after independence, and despite independence, with the connivance of a domestic elite who gain in material terms from such an arrangement Savage D C., (1970) Wright S J (1980)

An examination of the receipts of foreign aid to Kenya was vital in understanding aid effects on macro-economic since independence as secondary data sources revealed. The country's foreign debt stands at seven (7) trillion Kenya shillings against an annual GDP of 12 trillion (GoK 2018). When respondents were asked whether most foreign aid came from the west and east, 61(38%) disagreed whereas 89(62%) agreed.

A secondary data study source Savage C stated:

“The assimilation of European values and aspirations by the African leaders during this period, rather than causing a rejection of the colonial links at independence, provided the stimulus for a pro-western orientation in foreign policy and development priorities” (Savage D C., 1970).

The attitude and perception of respondents highlights the Kenyan government foreign policy reliance on the promotion of economic interdependence as (Ikenberry, 2014; Essays, 2018) asserts that the best policies are those that promote globalism and interconnectedness as it empowers large majorities of the population, thus serving as a democratizing force and increasing economic interdependence between democratizing nations may become a valuable technique to encourage peaceful democratization (Ikenberry, 2014; Essays, 2018).

The study secondary data review source further revealed that Savage C stated:

The foreign policy of the country in the years after 1963 was tentative and formative but displayed a tacit acceptance by the Kenyan elite of the parameters allowed it by the residual colonial interests (Savage D C.,1970).

The study found that globalization cuts across the tenets of the modernization and

interdependence theory views and the imperatives of globalization also call for the new conditions of economic and political liberalization and building the capacity for managing the path towards good policies (OECD, 2009).

The study found that 103(63%) respondents disagreed that Kenya has found new sources of foreign aid, whereas 66(37%) agreed. Highlighting the dichotomy of capitalism (West) and socialist communist (east) ideology propagations

“Capitalist development in the periphery is considered to be blocked because it does not produce the model of the developed world and blames the external impetus”. (OECD,2009).

A key informant at the Ministry of Foreign Affairs Kenya at Old Treasury House at 11 am 19/02/2018 stated that:

“With regard to political conditionality, three interpretations possibly explain its origins. The first interpretation is related to the disintegration of both the Soviet bloc and its principal power, the USSR. This disintegration implied that the bipolar international system which had dominated International Relations and world politics since World War II was a thing of the past, and that the Cold War had come to an end. With respect to the Third World, what this further meant was that the competition between East and West for clients in these countries, had also been removed(GoK2018).

Subsequently, the traditional North foreign aid sources from the West discounts and dismisses the principles of dependency syndrome,through promotion of the North South relationship contrary to Raul'sexplanation on enhancement of South-to-South ties that can alleviate some of the drawbacks of continued neo-colonialist structures and import substitution. It is noteworthy that even though democratization has grown through periodical elections in Kenyaand itis now possible to pursue other values like, rule of law and human rights, in addition to market-based economic principles as defined by the modernizationtheory. These factorsreally replaced the aspects of the interdependence theory of security considerations that had predominated during the Cold War period. Donors mostly drawn from the West also felt compelled to aid only countries that were committed to the political values, which they professed, now that they were in a position to advance their own

independent policies (GoK 2018).

The study findings show that Foreign aid, can be effective and beneficial to recipient nations but it also impedes import substitution thus dismissing the dependency ‘syndrome’, this does not however adequately reveal the reasons for adverse effects that also impact on economic sovereignty ‘democratization and good governance’. The modernization and interdependence theories similarly outline that “Foreign aid is unsustainable for economic growth” and corroborates with Njarara who found that developing countries are encouraged to reduce reliance of foreign aid finance to the budget deficits (Njarara, 2017).

Table 4.3 shows Pearson’s correlation test results between the source and motive of foreign aid on the Kenya’s political economy.

#### 4.2.1 Correlation Results

**Table 4.3: Correlation Results and Findings**

		POLITICAL ECONOMY	SOURCES AND MOTIVE OF AID
POLITICAL ECONOMY	Pearson Correlation	1	.442**
	Sig. (2-tailed)		.000
	N	165	165
SOURCES AND MOTIVE OF AID	Pearson Correlation	.442**	1
	Sig. (2-tailed)	.000	
	N	165	165

**Source: Researcher (2018)**

Research findings of the inference drawn by the Pearson’s correlation test proximity significance of respondents’ perception reveal significant relationship between source and motive of foreign aid with the political economy in Kenya at  $r=0.442$ , probability  $p=0.000$ , and shows a moderate correlation.

The respondents were also asked whether donors give foreign aid for their own benefits. (f=99) 62% disagreed whereas (f=63) 38% agreed. On whether donor funds come with conditionalities (f=112) 68% disagreed whereas (f=45) 27% agreed. these findings are in consonance with Schraeder, Steven and Bruce (1998) report that:

“Swedish aid is strongly motivated by pro-socialist ideology and by trade benefits aimed at countries in which the Swedish impact can be large rather than in response to humanitarian need” (Schraeder, Steven and Bruce,1998).

Hook and Zhang (1998) similarly report that even after the Japanese government announced that it would give aid for democratization, human rights, and restraint in military spending, its aid giving is still dominated by self-interest rather than altruism. This finding partially conforms with the modernization theory through development of new and non-traditional source of foreign, that maybe described not a “North” source but also further illustrates the Modernization and interdependence aspects that promote a non-confrontational approach to International Relations.

According to Bruce and Alister, even if a donor is interested in the implementation of good policies in recipient countries, most of the time that interest will be dominated by nationalist considerations. Much of the time, aid giving best serves donor and recipient interests when its policy consequences run against normatively desirable outcomes such as the reduction of poverty (Bruce &Alastair, 2006).

These attitude study findings from the respondent’s perception confirm that some donor countries advanced foreign aid for their own interests. Countries like Great Britain and USA were named as those who advanced foreign aid for their own interest whereas countries like Japan, Canada, Australia and Scandinavia,did not put their interests first but they are involved in donor funding so as to achieve sustainable development. It was recorded that countries which had their interest first put their political and economic interest in advancing donor aid to Kenya. One of the interests was to protect their military interest in the horn of Africa and access route to the Middle East.This finding outlines the neoclassic dependency syndrome view in the case of Britain butis dismissed by the involvement of USA, Japan, Canada, Australia and Scandinavia countries as these countries never had a colonial relationship with Kenya but provide foreign aid to Kenya and is better explained by the interdependence and modernization theories.

Study findings show that Geopolitics has been a big effect as a motive of foreign aid that Kenya has been receiving since independence. The position of Kenya in the horn of Africa with a lot of conflicts and insecurity makes it a favored recipient of foreign aid. The conflicts

in Central Africa Republic, DRC, Somalia and South Sudan make Kenya to receive a lot of military aid especially from the United States and United Kingdom. It was noted that both countries have military base in Kenya due to its geopolitical advantage. This finding also outlines the neoclassic dependency syndrome view in the case of Britain and modernization theory view in the case of the USA.

A key informant at the Ministry of Foreign Affairs 11 am 19/02/2018 stated that

“It is true that the British army and American army have permanent military Garrison in Nyanyuki and Manda island respectively in agreement with the Kenya which they use for annual tropical training fields for their troops” (Gok 2018).

The study found that another reason for foreign aid was to control vast natural resources such as minerals, oil and gases that are still under explorations in various parts of Kenya. It was also found that they have interest in maintaining colonial ties and their investments in Kenya and some were interested in showing their mighty and superiority in the international arena, a finding that resonates with findings of (Burnside & Dollar, 2000).

In a study by McKinley and Little (1977, 1978), which investigated the motivations for American and British aid giving. They found that donor interests are sometimes parochial and not principled and the aid assistance motivation overrides recipient nations priority needs.

It has been observed by McKinlay and Richard (1978) that the neediest states do not receive the most aid or even a proportionately large share and that in fact, the average rank order correlation between per capita income and per capita US aid receipts among aid recipient's year-to-year since 1980 is only -0.03. The study found that, where a recipient is in the cross-national income pecking order seems irrelevant to how much aid they get, at least from the US. Similarly, although some studies contend that Scandinavian countries give foreign aid for humanitarian purposes (Noel & Jean- Philippe, 1995), systematic empirical study finds otherwise.

The country also benefits a lot of emergency aids due to humanitarian programmes in Somalia, South Sudan and Ethiopia. This means that many humanitarian programmes are

coordinated in Kenya where regional headquarters are located. It was also noted that Kenya has been economic hub of East and Central Africa, majority of donor countries especially new donors such as China have advance development aid to her. This is also influenced by the coastline, which has city port of Mombasa and proposed Lamu port to connect South Sudan and Ethiopia to the Indian Ocean. As a result, Kenya has benefitted a lot from geopolitics as every donor country and organizations are interested in her. This finding outlines the modernization theory in relation to aid from China.

It was also noted that most donor countries use the modernization theory view to provide aid as a means to promote exports to donors and getting access to raw materials from recipient countries. Woods (2008) notes that a quest for energy, security enlarged trading opportunities and new economic partnerships are common to most non-DAC donors. That by granting aid to corrupt and undemocratic regimes, new donors could undermine efforts by traditional donors to grant aid according to merit of recipient countries. China is the preferred villain with respect to commercial and political selfishness, but similar charges are also directed at other Asian donors such as India (Manning 2006; Woods 2008), Arab countries (Villanger 2007), and Venezuela (Manning 2006; Naím 2007).

On information sharing countries such as China, Turkey, Russia, India and most Middle-East which are non-DAC Countries did not share foreign aid information. DAC countries such as USA, Great Britain, Canada, Australia and other Scandinavian countries shared information about their donor funded projects. These indicated that although DAC countries put conditions on donor funds, they we are more transparent in their project implying that they do not condone corruptions unlike the non-DAC countries. It was also revealed that lack of information from Non-DAC makes it difficult to get tangible evidence on the value added, impact and sustainability of their programmes and runs counter to the modernization theory view that promotes the tracking of GDP, Poverty and Neonate mortality index among many other indices. This finding outlines the modernization theory view in relation to aid.

The study also sought to find out the various types of foreign aid Kenya government has been receiving since independence. It was noted that Kenya has been receiving foreign aid in form of bilateral and multi-lateral. Bilateral level accounted for bigger percentage as countries such as USA, United Kingdom and China have been supplying Kenya with foreign aid. Even though she has been receiving foreign aid from multi- lateral institutions such as

World Bank, IMF, UN, EU and African Development Bank, China interest in Africa and More so in Sub Saharan Africa has made most of the donor countries to prefer bilateral level of foreign aid with Kenya.

The following section shall discuss the findings of each objective of the study.



## FINDINGS ON NATURE AND STATUS OF AID

### 4.3 Introduction

The purpose of this study was to critically examine the influence of Foreign Aid on Kenya's political economy. This section discusses the results which were obtained for the second objective, to evaluate the influence of the nature and status of foreign aid on Kenya's political economy. The section is divided into the results for demographic characteristics, descriptive results and inferential findings. Descriptive statistics include the use of frequency and percentages, while inferential results involved use of correlation analysis. These findings have been summarized using tables.

#### 4.3.1 Descriptive Results

This section presents descriptive analysis of nature and status of foreign aid which was obtained through the statements which were presented to respondents and measured on a five-point Likert scale as shown in table 4.4.

**Table 4.4: Descriptive Analysis of nature and status of aid**

Statement	SD		D		N		A		SA	
	F	%	F	%	F	%	F	%	F	%
Foreign aid used for intended purpose	11	7	41	24	43	26	51	31	19	12
Most aid is channeled through NGOs	26	16	62	38	33	20	33	20	10	6
Aid is channeled through Government	7	4	42	26	46	28	53	32	17	10
Use of aid is monitored by donors	11	7	32	19	37	23	62	37	23	14
Funding is sometimes withheld	8	5	42	26	30	18	57	34	28	17
Donor countries require accountability	14	8	48	29	16	10	47	29	40	24
Donor aid is adequate	19	11	37	22	54	33	44	27	11	7
There is coordination on use of aid	15	9	38	23	36	22	62	38	14	8
<b>Average</b>	<b>14</b>	<b>8</b>	<b>38</b>	<b>26</b>	<b>36</b>	<b>23</b>	<b>51</b>	<b>31</b>	<b>20</b>	<b>12</b>

**Source: Researcher (2018)**

The study assessed the nature and status of foreign aid on political economy of Kenya study findings show that there is a foreign aid among countries internationally. Respondents were asked whether most foreign aid has been used for the intended purposes. (f= 95) 57% disagreed whereas (f=70) 43% agreed. According to Bruce and Alastair (2006), leaders use resources to provide private and public goods for their supporters. That recipient and donor leaders are each motivated to maximize their political survival prospects. The amount of aid given and to whom it is given are both consistent with constructivism in the political economy amongst donors and recipient countries. The modernization theory explains the provision of foreign aid via the egalitarian principle of public spiritedness.

The study findings on whether donor countries monitored the use of foreign aid in Kenya, found that (f=80) 49% respondents disagreed whereas (f=85) 51% agreed. According to (Levy, 2014) donor countries that monitor the use of foreign aid improves aid efficacy such education sector assistance in Kenya was the reason most funds were being used for intended purposes. it was noted that the United Kingdom, which was the main donor for free primary Education in Kenya economy, monitored the project implementation and hence the increase in primary student enrollment which has resulted to improvement in literacy level and further an increase in transition from primary school to secondary and led to socio-economic empowerment and expansion of education sector in Kenya (Levy,2014).

This finding is supportive of the modernization theoryview in public spiritedness butruns counter to the principles of the dependency theory view, that assumes a reduction in north imports of south raw material and assumes import substitution to reduce dependency and counter the neoclassic approach that presupposes that underdeveloped countries are undeveloped due to late arrival or engagement in trading and commerce.

The collectivism political economy is further advocated by Levy (2014) also observes that there is need for micro-level initiatives to generate islands of effectiveness that must also depend on an ability to achieve this goal. Although this shift imposes complex technical and political demands, it also represents the most promising area for progressive change in weak in foreign aid use. Firms, civil society organizations, (CSOs) and informal or traditional community-basedorganizations (CBOs) can provide almost any service, but that they each provide managerswithdifferent types of authority and incentives, and allow recipients to exercise different kinds and degrees of leverage over them (Levy 2014).

The study findings show that most foreign aid was not channeled through NGOs (f=121) 74% disagreed, whereas (f=43) 26% agreed. On whether it was through government (f=95) 58% disagreed whereas (f=70) 42% agreed. It was revealed that channeling of foreign aid was mainly determined by the donor country or the lending institution although with some government input in the decision. Although there was a large disagreement on channeling of foreign aid through NGOs, it found out that most DAC countries preferred channeling through NGOs due to their accountability, independent assessment of issues and problems, expertise and advice, reaching important constituencies, provision and dissemination of information and awareness- raising.

Kenya has over 100 international NGOs 11262 local NGOs and 50000 CBOs (GoK 2018)an indication of alternative civil and governance structures that the international community has exploited to have access to Kenya (GoK 2019).

The study found that NGOs at various stages had a great strength in advocacy and participatory models of development that focus on human development. Further, the respondents were asked if there was coordination between donors and Kenya Government in the use of foreign aid; (f=89) 54% disagreed whereas (f=76) 46% agreed. These indicated that there was some coordination on donor funded activities between the donor and the government especially during negotiation stages for funds.

The Study found that the UK government has continued to fund FPE and it has ensured adequate monitoring and coordination structure on utilization of the funds. Hence the reason why in 2016, the Kenya Government through ministry of education and finance failed to provide adequate information on the use of over KSh.100 million on construction of classes and purchase of books which resulted to a standoff.

However, it was noted from a secondary data source that:

“It also emerged that the FPE programme is popular. Notwithstanding the numerous benefits that have accrued due to FPE, it was noted that the programme had killed community initiatives in education funding and provision. Although the communities were keen to provide physical, material and financial support to schools, they have withdrawn from this in the recent past; they have been made to understand that the government has taken over the full responsibility of providing education. It is hoped that the findings of this study would assist the government in formulating FPE policy that would benefit all the stakeholders by enhancing team work and sustainability of FPE”.

(Ogola.F. O 2010).

The provision of foreign aid to support the free education policy decision to Kenya is a factor of the neoclassical approach of the dependency theory view that describes the apparent idea by donor countries to maintain former colonial relations but presented as a function of the modernization theory.

The study on accountability, found that (f=78) 47% disagreed whereas (f=87) 53% agreed that donor countries required accountability on use of donor funds. The results show that there was need for better transparency and accountability in the utilization of funds by Kenya Government. Kenya Government was required to give proper financial reports and be ready to be criticized. There was also need to scale up monitoring and evaluation and capacity building programs in order to increase the human capacity that is needed to absorption of donor funds. It was also revealed that there was need for joint identification of project areas so that implemented projects are genuine and realistic and that good financial reports, close supervision and capacity building through awareness creation in all part of the country as well as technical empowerment for success of use of donor funds.

Bruce and Alastair (2006) confirm that the reason for lack of accountability and transparency in use of donor aid is political survival interests of donor and recipient government leaders where aid is seen to increase the likelihood that the recipient and donor leaders will be retained in power rather than deposed and replaced by a political rival. This causes the recipient and donor leaders to seek substantive policies and resource allocations that protect their hold on power instead of ensuring accountability of the donor aid allocated. This finding is in line with the modernization theory that encourages democratization of governance and improvement of facilities in all nations.

The respondents were further asked whether donor funds were sufficient for political economy development; (f=110) 66% disagreed whereas (f=55) 34%. The main reason that was cited for this was the high financial need of the country as result of high population and therefore people tend to scramble for the little donor aid and this has made it difficult for the donors to satisfy the demand of the high population in Kenya. According to Bruce and Alastair (2006) it is difficult to anticipate that aid can do much to advance economic, social and political well-being in recipient countries and, indeed, it seems, it achieves little on these dimensions.

#### **4.3.2 Correlation Results**

A correlation analysis was conducted to determine the relationship between the nature and status of foreign aid and the Kenya's political economy.

The results which were obtained are shown on table 4.5.

**Table 4.5: Correlation Analysis of Nature and Status of Aid**

		POLITICAL ECONOMY	NATURE AND STATUS
POLITICAL ECONOMY	Pearson Correlation		1
	Sig. (2-tailed)		.525**
	N	165	165
	Pearson Correlation	.525**	1
NATURE and STATUS	Sig. (2-tailed)	0	
	N	165	165

**Source: Researcher (2018)**

These findings are explained by the modernization view theory but is also counter to the dependency theory view critique by Raul that assumes the South-to-South relationship as being more beneficial for underdeveloped countries. The presence of various trading blocs such as the African union (AU), East African Community (EAC) and COMESA, have not been of substantial help to Kenya in regard to development needs and has seen the country turn more often to North and former colonial and western sources.

### 4.3.3 OUTCOMES ACCOMPANYING INJECTION OF AID

**Table 4.6: Descriptive Findings of Challenges Accompanying Injection of Aid**

Statement	SD		D		N		A		SA	
	F	%	F	%	F	%	F	%	F	%
Aid has increased transparency	11	7	53	32	42	25	46	28	13	7
Aid has increased bureaucracy	10	6	40	24	63	38	46	28	6	4
Aid has led to improvement in governance and democratization	17	10	50	30	46	29	41	25	10	7
Aid has compromised Kenya's sovereignty	17	10	48	30	10	7	41	25	46	29
Aid has made Kenya aid dependency	20	12	57	34	31	19	44	28	13	8
Foreign aid has resulted in poor fund absorption capacity	17	10	42	26	13	8	47	28	46	28
Kenya receives timely aid	21	12	41	25	44	27	48	29	11	7
<b>Average</b>		<b>10</b>		<b>29</b>		<b>22</b>		<b>27</b>		<b>13</b>

**Source: Researcher (2018)**

The study found challenges in the utilization of foreign aid that affected political economy in Kenya. It was also found that foreign aid has not led to increased level of transparency, as only (f-59) 35% agreed and (f-106) 64% disagreed. It was revealed that there is lack of transparency in the utilization of foreign aid fund. Respondents acknowledged that the Kenya Government was unable to account for a sum of KSh..100, 000,000 that was meant for construction of classroom and purchase of books. Similarly, it was revealed that there were incidences of misappropriation of funds especially those meant for purchase of learning materials. Similarly, it was also discovered that the degree by which corrupt officials chose to spend money on goods whose true value is hard to identify. It was noted that funds that are used for those expenditures that provide more lucrative opportunities for bribery are allocated a lot of aid fund (Shleifer & Vishny, 1993). Accordingly, expenditure on military and high technology goods are some examples by which corrupt officials are provided with lucrative mismanagement opportunities. Corruption and military spending have been found to be closely linked, especially in military aircraft (Hines, 1995).

It realized that there was misappropriation of funds in other projects like the WASH projects sponsored by the Swedish government where it was revealed that besides increasing administration costs, overcrowding of projects increased corruption in the management of WASH projects in the country. Moreso, it was revealed that other challenges related to transparency included interference with project progress for

personal interest and establishment of white elephant projects which results into many incomplete projects. Further, on infrastructural projects it was discovered that there was corruption in the land allocated for infrastructural projects resulting to high project costs. Asongu and Jellal (2014) notes that donors have spent over \$2 billion over the past 20 years on roads in Tanzania, but the roads have not improved.

With respect to education, Asongu and Jellal (2015) agrees that whereas enrollments have expanded rapidly, the quality of education has been hampered by missing inputs like textbooks and other school materials due to corruption in education bureaucracies and weak incentives for teachers. Easterly (1999), contents that from a health standpoint some of the initial progress in Africa has slowed down due to the siphoning of funds.

This is confirmed Pritchett and Woolcock (2004) who say that in Cameroon, Guinea, Tanzania and Uganda estimated 30 to 70% of government drugs disappear before they get to patients. Although foreign aid is important, but corruption often prevents aid from getting to where it is supposed to be going (Andersen, 2013). Much aid is siphoned off by corrupt elites and government officials rather than getting to the projects it was earmarked for. This means that aid creates more inequality and enables elites to maintain power. Similarly, post-development thinkers argue that the model is flawed for assuming that countries need the help of outside forces. The central role is on experts and money coming in from the outside, parachuted in, and this downgrade the role of local knowledge and initiatives (Bacha, 1990).

Citing an example of Zambia whose average income fell from USD 540 to USD 300 in the period 1994-2000 despite it receiving aid per capital than any other country, Gitaru (2015) notes that Corruption has also hindered the economic development of most aid dependent Sub-Saharan countries, with some countries experiencing declining GDP rates despite foreign aid advanced to them to improve their economic development. Ibid ( ) confirms that deep rooted practices of corruption that are a big hindrance to economic development. Corruption causes a decrease in foreign exchange and private investment in human and capital, leads to increase in transaction costs, distorts free market, incentives and causes misallocation of funds (Gyimah & Camacho, 2006).

In regards to governance and democratization, (f-113) 69% of the respondents disagreed whereas (f-51) 32% agreed that foreign aid had improved governance and democratization. The respondents indicated that there are numerous challenges that affect utilization of donor funds to achieve good governance and democratic space in Kenya. It was noted that the government of Kenya has using excessive force to undermine civil society's effort to achieve good governance and democratic space. Lack of respect for the rule of law has made it difficult for civil societies to carry out their mandate Bräutigam and Knack (2004) have concluded that high aid to Africa is linked to deteriorating governance and tax levels a notion shared and (Asongu & Nwachukwu, 2015).

Muli (2016) notes that Aid dependence has an ability to affect incentives as well as the institutional framework in which government, societies, and donors interact. Whenever there is persistence in aid dependence for long durations, actors get accustomed to carrying out their operations within the foreign aid system. When the intensity of aid continues for a long duration of time, it is likely to create aid dependence that is linked with political challenges as well as attitudinal and behavioral problems. Freytag and Pehnelt (2009) indicated that countries that are well governed or improves in their governance get and should get more debt relief. Their results also revealed that good governance gives a positive prediction of economic infrastructure aid, budget support aid, as well as aid towards productive sectors.

The study also sought to identify whether foreign aid had compromised the country's sovereignty, (f-75) 47% disagreed whereas (f-87) 53%. It was noted that during negotiation for foreign aid, it was revealed that donor country usually put their interest first instead of the welfare of the country. As a result, the aid advanced to Kenya is tied with a lot of conditions which the country is forced to accept even when they are against its wishes.

Some of the conditions which were identified include importation of labor, materials and offering of contracts to donor country. A part from that, some of the donor country view Kenya as a third world country which cannot manage mega projects. This distrust makes it difficult for Kenya official to negotiate and sign contract with proposal as it may take long time for them to be convinced that the country had



technical capacity to manage the funds. It was also found that donors were only willing to advance aids to Kenya if they were going to gain politically and economically and hence only,we are willing to offer funds to selected projects which they have interest in and not what the countrywanted.

Further on sovereignty, it was found that Chinese contractors have been importing personnel and equipment from China thereby denying local employment opportunities. It was also found that there is lack of ownership of projects which is affecting the sustainability of the projects. Majority of projects undertaken by Chinese are managed by China Companies with some of them running them to up to 10 years (World Bank 2011). This is dangerous to sovereign country as it lacks the control of key sector such as security and transport.

It was also noted that China and other donors have monopolized infrastructural development in Kenya killing local companies which would otherwise be undertaking small projects.

On whether foreign aid has resulted in poor fund's absorption capacity, 72(44%) disagreed whereas 93(56%) agreed. These indicated that sometimes the country cannot utilize the funds dispersed appropriately. For example, on free primary education, it was noted that high enrollment has resulted low quality of education due to lack of adequate teachers, learning room and learning materials. It was also revealed that there was delay of disbursement of funds from the ministry of finance to respective absorption points which resulted to curtailing some of the school operation and court cases between school management and suppliers. The respondents indicated these challenges affect education sectors as these resulted in cases of poor learning environment due to high enrolment, poor transition of students from primary to secondaryschoolsandinadequateschoolinfrastructuressuchassanitationfacilities.

Other effect have been slow implementation of school programs, low teacher motivation and low quality if education due to poor teacher to student ratio.

According to Kenya's expenditure review (2005), the government utilization of donor funds has been below average in recent years. Since it is donor countries who decide whether Kenya is to receive aid, how much, in what form, for what purpose and under what conditions based on the donors' assessments, this creates problems in Kenya's

absorptive capacity for both domestic and external resources. Further, the requirements that donor funds be channeled through the exchequer, though important for accountability resulted in the problem of a huge portfolio of stalled and incomplete projects as a result of tiresome bureaucratic procedures in the government systems making the impact of aid not to be felt (Gituru, 2015).

#### 4.3.4 Correlation Results

A correlation analysis was conducted to determine the influence of challenges accompanying injection of foreign aid on Kenya's political economy. The results which were obtained are shown on table 4.7.

**Table 4.7: Correlation Results Challenges Accompanying Injection of Aid**

		POLITICAL ECONOMY	CHALLENGES ON INJECTION
POLITICAL ECONOMY	Pearson Correlation	1	.544**
	Sig. (2-tailed)		.000
	N	165	165
CHALLENGES ON INJECTION	Pearson Correlation	.544**	1
	Sig. (2-tailed)	.000	
	N	165	165

**Source: Researcher (2018)**

From table 4.7, it is evident that challenges accompanying injection of foreign aid have a positive and significant influence on the political economy in Kenya at  $r=0.544$ ,  $p=0.000$ . This is a strong correlation and hence the challenges accompanying injection of foreign aid are significant factors on the Kenyan political economy. These challenges include governance, corruption, and level of absorption. According to Muli (2016) corruption in Kenya has made many traditional donors to channel their funds through NGOs who are also affected by poor governance and thus donors need to seek ways on improving their governance is they will continue being used as frontiers for foreign aid to ensure effective and desired results, which will ultimately lead to economic growth of the country. Donors bypass government structures and fund non- government programs and projects directly to avoid government abuse and misappropriation (Njoroge, 2014).

This result is consistent with the voluminous number of previous studies arguing that aid presence spurs economic growth in recipient countries such as (Mustafa, Elshakh,

& Ebaidalla, 2018). This study also found that giving aid to countries with good governance can make aid be used as a tool to improve governance such countries with good governance should have large volume of foreign aid flowing to countries with sound macro-economic policies. As Ogundipe, Ojeaga, and Ogundipe (2014) notes the effectiveness of aid in developing countries requires aid recipient developing Africa economies to build pro-development policies and institutional arrangement that ensure appropriate channeling of resources to support development agenda. That for western benevolence to translates into economic prosperity in developing Africa, it needs to be properly channeled to development projects rather than being a means of serving debt or expansion of government size. Foreign aid, despite its effectiveness and benefits, has adverse effects on economic sovereignty. Foreign aid is unsustainable for economic growth hence it is therefore paramount that Kenya opts to reduce its reliance of foreign aid finance to the budget deficits (Njarara,2017).

#### 4.4 CHALLENGES ACCOMPANYING THE INJECTION OF FOREIGN AID ON KENYA'S POLITICAL ECONOMY.

The findings on Macro-economic policies of foreign aid have been summarized using table 4.8.

**Table 4.8: Descriptive Findings of Macro-Economic Policy of Foreign Aid**

Statement	SD		D		N		A		SA	
	F	%	F	%	F	%	F	%	F	%
Policies have led to effective use of aid	30	81	47	28	36	22	41	25	11	7
Aid has led to improvement in economic policies	32	91	52	32	45	27	30	18	5	3
Policies have led to reduced corruption	16	10	42	25	54	33	43	26	10	6
Policies have led to improvement in governance	19	11	35	21	43	26	57	34	12	7
Policies have led to institutional reforms	20	12	48	29	38	23	48	29	11	7
<b>Average</b>			<b>14</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>6</b>	<b>6</b>

Source: Researcher (2018)

The respondents were asked to rate whether macro-economic policies have led to effective use of foreign aid, (f-113) 68% disagreed whereas (f-52) 32% agreed. This indicated that macro-economic policies have not improved the use of foreign aid. On whether foreign aid has led to improvement in economic policies, (f-129) 78% disagreed whereas (f-35) 21% agreed.

The study found that principled aid and unprincipled aid can and is availed periodically at nation states of requisition of foreign aid a secondary qualitative data source stated:

“Unprincipled aid in the national interest is self-regarding, short-termist and unilateralist. Donors concentrate on securing narrower commercial or geopolitical interests from their aid allocations while sidelining areas of real development need or undervaluing global cooperation. Such donor short-termism or “selfishness” has been shown to be developmentally suboptimal” (Silcock E and Gulrajani N 2020).

“Principled aid offers the prospect of a safer, more sustainable and more prosperous world. It serves donor’s national interest in the long run just as much as it benefits the aid-receiving state. Climate change, infectious diseases, cross-border migration, inequality and global terrorism are just a few examples of development challenges that, if resolved, would be in the national interest of most, if not all, countries (Kaul, 2017; Blodgett Bermeo, 2018). If aid is allocated to tackle difficult development challenges, all nations can be winners, and the mutual interests of all can be served. This is the rationale underpinning the positive-sum „nationalist case for globalism“ that prominent voices are now making” (Gates and Gates, 2019 Silcock E and Gulrajani N2020).

The respondents were further asked whether macro-economic policies have led to reduced corruption, (f-112) 68% disagreed whereas (f-53) 32% agreed. On whether foreign aid has led to improvement in governance, (f-97) 58% disagreed whereas (f-69) 41% agreed.

#### 4.4.1 Correlation Results

A correlation analysis was conducted to determine the relationship between the influence of macro-economic policies on the relationship between foreign aid and Kenya’s political economy. The results which were obtained are shown on table 4.8.

**Table 4.9: Correlation Results Macro-Economic Policies of Foreign Aid**

		MACRO-ECONOMIC POLICIES	POLITICAL ECONOMY
MACRO-ECONOMIC POLICIES	Pearson Correlation	1	.738**
	Sig. (2-tailed)		.000
	N	165	165
POLITICAL ECONOMY	Pearson Correlation	.738**	1
	Sig. (2-tailed)	.000	
	N	165	165

**Source: Researcher (2018)**

From table 4.9, it is evident that macro-economic policies have a highly significant relationship which may influence negatively positively the political economy in Kenya at  $r=0.738$ , probability  $p=0.000$ . This is a strong correlation and hence the two variables are related closely.

Many studies have done to determine the influence of macroeconomic policies on

economic development. The findings of these studies reveal that macroeconomic policies play a significant role in shaping and directing development. Fatás and Mihov (2003) conducted a study that estimated how growth in government spending affected growth in GDP while controlling for the lagged growth in government spending for 91 developed and developing countries. The results exhibited a strong positive correlation between spending and output fluctuations.

The study found that development Goals were at the core of requisition and provision of foreign aid a secondary qualitative data source:

“The issue of 'development is undoubtedly a complex and controversial one, as there is disagreement as to how the concept should be defined. A working definition for our use can be as follows t development is a process of social change which:increases the total benefitsavailable distributes new benefits in some inverse ratio to the distribution of benefits alreadyacquired; offers some assurance of being a process that can be sustained over time. If the first of these requirements is translated into economic growth and the second is translated into equity in the distribution of wealth and income, these are the elements of the definition which are most easily discussed in universal terms“ (White J,1974).

The study found that Public investment was politically perceived as an easier target for cut-backs during times of fiscal stringency rather than cuts in current expenditure. According to their findings, most countries preferred to offset increase in public consumption, interest rates and social security transfers through reduction in public investment. These countries therefore used an expenditure policy as a source of shocks rather than shock absorber for their development programs.

Carl Walsh (2001) studied the relationship between the output gap and optimal monetary policy. This study concluded that in designing the macroeconomic policy, the objective should be to use change in output gap rather than output gap itself with the policy aiming to stabilize the change in the output gap together with inflation imparts socially optimal.

The study found that development Goals were at the core of requisition and provision of foreign aid a secondary qualitative data source:

“The fact that the independent government continued to implement

economic policies comparable with those of its colonial predecessors provides two vital points to note, firstly, the economy developed upon openly capitalist lines with the emphasis upon continual growth. The political repercussions of this act were many, but included the increasing inequalities in wealth within the country, the protection of foreign investments and interests, the postponement of full-scale Africanization and, in general terms, the problem of independent action in a 'neo-colonial' setting. Secondly, and closely linked to the previous point, evidence shows that the leadership preferred the maintenance of the intimate relationship with the West in economic and political spheres to a total rejection of the past. This choice was made both for the practical benefits of keeping the economy. (Lacey R1970).

According to the thinking of Donders and Kollau (2002), the potential output and output gap have a direct impact on government fiscal policy. This is so because government revenues and expenditures usually depend on the actual fluctuations of the economy with an upturn having a budget surplus as a result of higher revenues and lower growth of expenditure and budget deficit during downturn as a result of low revenues and high expenditures.

The study found that investment was at the core of requisition and provision of foreign aid a secondary qualitative data source:

Evidence shows that many areas of the economy remained dominated by foreign interests and out of the control of the central government. In 1967, of the 'Top Fifty' people holding the most directorships in Kenya, only nine were Kenyans, and of them only five were African.\*<sup>2</sup> In commerce and industry between 1967 and 1970, a 70 per cent, increase in output and a 100 per cent, increase in the annual level of investment accrued to foreign interests, In the early 1970s external investment in the manufacturing sector accounted for some 65 per cent, of the total amount, while cement production was completely dependent upon foreign finance. As a final example, in 1972 the multinational conglomerate, Lonrho, could boast of more than fifty subsidiary companies in Kenya.

The prevalence of foreign capital in Kenya, then, had many serious effects. At the East African regional level, the preference of investors for Nairobi as the center of their regional operations helped to accentuate the pattern of unequal growth as perceived by (Cronje S, Ling, M and. Cronje M,1976).

Taylor (2001) has argued that monetary policy significantly impacts on changes in wages and property prices though limited in terms of its effects on real variables through financial markets. In this regard, for the monetary policy to improve on its transmission and effectiveness to emerging economies, it's vital for the Central bank of a country to have predictable behavior. Reinhart and Sack (2000) estimated the effects of fiscal policy in 19 OECD countries using annual fiscal projection from the countries. The study revealed that 1% increase in the budget deficit to GDP leads to increased interest rates by 9 points. This was because, in times of inflationary pressures, fiscal prudence tends to reduce the need to increase interest rates. Therefore, depending on how the public deficit is corrected there will be different impacts on investment.

Heller (2000) studied the issues of fiscal sustainability within two broad policy spheres. First, to create a fiscal policy there is need to consider the scope for increased public savings through tax reform and expenditure rationalization. Secondly, fiscal sustainability is determined by additional resources that can be mobilized from borrowing and grants, which are consistent with maintaining macroeconomic stability and debt sustainability. To increase the revenue share of GDP should be the first option for countries with low tax shares. For low-income countries, raising the tax share to at least 15 percent of the GDP would be a minimum objective. Raising tax revenue beyond this level, however, is not an easy option since it has some political implications and economically hard to justify.

Ball (1999) suggested the use weighted average, in an open economy by the central bank, of the nominal interest rate and exchange rate as the appropriate instrument for developing economies. That depending on the specific nature of markets in developing countries, both short-term interest rate and monetary base or some other



monetary aggregate could be used as policy instruments. By extension, the importance of exchange rates in the pursuit of setting a monetary policy rule for developing countries was emphasized. He concluded that the central bank's objectives are not contradicted by the inclusion of the exchange rate in its reaction function. This is because, to the emerging economies, exchange rate stabilization is viewed as a precondition for output stabilization and deflation.

According to Lowell (2006) financial innovation reduces the output (production) gap. This is because financial innovation increases the efficiency with which money is transmitted in the economy. With increased efficiency, institutions and households are able to access finances easily since interest rate is reduced and transaction costs are minimized as a result of innovation. Therefore, people will be able to consume and invest more which in turn will increase output thereby creating excess demand in the economy. This shows that as financial innovation intensifies it is more likely that the output gap will be positive. Turkmen. & Ozturkler (2012) investigated the comparison of the recent crises in Turkey and the growth rate as compared to actual GDP and found a strong relationship between policy and growth hence the need for the Government to formulate timely macroeconomic policies.

Du Plessis, Smit and Sturzenegger (2007) conducted a study attempting to make explicit allowance for the lags in monetary policy transmission when judging the cyclicity of monetary policy. He used the business cycle technique to identify expansionary and contractionary monetary policy periods and compared these phases with the South African business cycle. He compared the business cycle and the monetary policy cycle, taking into account a 4 to 6 quarter lag for the transmission mechanism yielded striking results. Prior to 1990 there was no relationship between the business cycle and the monetary policy cycle. However, after 1990 a clear-cut countercyclical relationship emerged.

In Kenya, Rotich, Kathanje and Maana (2007) studied the monetary policy reaction function for Kenya. The study found out that Kenya central bank had been targeting inflation in the attempt to ensure stability in the economy while using monetary policy. Results also revealed that during high inflation or excess demand in the economy, the Kenya central bank usually lowers the money supply to check the shock. In this way it had managed to control inflation for a longer period within the

sample period covered by the study. The study in their conclusion also suggested that a backward-looking specification argued by Taylor (2001) appeared to be appropriate for Kenya implying that, for the central bank to implement monetary policy effectively, past inflation should be considered.

Morekwa, Sichei, and Mutai (2008) investigated monetary and fiscal policy interactions in Kenya for the period 1979 - 2007 using HP Filter approach. Empirical results analysis of the behavior of fiscal and monetary policy around the business cycle revealed the following that the fiscal policy did not behave as expected with the expectation being that when the economy is experiencing a downswing the fiscal policy is expected to enlarge and when it is experiencing an upswing the fiscal policy is expected to decline; monetary policy as well did not meet the expected pattern during some of the years but mostly it was found that the government usually pursued monetary policy in countercyclical version by tightening or loosening monetary policy. Hence the study recommended that for policy purposes the CBK should be more vigilant on the cyclical behavior of the economy and full knowledge of the business cycles would be vital in helping monetary policy on how to respond to the business cycle.

Berg et al (2013) on their study on forecasting and monetary policy analysis in low-income countries, case on Kenyan inflation, provided a blue print of a forecasting and policy analysis system with an application to Kenya. From their model they did decomposition of macroeconomic series to obtain trend and the gap from the Kenyan data in an attempt to examining quantitative significance of monetary policy and international shocks as well assessing the performance of their model. They also tried to identify the right policy direction during high inflationary pressures that should be taken and proposed monetary policy tightening.

Their findings indicated that accommodative monetary policy was very crucial and justified that the central bank tightened the monetary policy in 2011 in support of their propositions though they acknowledged the uncertainties surrounding the analysis of monetary policy in Kenya and low-income countries. They suggested that these low-income countries and Kenya in particular, need to employ forward-looking monetary policy in the context of a flexible exchange rate regime. Hence acting more

systematically about monetary policy and focusing on more innovative research on other significant macroeconomic variables is very crucial in promoting the development.

Therefore, macroeconomic policies play a significant role in determining where the country will obtain its foreign aid, how it uses foreign aid and how it mitigates the challenges that emerge in the use of foreign aid. For foreign aid to contribute significantly to the development of the political economy in Kenya, sound macroeconomic policies are required and which should gear towards fiscal stability. As found out by Burnside and Dollar who examined the relationships among foreign aid, economic policies, and growth of per capita GDP in panel growth regressions for 56 developing countries and six four-year periods (1970-93), that the policies that have a great effect on growth are those related to fiscal surplus, inflation, and trade openness. That aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies. In the presence of poor policies, aid has no positive effect on growth.

#### **4.4.2 Challenges Accompanying Injection of Foreign Aid**

The study also revealed that the Free Primary Education provided under the modernization theory view, found that Kenyan officials were unable to account for funds given towards construction of classrooms and purchase of books (Bhargava 2006). Another challenge was over enrolment of pupils in Primary Schools which further compromised the quality of education. There was high teacher-student ratio implying that the quality of education is compromised due to shortage of teacher.

It was also revealed that in relation to WASH projects funded by Sweden, there is misappropriation of funds and overcrowding of government institutions in WASH projects. This has resulted in increase of administration cost which on the other hand increases corruption in the management of WASH projects in the country. Others were misappropriation of funds, interference of projects due to personal interests and white elephant projects. Highlighting features of the dependency theory view with undevelopment, underdevelopment and governance as the key contradictions of the modernization theory view (Baran,1967).

On governance and democratization, the EU officials indicated that the government of Kenya been using excessive force to undermine civil society's effort to achieve good governance and democratic space, the government also has lack of respect for the rule of law which has made it difficult for the civil societies to carry out their mandate. The challenges facing Chinese government revealed that there is corruption in land allocated for infrastructural projects resulting to high project cost; another challenge is the high cost of acquiring local materials. According to the findings majority of the respondents disagreed with the statements set to rate the challenges accompanying injection of foreign aid. However, it was found that the challenges accompanying the injection of foreign aid had a positive and significant relationship with the political economy. The study therefore finds that the challenging in the use of foreign are very important factors which have to be considered when using foreign to have an impact on the political economy in Kenya (Roger, Jeffrey, & Steven, 2015).

On the challenges facing use of foreign aid the study found out that there was lack of transparency in the utilization of foreign aid among the Kenyan officials. EU projects in education have led over enrolment of pupils in Primary Schools which further compromised the quality of education as there is a high teacher-student ration implying that the quality of education is compromised due to shortage of teacher. On water projects funded by Sweden, misappropriation of funds and overcrowding of government institutions in WASH projects was found which resulted in increase of administration cost which on the other hand increases corruption in the management of WASH projects in the country. Others were misappropriation of funds, interference of projects due to personal interests and white elephant projects. On governance and democratization, the government of Kenya was found to be using aid funds to undermine civil society's effort to achieve good governance and democratic space, with lack of respect for the rule of law which has made it difficult for the civil societies to carry out their mandate. The challenges facing Chinese government were revealed to be leading to corruption in land allocated for infrastructural projects resulting to high project cost; another challenge is the high cost of acquiring local materials (Baran, 1967).

#### **4.4.3 Challenges in Macro-Economic Policies of Foreign Aid**

A good policy environment is a prerequisite for aid effectiveness. When respondents

were asked to rate the statements on Macro-economic policies environment in Kenya of its effect on the political economy, majority of the respondents disagreed with the statements. This was an indication that the macro-economic policies on use of foreign aid and on general development in Kenya were wanting. For example, respondents disagreed that macro-economic policies had led to effective use of aid, to improvement in economic policies, to reduced corruption, to improvement in governance and to institutional reforms. This was a clear testimony that the macro-economic policies for Kenya were not sound and could not enhance the effectiveness of foreign aid on the political economy. However, macro-economic policies were found to have a positive and significant relationship with the political economy in Kenya. This is a clear testament that sound macroeconomic policies are a prerequisite for effectiveness of foreign aid on the political economy in Kenya (Mayhew,1985).

Political economy, Social constructivism focuses on the social facts of the world. Among individuals within states who hold intersubjective understandings that affect their behavior intersubjectively (that is, collectively) “collectivities of,” just as do “collectivities of states.” held beliefs that cannot be reduced to a series or summation of subjective, individual beliefs. material facts, causal properties., (Ruggie G.J, 2004) (democratic, market-based, respecting of human rights), sets the boundaries for legitimate and illegitimate policy (OECD D) And the World Trade Organization (WTO) and International Monetary Fund (IMF) defined practices of “market” economies in trade and money. Currency regulation and protection of domestic industry and agriculture with tariffs and nontariff barriers (Dobbin F, 2004).

#### **4.4.4 Influence of Foreign Aid on Kenya’s Political Economy**

Foreign aid was conceptualized using three constructs. These constructs include the source and motive of foreign aid, the nature and status of foreign aid, and the challenges accompanying injection of foreign aid. From correlation analysis, the study found out that all the three variables; source and motive of foreign aid, nature and status of foreign aid, challenges accompanying injection of foreign aid had a positive and significant influence on the political economy in Kenya (Mayhew,1985).

To identify the magnitude of this relationship between foreign aid constructs and the political economy, all factors were found to significantly influence the political economy in Kenya. Overall, when a correlation was done between the combined

effect of all the factors of foreign aid to form the notion of foreign aid on the political economy a positive and significant influence was established between foreign aid and Kenya's political economy. This study therefore concluded that foreign aid had a positive influence on the political economy in Kenya (Mayhew, 1985). The next chapter, discusses, summary, conclusions and recommendations of the study.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Introduction**

This chapter provides the overall conclusion and conclusions to the specific objectives. Summary, conclusions and recommendations will be made according to the objectives which were formulated for the study and from the results which were obtained.

#### **5.2 Summary**

The summary of this study is based on the three objectives, section 5.2.1 Source and Motive of Foreign Aid, 5.2.2 Nature and Status of Foreign Aid and 5.2.3 Challenges accompanying the injection of foreign aid on Kenya's political economy which were set for the study. The summary and conclusion are presented as follows.

##### **5.2.1 Source and Motive of Foreign Aid**

The study conclusions on source and motive of Foreign aid are that Kenya has been receiving aid from countries as well as institutions since independence due to its foreign relations policy ratifying the United Nations Charter in consonance with the tenets of the interdependence and modernization theories views and subscription to globalization and multilateralism.

Donor states include traditional sources that also have had a colonial history with Kenya such as the UK who gave the colony of Kenya independence in 1963 and Germany who colonized a neighboring country. This relationship is variously explained through the Modernization theory through the introduction of democratization and governance based on foreign aid as seen in the study area through support for free primary education and the Governance, Justice, Law and Order Sector (GJLOS) however this aid is provided against a background of continued Neoclassical dependency syndrome view, that ignores the Raul critique view that advocates for a reduction in North to South support but encourages a South to South relationship that offers a way out of the neoclassical approach. That presupposes that developed

countries are forever tied to their former colonial partners that offer further aid based on their interests that include exploitation of the recipients, raw material in exchange for processed finished product that results in capital flight.

Other donors include USA Sweden, Norway, China, Japan and Brazil, while the institutions include UN, Africa Development Bank, EU, World Bank and IMF, encompassing developed core industrialized nations and former colonial developed core industrialized nations. It was however noted that the sources of funds were insufficient for felt needs due to high population growth, and include aspects of neo-colonialism and marginalization as few donors were willing to work with Kenya due to governance issues in the line ministries and lack of some aspirations of the modernization theory view.

It was also noted that sources of foreign aid have been increasing since independence, even though some donors would withhold donor aid due to mismanagement of funds as well as failure to comply with donor requirements on democratization and multiparty. New donors also emerged such as China, Japan, Brazil and some from Middle East. It was also found that the source and motive of foreign aid had a positive and significant relationship on the political economy in Kenya. Hence, it is important to consider the source of foreign aid and its motive when Kenya seeks foreignaid.

The study findings show the influence of nature and status of foreign aid on Kenya's political economy and indicate that the main types of Foreign Aid, which Kenya has been receiving are development aid, military aid and emergency aid.as explained by the interdependence theory view that highlights the international cooperation for reduction in resource conflicts, through elimination of aggression, inter-state wars and encouragement of peacefull trading and economic exchange and commerce albeit .

It was found that a lot of aid from the donor is meant for development projects. The results also revealed that emergency aid was the second in ranking while the least was military aid. Majority of respondents to the study disagreed with the statements given to them to rate the effect of nature and status of foreign aid on the political economy. However, the nature and status of foreign aid was found to have a positive and significant influence on the political economy in Kenya. This study found that the nature and status of foreign aid affect the political economy in Kenya in less certain



terms for development (Roger, Jeffrey, & Steven, 2015) and (Mayhew, 1985).

### **5.2.2 Nature and Status of Foreign Aid**

The study conclusions are that the nature and main types of Foreign Aid to Kenya has been development aid, military aid and emergency aid. It was found that a substantial portion of aid from the donors is targeted to development projects. The second in ranking was emergency aid for budget support and borrowing to meet fiscal deficiencies and also aid in support for disaster related emergencies such as floods, fires, locust pest invasions, biological hazards and health management such as in the Novel corona virus COVID-19, the Third in ranking was military aid in support of training, and equipment and collaboration for governance in law and order. The nature and status of foreign aid was variously found to have a positive and significant influence on the political economy in Kenya.

The nature of development aid is explained via the modernization theory (OECD, 2009) that has an egalitarian and public spiritedness quality, it also has neoclassical dependency theory view quality that seeks to develop road and rail infrastructure with a local political economy for local use of the infrastructure but with an added quality of globalization that sees a continuing efficient link for export of flowers, coffee tea, minerals and tourism, and an inflow of imports in motor vehicle, electronics and industrial equipment, that enhances and promotes the prior north south relationship of dependence on exterior sources without development of interior manufacturing capacities.

The second ranking foreign aid for emergency support was found to be partially explained via the interdependence theory (Roger, Jeffrey, & Steven, 2015) that has the quality of support to Kenya to promote trade and commerce through provision of budget and fiscal support. Forestall the collapse of a trading partner with the potential for loss of markets for imported products, and access to goods and exports of raw materials, as an option for international engagement rather than engagement in aggression and conflict to achieve these same goals.

The provision of foreign aid for emergencies for natural calamities such as pandemic and epidemic disease management, floods, control of pests (army worm and locusts)

and inflow of refugee populations from neighboring countries can be explained by the modernization theory (OECD, 2009) that promotes globalization and sharing of resources through bilateral and multilateral corporation.

The third ranking foreign aid in military aid support has a geopolitical nature and can be explained partially by the modernization theory (OECD, 2009) as foreign aid is provided for democratization through training

### **5.2.3 Influence of Foreign Aid and the Political Economy in Kenya**

The third objective of this study was to identify the influence of foreign aid on Kenya's political economy. Foreign aid was conceptualized using three constructs. These constructs include the source and motive of foreign aid, the nature and status of foreign aid, and the challenges accompanying injection of foreign aid. From correlation analysis, the study found out that all the three variables; source and motive of foreign aid, nature and status of foreign aid, challenges accompanying injection of foreign aid had a scientifically significant relationship and overwhelming influence on the political economy in Kenya. To identify the magnitude of this relationship between foreign aid constructs and the political economy, the phenomenon of foreign external relationships can be understood through a complex prism of known International Relations theories of Modernization theory view (OECD, 2009), and Interdependence theory view.

### **5.2.4 Overall Conclusion on Foreign Aid and the Political Economy in Kenya**

Summarily, when a correlation analysis was done between the combined effect of all the factors of foreign aid to form the notion of foreign aid on the political economy a positive and significant influence was established between foreign aid and Kenya's political economy. This study therefore concluded that foreign aid, as conceptualized under source and motive, nature and status, and challenges accompanying injection influences positively the political economy in Kenya.

Study findings reveal that the Source and Motive of foreign aid is driven by principled index and parochial aid. These dichotomous aspects of foreign aid provision can be

explained predominantly through the modernization theory view (OECD, 2009) that describes the overarching receipt of foreign aid to Kenya explained partially through the neoclassical dependency syndrome, that consigned the relationship between donors and recipients of aid as fateful due to the late arrival of former undeveloped nations to the international economic trade and developing arena but overtaken by the modernization theory view (OECD, 2009).

This view when considered against other critiques and alternative explanations and options for the continued relevance of the dependency theory as opined by Raul shows that under developed nations often engage in undevelopment (Wanjohi, N. G 1980) through a clear non observance of the Raul option via critique that encourages South and South cooperation for development of economies, trade and commerce, import substitution and non-reliance on South-North relationships to solve the dependence on neo-colonialist ties. Kenya has continued to embrace a reliance on foreign sources.

The nature and status of foreign aid in Kenya is explained by the modernization theory (OECD, 2009) that pronounces a public spiritedness approach to International Relations, this approach is propagated by both the hegemonic former colonizing nations such as UK and Germany. They have been joined by new sources situated in the North such as USA, Sweden and Norway, other nations that are considered to be in the north such as Japan, South Korea and China.

Other than China, the other foreign aid donors have espoused the egalitarian position of advocating for democratization and positive development of governance in all sectors of public management.

The foreign aid (for infrastructure development of Ports, Roads, water provision structures, emergency armyworm, locust pest control support and influx of refugee and displaced populations), provided by all these countries under the modernization theory (OECD, 2009) are however tied to conditions that demand a further engagement with technical expertise from these donor countries that draw resources and fees from the very same aid. This aspect of the modernization theory draws upon the dichotomy of the neoclassical dependency syndrome view (Raúl P, 1968) that consigns nations engaged in this type of International Relationship to undevelopment through diversion

of foreign aid to non-designated targets (Wanjohi.N. G 1980).

Knack in 2001 and by Bräutigam (2000) revealed that foreign aid has positive impact upon growth of the political economy in cases where good economic policies have been established revealing that poor governance have a negative effect on the nation's development due to the mismanagement of the donated funds. A study by Gitaru (2015) confirmed that there is a positive impact of foreign aid to economic growth of Kenya, where a one percent prior years' foreign aid in Kenya leads to over four percent increase in current year's GDP growth rates. The positive impact implies that foreign aid in Kenya has been productively used in projects and developmental issues, where the effect has trickled down to the gross domestic product of the country after an earlier year of investments.

### **5.3 Recommendations**

#### **5.3.1 Recommendations for Action**

This section gives recommendations on how the two theories (Interdependence and Modernization views) relate to foreign aid and the political economy in Kenya. It is recommended that Kenya adopt the modernization theory view to delink from over dependency on foreign aid that comes from the North developed countries through use of the import substitution option that includes the value addition of raw material (coffee, tea, minerals (fluorspar, magadi soda) to export, processed and finished product that can fetch foreign currency whilst enabling more employment for local population and the enhancement of structures to support the south to south cooperation in trading blocs like East Africa community (EAC), COMESA and African Union (AU) and commerce (Raúl P, 1968).

It is further recommended that the donor's foreign relations availed through the modernization theory to enhance the democratization and strengthen governance (Andersen, 2013). Foreign Aid and the Political Economy in Kenya.

It is also recommended that Kenya exploit the interdependence theory more to its advantage so as to improve on south and south relations. Also avoid any misunderstandings that may reduce trade and commerce as was evidenced with the advent of COVID-19 where differing political economies of the East Africa

community members created trade and commerce on non-tariff barriers (Roger, Jeffrey, & Steven, 2015), (Keohane and Nye, 2011).

### **5.3.2. Recommendations for Further Research**

This study has found a significant relationship between foreign aid and the political economy in Kenya as explained through the interdependence and modernization (OECD, 2009) theories and political economy influence on macro-economic policies that explain the dependency syndrome and vice versa.

The study recommended further studies on optimal policies for sourcing foreign aid by government of Kenya in Principled and not parochial political economy motive driven by donor and aid recipient states. Further studies to be undertaken to conclude studies in constructivism in political economy of Kenya, Realism in political economy and divergence from the dependency syndrome and principled reception of foreign aid.

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## APPENDICES

Appendix 1:

### **Appendix 1 Participant's Information Sheet**

The main aim of the study is to critically examine the influence of Foreign Aid on Kenya's political economy, since independence.

Part A: Information about the Research Study Who am I?

I am CLARICE, studying for a degree of Master of Arts in International Relations, Department of International Relations, School of Development and Strategic Studies Maseno University. As part of my training, I am expected to carry out a piece of research, which will go into my thesis.

I am researching on Foreign Aid and its influence on the Political economy of Kenya since Independence.

Where can I be contacted?

I can be contacted by e-mail [claryawino14@gmail.com](mailto:claryawino14@gmail.com) at Maseno University, town campus, at School of Development and Strategic Studies. My telephone number is 0720997646.

Why am I looking at this topic?

Aid flows to Kenya has increased sharply in the last few years. However, economic growth has remained dismally low.

Can you withdraw?

If at any point during the study you change your mind about taking part, you can just send me a note or give me a call and let me know that you do not want to participate in the study. I will destroy your questionnaires and any other information that you may have provided.

What will happen to the information that you give me?

All the information given to me on the consent form and questionnaires will be anonymous. The information that you provide shall be stored safely and securely. What are the risks of taking part?

Some people may find talking about donor funding and the relationship between Kenya and the international community on foreign aid and political economy distressing. If you find yourself getting distressed, let me know and you can stop taking part in the study. We can talk about what is distressing and think about what to do next.



PartB: My responsibilities to you for taking part

I will not identify you in any publication. All the information that you provide will only be viewed by me and my supervisors if requested and would remain confidential. If you decide to take part you can:

Refuse to answer any particular question and to withdraw from the study up to the submission of the thesis.

Ask any further question that occurs to you during your participation.

Be given summary of the findings from the study when it is completed.

Researcher's name

ONYANGO CLARICE AWINO, MASENO  
UNIVERSITY, PRIVATE BAG,  
MASENO.

.....

**Researcher's signature**

**Telephone number: 0720**

**997 646 ADM NO:MA/DS/00150/2013**

#### Appendix 2 II: SOURCE AND MOTIVE OF FOREIGN AID QUESTIONNAIRE

Hallo, my name is *Clarice Awino Onyango*, a postgraduate student at *Maseno University*. I am conducting a study on "*Foreign Aid and its influence on the Political Economy of Kenya since independence.*" I am requesting that you allow me to get your views and perceptions on the subject matter. The information you share with me shall remain confidential and will be used for academic purposes only. I hope that I have your consent!

Participant Signature \_\_\_\_\_ Date \_\_\_\_\_

#### SECTION A: BACKGROUND INFORMATION

Please tick appropriately.

1. Please indicate your Gender: Female ( ) Male ( )

2. State your age bracket in years: 20-28 ( ) 29-38 ( ) 39-48 ( ) 49 and above ( )

3. What is the highest level of education attained? Doctorate ( )  
Masters ( ) Bachelors( ) Diploma ( ) Certificate ( ) Secondary  
Education ( )

4. How many years have you worked in this organization? 0-1 ( ) 1-2  
years ( ) 3 years and above ( )

**SECTION B: SOURCE AND MOTIVE OF FOREIGN AID**

Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	Most foreign aid in Kenya is from Western and Eastern countries					
2	The sources of foreign aid have been increasing in Kenya since independent.					
3	The sources of foreign aid in Kenya have increased since independent					
4	All donor funds are aimed at improving the country's economic development					
5	All donor countries give aid in order for them to benefit or for their own interest.					
6	All donor countries give conditionalities in order to fund projects in Kenya					
7	There is adequate information sharing between Kenya and donors					
8	Foreign aid in Kenya is both bilateral and multilateral					

9. Kenya gets most of its foreign aid from western countries Yes( ) No ( )

10. If yes kindly name some of these countries

.....  
.....  
.....  
.....  
.....

11. If no, give other sources of Kenya's foreign aid

.....  
.....  
.....

12. The country has been able to fulfill donor conditionalities Yes ( ) No ( )

Please explain your answer above

.....  
.....  
.....



**Appendix 3 SECTION C: NATURE AND STATUS OF FOREIGN AID**

Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
13	Most foreign aid in Kenya has been used for the intended purposes					
14	Most foreign aid in Kenya is channeled through NGOs					
15	Most donor aid is channeled through government ministries					
16	The use of Foreign aid in Kenya is monitored by the donor countries					
17	Donor countries have sometimes withheld funding due to mismanagement					
18	All donor countries require accountability is use of foreign aid					
19	Kenya receives adequate foreign aid for its intended programmes					
20	There is coordination between the donors and country officials on use of foreign aid					

21. Is it true that foreign aid is channel through civil societies Yes ( )  
 No ( ) If yes give reasons

.....  
 .....  
 .....

22. Does channeling funds through civil societies improve accountability Yes( ) No ( )  
 If yes explain

.....  
 .....

**Appendix 4 Appendix SECTION D: CHALLENGES ACCOMPANYING INJECTION OF FOREIGN AID IN KENYA**

Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
23	The level of transparency has increased due injection of foreign aid					
24	There is a lot of bureaucracy involved in the use of foreign aid					
25	The countries international debt has increased due to foreign aid injection					
26	Foreign aid has led to improvement in governance in the country					
27	Kenya is currently a donor-aid dependent country					
28	Foreign aid has led to politicization of development					
29	There is no regard for the countries interest during negotiation of donor aid					
30	The country receives all aid on time					

31. Do you think the injection of foreign aid in Kenya faces challenges  
Yes ( ) No ( )

If yes state some of the challenges

.....  
 .....  
 .....  
 .....

32. Give suggestions on how to overcome these challenges

.....  
 .....  
 .....

**Appendix 5 Appendix 5 SECTION D: FOREIGN AID MACROECONOMIC POLICIES**

Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
33	Macroeconomic policies have led to effective use of foreign aid					
34	Foreign aid has led to improvement of the country's economic policies					
35	Macroeconomic policies have led to a reduction in corruption					
36	Foreign aid policies have led to improvement in governance					
37	Foreign aid policies have resulted in institutional reforms in Kenya					

38. In your opinion has macroeconomic policies led to improvement in absorption of foreign aid in Kenya? Yes ( ) No ( )

39. If yes give some ways in which foreign aid has led to improvement in policy formulation.....

.....  
 .....  
 .....

**Appendix 6: SECTION E: DEVELOPMENT OF POLITICAL ECONOMY**

Item		Strongly Disagree	Disagree		Neutral	Agree	Strongly Agree
		1	2	3	4	5	
40	Foreign aid has resulted in increased accountability in the country						
41	Foreign aid has led to an improvement in economic growth						
42	Foreign aid has increased income inequalities in the country						
43	Foreign aid has resulted in huge debt for the country						
44	Foreign aid has been sufficient for the country's economic development						
45	Foreign aid has made the country donor dependent						
46	Foreign aid has increased civil society activities						

47. Do you think use of foreign aid in Kenya has led to an improvement in the political economy? Yes() No ()

If yes give some of the areas which have improved

.....  
.....  
.....  
.....

If no what are the major challenges

.....  
.....  
.....  
.....

Thank you very much for participating in this study



**Appendix 7 QUESTIONNAIRE (VIAMBATISHO)**

Kiambatisho 1:Hojaji

Sehemu 1

Vyanzo vya Misaada ya Kigeni

Misaada ya kigeni nchini Kenya hutoka wapi?

.....  
Nchi gani kati ya hizi zimekuwa zikishiriki katika utoaji wa misaada ya kigeni katika nchi ya Kenya?

Denmaki

Uswidi/Swideni

Uingereza

Asasi gani imekuwa ikishiriki kikamilifu katika utoaji wa misaada ya kigeni nchini Kenya?

Mradi wa Maendeleo wa Umoja wa Mataifa (UNDP)

Jumuiya ya Ulaya (EU)

Je, vyanzo vya msaada wa kigeni hutosheleza maendeleo ya kiuchumi na kisiasa nchini Kenya?

Ndiyo

La

Kama La, eleza jibu lako:

.....  
.....

Je, kumekuwapo na ongezeko la vyanzo mbalimbali vya msaada wa kigeni nchini Kenya tangu uhuru?

Ndiyo

La

Kama ndiyo, kuna vyanzo vipi vipya (nchi na taasisi)?

.....  
Linganisha vyanzo hivi vipya na vile vya kizamani

.....  
Aina za misaada ya kigeni

Kuna aina gani za misaada ya kigeni katika nchi ya Kenya?

.....Katika  
kiwango cha 1-5, ambapo 5 = Juu Zaidi na 1= Chini Zaidi, pima kiwango cha aina  
zifuatazo za misaada ya kigeni ambayo Kenya imewahi kupokea:

Msaada wa maendeleo

Msaada wa dharura

Msaada wa kijeshi

Je, siasa za kimaeneo zina athari kuhusu aina ya msaada wa kigeni ambao Kenya  
imekuwa ikipata tangu uhuru?

Ndiyo  b.

La

Eleza

jibu

lako:

.....  
Viwango vya msaada wa kigeni

Kenya imekuwa na viwango vipi vya misaada ya kigeni tangu uhuru?

..... Je,  
serikali ya Kenya ina uhuru wa kutafuta msaada wa kigeni kutoka serikali tofauti  
Tofutti?

Ndiyo

La

Eleza jibu lako:


..... Je,  
Kamati ya Usaidizi ya Maendeleo (DAC) ya nchi changizi hutoa misaada kwa hiari  
yao?

a. Ndiyo

b. La

Eleza jibu lako:

..... Je,  
serikali ya Kenya imewahi kupata msaada wowote wa kigeni kutoka nchi changizi  
zisizo wanachama wa Kamati ya Usaidizi ya Maendeleo?

Ndiyo

La


Kama ndiyo, nchi zipi?

.....Kwa

kurejelea kiasi cha msaada (Jumla ya misaada ya kigeni) baina ya nchi wanachama wa Kamati ya Usaidizi ya Maendeleo na nchi zisizo wanachama wa Kamati ya Usaidizi ya Maendeleo, Kenya imewahi kufaidika sana na maendeleo ya kiuchumi na kisiasa tangu uhuru kutokana na kundi lipi?

Nchi wanachama wa Kamati ya Usaidizi ya Maendeleo (DAC)

Nchi zisizo wanachama wa Kamati ya Usaidizi ya Maendeleo (Non-DAC)

Athari ya msaada wa kigeni katika siasa ya kiuchumi ya Kenya

Je, msaada wa kigeni una athari yoyote katika maendeleo ya siasa ya kiuchumi?

Ndiyo

La


Eleza kiwango cha makubaliano kulingana na kauli zifuatazo kuhusu msaada wa kigeni:

SD -KUTOKUBALI ZAIDI      D - KUTOKUBALI      U - KUTOKUWA NA  
MSIMAMO A - KUKUBALI SA - KUKUBALIZAIDI

Athari ya msaada wa kigeni katika siasa ya kiuchumi ya Kenya	SD	D	U	A	SA
Ugawaji wa msaada umechangia ongezeko la gharama ya uendeshaji shughuli hivyo basi hupunguza kiasi cha mkopo kwa minajili ya maendeleo ya siasa ya kiuchumi					
Kuna hali ya kutoweza kuzalisha matokeo mahususi ya utekelezaji wa msaada wa mfadhili kwa sababu wafadhili wengi hufadhili mradi uleule husika					
Uteuzi wa miradi umechangia utegemezi zaidi wa nchi zinazofadhiliwa na msaada wa kigeni hivyo basi kuleta hali ya kutoendelezwa					
Njia ya msaada ina athari zaidi juu ya utekelezaji wa kijumla wa mradi kutokana na nia yakisiasa					
Msaada wa kigeni umeathiri ufanisi wa miradi kwa sababu ya kutobashirika kwa uwajibikaji katika utoaji fedha kwa nchi zinazofadhiliwa					
Hatua za nchi zinazofadhiliwa zina athari kwenye matendo ya nchi zinazofadhili hivyo basi kuwakasirisha wafadhili					

Kiwango cha msaada wa kigeni kimetolewa nchi ya Kenya kwa kutegemea haja.

- a. Ndiyo
- b. La

Kiwango kinachotengwa kimetosheleza maendeleo ya siasa ya kiuchumi.

- a. Ndiyo
- b. La

Kumekuwapo na ongezeko la ujiandikishaji katika shule ya msingi hivyo basi kuimarisha kiwango cha kujua kusoma na kuandika humu nchini.

- a. Ndiyo
- b. La

Kumekuwapo na ongezeko la uwajibikaji na uwazi katika taasisi za umma na kibinafsi.

- a. Ndiyo
- b. La

Kumekuwapo na ongezeko la nafasi ya demokrasia kwa sababu ya mfumo wa vyama vingi vya kisiasa.

- a. Ndiyo
- b. La

Kumekuwapo na upungufu wa vifo kutokana na magonjwa yanayoletwa na hali mbaya ya maji kwa wananchi wa Kenya.

- a. Ndiyo
- b. La

Kumekuwapo na ongezeko la maji salama, safi na ambayo wananchi wa Kenya wanaweza kuyamudu.

- a. Ndiyo
- b. La

Kumekuwapo na ongezeko la uwekezaji wa kiuchumi na kisiasa kutokana na maendeleo ya muundomsingi.

- a. Ndiyo
- b. La

CHANGAMOTO ZA KAWAIDA

Changamoto zipi hutokana na matumizi ya masuala ya nje katika maendeleo ya kiuchumi na kiasiasa nchini Kenya?

.....  
Changamoto zipi huathiri sekta ya elimu kutokana na matumizi ya msaada wa kigeni?

.....  
Changamoto hizo huathiri vipi sekta ya elimu kwa mujibu wa maendeleo ya kiuchumi na kisiasa nchini Kenya?

.....  
Nani huamua kiwango cha mgawo wa elimu ya bure ya shule za msingi?

.....  
Mikakati ipi huzingatiwa katika kudhibiti changamoto zinazoathiri nafasi ya elimu ya bure ya shule ya msingi?

.....  
Muundomsingi kwa maafisa wa Kenya

Nani huamua yafuatayo:

Aina ya mradi

Eneo

Mgawo wa fedha

Je, unashiriki katika mgawo na bajeti ya muundomsingi?

.....Pendek  
ezo lipi hutolewa kuhusu changamoto za matumizi ya msaada wa kigeni katika maendeleo ya muundomsingi?

.....  
Maafisa wafadhili

Wananchi wa Kenya wanapokeaje maendeleo ya mradi wa muundomsingi?

.....  
Changamoto zipi hukukumba katika serikali ya Kenya katika uendelezaji wa mradi wa muundomsingi?

.....Je,  
kuna uratibu baina ya mfadhili na serikali katika utekelezaji wa miradi ya kimuundomsingi?

.....  
Toa mapendekezo yako kuhusu kufaulu kwa utekelezaji wa miradi ya kimuundomsingi?

.....  
Utawala

Nani huamua mfumo wa utawala wa kufadhiliwa na msaada wa kigeni?

.....

Je, mgawo wa msaada wa kigeni kwa serikali hutoshea?

Ndiyo

La

Kama la, elezea:

.....

Je, wafadhili huwa na motisha mchanganyiko katika ufadhili wa utawala?

.....

Mependekezo yapi hutolewa kuhusu mgawo wa msaada wa kigeni katika utawala bora?

.....

Maji, Usafi na Elimusiha (WASH) – Maafisa wa Kenya

Nani huamua aina ya utawala wa kufadhiliwa na msaada wa kigeni?

.....

Je, mgawo wa msaada wa kigeni kuhusu utawala hutoshea?

Ndiyo

La

Je, wafadhili huwa na motisha mchanganyiko kuhusu ufadhili wa utawala unaohusika na maendeleo ya miradi kiuchumi na kisiasa nchini Kenya?

.....

Mependekezo yapi hutolewa kuhusu mgawo wa msaada wa kigeni katika utawala bora?

.....

Maji, Usafi na Elimusiha (WASH) – Kwa maafisa wa Kenya  
Nani huamua yafuatayo:  
Aina ya mradi  
Eneo

Mgawo wa fedha

Je, kuna msongamano wa taasisi za serikali katika WASH kutokana na matumizi ya msaada wa kigeni?

Ndiyo  
La  
Kama ndiyo, yafuatayo huathirika vipi kutokana na msongamano wa taasisi?  
Urasimu

.....

Ufisadi

.....

Gharama ya utawala

.....

Uwazi

.....

Je, utegemezi wa kupita kiasi wa msaada wa kigeni wa programu ya WASH huchangia kutoendelea kwake baadaye?

.....

Mapendekezo yapi ya WASH yanayotolewa kuhusu matumizi ya msaada wa kigeni?

.....

Wizara ya masuala ya kigeni – Maafisa wa Kenya

Umewahi kupata kiasi gani cha msaada wa kigeni tangu uhuru wa nchi ya Kenya?

.....



Nani vyanzo vikuu vya msaada wa kigeni nchini Kenya?

Taasisi

.....

Nchi

.....

Unaafikiana vipi kuhusu msaada wa kigeni katika utawala wa Kenya?

Je, hutegemeamfadhili  au hutegemeampokezi?

Iwapo hutegemea mfadhili toa maoni kuhusu yafuatayo:

Njia .....  
Mgawo .....  
Mgawo.....  
Uteuzi.....

Chagamoto zipi hukumba wizara hii katika maafikiano kuhusu msaada wa kigeni nchini Kenya?

.....  
Chagamoto zipi hukumba utawala wa Kenya baada ya kupokea msaada wa kigeni?  
.....

Mapendekezo yapi yanaweza kutolewa kuhusu changamoto zinazoathiri msaada wa kigeni mintarafu maendeleo ya kiuchumi na kisiasa tangu uhuru?

.....  
Vyama vya kisiasa/mashirika ya kiraia  
Je, ufadhili unaweza kutosheleza uendelezaji wa vyama vya kisiasa na kuwatenga na wakiritimba?

Ndiyo

La

Je, kuna uwajibikaji katika migawo ya bajeti ya kufadhili chama cha kisiasa?

Ndiyo

La

Umeridhika na mfumo wa ugawaji?

Ndiyo

La

Je, kuna uratibu baina ya vyama vya kisiasa, serikali na wafadhili katika usimamizi wa msaada wa kigeni?

Ndiyo

La

Changamoto zipi zinazoathiri chama cha kisiasa kuhusu msaada wa kigeni tangu kuundwa kwake?

.....

Mapendekezo yapi kuhusu changamoto zinazoathiri msaada wa kigeni mintarafu maendeleo ya kiuchumi na kisiasa nchini Kenya?

.....Taasisi/  
Mashirika

Nini athari ya msaada wa kigeni katika yafuatayo?

Ufaafu wa biashara

.....

Uthabiti wa kisiasa

.....

Gharama ya uendeshaji biashara

.....

Je, unashauriwa katika utoaji uamuzi kuhusu uteuzi wa mradi wa kufadhiliwa na mfadhili?

.....

Changamoto zipi zimekumba miradi/programu zinazofadhiliwa na wafadhili tangu uhuru?

.....

Mapendekezo gani hutolewa kuhusu changamoto zinazokumba msaada wa kigeni katika maendeleo ya kiuchumi na kisiasa nchini Kenya?

.....

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**REPUBLIC OF KENYA**



**National Commission for Science,  
Technology and Innovation**

**RESEARCH CLEARANCE  
PERMIT**

**Serial No.A 17060**

**CONDITIONS: see back page**

**THIS IS TO CERTIFY THAT:  
MS. CLARICE AWINO ONYANGO  
of MASENO UNIVERSITY, 1189-50100  
KAKAMEGA, has been permitted to  
conduct research in Nairobi County**

**on the topic: FOREIGN AID AND ITS  
INFLUENCE ON THE POLITICAL  
ECONOMY OF KENYA SINCE  
INDEPENDENCE**

**for the period ending:  
5th January, 2019**

  
.....  
**Applicant's  
Signature**

**Permit No : NACOSTI/P/18/91679/20687  
Date Of Issue : 5th January, 2018  
Fee Received :Ksh 1000**



  
.....  
**Director General  
National Commission for Science,  
Technology & Innovation**



**MASENO UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

*Office of the Dean*

**Our Ref:** MA/DS/00150/013


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FAX: 254-057-351153/351221  
Email: [sgs@maseno.ac.ke](mailto:sgs@maseno.ac.ke)

Date: 07<sup>th</sup> September, 2017

**TO WHOM IT MAY CONCERN**

**RE: PROPOSAL APPROVAL FOR CLARICE A. ONYANGO—  
MA/DS/00150/013**

The above named is registered in the Master of Arts in International Relations Programme of the School of Development & Strategic Studies, Maseno University. This is to confirm that her research proposal titled "*Foreign Aid and Its Influence on the Political Economy of Kenya since Independence*" has been approved for conduct of research subject to obtaining all other permissions/clearances that may be required beforehand.

  
Prof. J. O. Agure  
DEAN, SCHOOL OF GRADUATE STUDIES

