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Analysis of the Development Assistance in Africa: The Case of Ghana

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**Universiteit
Leiden**

**Analysis of the Development Assistance in Africa:
The Case of Ghana**

BY

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**Thesis submitted in partial fulfilment of the requirement of the degree of
Master of Science in Public administration
(Economics & Governance)**

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Abstract

Foreign aid the transfer of money and resources for development has traditionally been provided by powerful and wealthy countries to developing or poor countries. In Ghana, the European Union has been one of the main providers of aid since its inception. Ghana is one of the largest recipients of foreign aid in the EU. The main aim of EU foreign aid is to help developing countries achieve economic development. Although Ghana has traditionally received aid donations from the European Union for development since its independence, the country is still facing infrastructure and economic underdevelopment. Therefore, this study uses a single case study to examine and evaluate the contribution of foreign aid by answering the research question: why have economic conditionality policies not led to Ghana's economic growth?

To address this question, this study uses institutional theories, conditionality policy, and critical junctures to analyze the case. The study found that the conditions and principles that donors attach to foreign aid prevent it from achieving its intended result. In addition, foreign aid is not well directed by both donors because of their own agendas, which may not align with Ghana's development agenda.

Keywords: Foreign aid, Ghana, European Union, economic development, institutional theory
Critical juncture, path dependency, conditionality policy

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Chapter One: Introduction

1.1. Background of the Research Study

The European Union (EU) is one of the leading global donors in official development assistance and gives strong weight to the relationship with recipient partner nations, especially those dependent on its assistance. In addition, the material weight of EU funding has retained its historical influence and ties in political, diplomatic, and economic terms in many of its recipient partner nations, particularly in sub-Saharan Africa. Since the 2000s, EU development and donor policies have undergone structural changes in the institutional framework (Hackenech & Keijzer, 2017). European Union aid comes with various conditions that can work either positively or negatively to the economic development of recipient countries.

They are provided in the form of loans, grants, and equities. In addition, it helps coordinate the development policy in the 27 member countries. Since 1995, the European Union has suspended aid in developing countries whose governments violate human rights. According to Hackenesch (2019), there have been debates regarding the political conditionality of aid components in EU foreign relations. As the EU continues to provide aid to the overseas countries, it should be noted that it continues to attract the attention of many scholars concerning the way it is used and the policies that are implemented based on this aid. In several countries, EU aid has failed to meet expectations in achieving economic development in Africa and other emerging economies such as the Arab world (Hackenesch, 2019).

In Ghana, the EU continues to provide financial aid to support economic development and institutional support. The research study considered a single case study, primarily Ghana, to help analyze development assistance in Africa. Ghana is considered appropriate because it has received financial aid from different countries across the globe. The country is relevant as its financial aid has been well documented; thus, it is possible to trace its contribution to economic and social development in the region. It is also appropriate, as it can help provide an in-depth analysis of the contribution of development assistance in Africa. This can help build up existing research and develop new findings in the current study. Support has been provided through grants, financial assistance, and technical development. The EU has also focused on creating a strong relationship with Ghana to support trade. The strong relationship between the EU and Ghana makes it appropriate to consider Ghana the main country of

study. Significant progress has been made over the years due to donor funding. As a result, it will provide a foundation for knowledge to other countries that continue to receive donor findings. In essence, other African nations can learn from the Ghanaian case how to effectively use donor funds to achieve good economic development. To provide aid to Ghana, the EU has developed policies that govern the use of these funds. Ghana's economic conditionality has primarily been in the political dimension. Essentially, the EU is interested in creating strong political ties with Ghana (Berger & Wissenbach, 2007). Although Ghana has received substantial aid from EU countries, it has had little impact on its economic aid. This has attracted the attention of many scholars to assess why Ghana has been continuously receiving economic aid from the EU, although it has made little progress in its economic development (Berger & Wissenbach, 2007). Currently, Ghana has received funds from countries such as China to aid its economic development. This indicates that its aid relationship with the EU has been deteriorating, a situation that implies the failure of EU aid to meet its major objectives (World Bank, 2017).

1.2. Problem Statement

Africa, as a continent endowed with immense natural and human resources, as well as great cultural, ecological, and economic diversity, remains underdeveloped. Most African nations have suffered from military dictatorships, corruption from bad governments, civil unrest, and war, which have caused underdevelopment and deep poverty (Unsworth, 2005). Today, many African economies are in deplorable states, resulting in many African countries becoming dependent on foreign aid.

Ghana was chosen as the single case study for this research for different purposes. First, Ghana has been able to achieve rapid economic growth compared to the majority of African countries because of its good track record in the management of development funds (William, 2010). On the one hand, it is a peaceful society with a stable democracy that enjoys numerous natural resources, making the country more attractive for investment. This has attracted many partners, such as the European Union, to provide aid to the country. It is a country that has consistently received donor aid from various partners owing to its stability in the business environment. It is a place where foreign aid impact programs can operate without being threatened by conflict or epidemics. Unlike many developing countries, Ghana

has experienced a massive boost in aid revenues over the past two decades and is currently one of the largest recipients of aid in the Sub-Saharan region. Foreign aid has continued to increase and constitutes a percentage of the GDP in the 50–60 range (World Bank, 2017). However, the country remains underdeveloped. Ghana's study informs us of the critical role that the EU, among other donor countries, can contribute to economic development and achieve some of the established goals in the global business environment. The study of Ghana can also help to provide a clearer picture of how other nations within the African region can use donor funds to encourage or spur economic development. The causes of this underdevelopment warrant further investigation. This explains why we selected Ghana for our case study.

1.3. Research Question

The research question was important for addressing the issue under investigation. Although Ghana has been receiving high amounts of foreign aid from the EU and other donor countries, the EU's economic conditionality policies have been counterproductive in achieving desired economic growth in the country. Statistics indicates that the economic growth of Ghana between 2000 to 2021 averaged 6.2 % and reached all-time high of 25 % in 2012 and a record low of -5.7 percent in 2020 (Kervyn & Shilhav, 2017). This shows that the economic development of the country has not been stable but continues to fluctuate despite an increase in donor funds during the same period. This research addressed only one research question, which is as follows:

Why do the EU's economic conditionality policies lead to Ghana's economic growth?

1.4. Research Puzzle and Theoretical Framework

Ghana is still developing many years after receiving funds from the European Union (EU). Although the funds from the EU were meant to enable the country to develop, it remains to be determined whether donor funds have had an impact on the development of the country. Based on this, the research focused on determining why the EU's economic conditionality policies have not led to Ghana's economic growth. The research focuses on institutional theory to assess why Ghana remains a developing country, although it has been a recipient of EU economic aid. To get to the root cause of why Ghana remains underdeveloped, it is imperative that we consider and analyze its history and which paths it took to reach its current state.

Institutional theory is an important framework that can explain why Ghana remains undeveloped while it has been receiving funds to help its economy grow. The institutional approach uses political environments and institutions to explain party choices (Dzorgbo, 2001). This approach is important in explaining how the government functions in collaboration with other parties, such as donors. The institutional approach can best help explain how Ghana has not met its goals, despite being one of the major recipient countries of EU donor funds. Institutional theory is an approach that helps to understand the resilience and deep aspects of social structure (Dzorgbo, 2001). According to Woode (2012), Institutional theory considers the process by which a structure such as rules, schemes, norms, rules, and routines become established as authoritative guidelines and social behavior.

Therefore, this study considers the use of institutions to shape Ghana's business environment. It further assesses how the EU and other donors' policies and rules help shape the economic development of the country (Castillejo, 2016).

This study considers historical institutionalism to investigate how the EU and donor funds contribute to the economic development of Ghana and other African regions.

Foreign aid to Ghana is based on cooperation and political relations, and as such comes with restrictions on how to use the given aid. The aim of the EU is to strengthen the political institutions in Ghana to cooperate and create a close relationship with each other. As Hackenesch (2019), argues, the EU funds African countries with restrictions on specific areas. This implies that the funds donated to Ghana are to be used in the areas specified by the EU, as opposed to giving Ghana the independence to use the funds to meet their desired goals and achieve economic development.

1.5. Academic Relevance

The research study aims to identify why Ghana remains undeveloped while it has received economic aid from various developed nations such as the EU and China, among others. The results of the study will provide important insights for EU officials to design appropriate policies for donor funding that can enable Ghana and other recipient countries to achieve their development goals. It also provides recommendations on how the EU should tailor its funding to areas that enable Ghana to achieve economic development.

Ghana has been receiving aid since its independence and has been classified as one of the largest recipients of foreign aid in the sub-Saharan region. Although there have been many discussions and studies on the impact of foreign aid in developing countries in general, very little has been written about Ghana (Aleshin 2018). In addition, existing literature fails to analyze the differences in the conditions and principles of EU foreign aid. Despite the high level of aid sent to the country each year, there are still limited sources on the role of donor aid in Ghana. The development aid discussion yielded two opposing parties: those who supported more aid and those who preached for less aid. Scholars such as Carbone (2017), have called for more aid in the development of poorer zones.

While there are many international scholars such as (Apodaca, 2017), that have written about the topic, very few studies have evaluated how donor funding contributes to Ghana's economic development. This makes it sometimes harder to analyze the debate from Ghanaians' point of view.

Therefore, the academic relevance of this study is to fill the void, expand the literature on aid to Ghana, and start a discussion about the influence of both donors and their role in Ghana's development to help inform other countries on the best strategies to use in ensuing economic development. It is also relevant for policymakers and decision-makers seeking to investigate foreign aid transfers.

1.6 Structure of the Paper

This paper is divided into seven chapters. Chapter one has already laid out an introduction to the topic, the research question, and the purpose and significance of the study.

Chapter two presents the literature review and theoretical framework. The first part presents debates on economic aid. Different views concerning foreign aid and its impact on the development of the recipient country are discussed. It further presents examples of cases of the conditionality principle and the EU non-interference principle in other African countries. The main theory is the institutional theory, which explains how institutions shape the development of economies after receiving donor findings from various EU and other donors. It will specifically use historical institutionalism to explain the relevance of history and how it affects future decisions. This theory asserts that past events and situations tend to have a greater impact on current situations.

Chapter Three presents the methodological research design. It explains the research methods applied to analyze why the economic conditions of the EU did not lead to economic growth in Ghana. The chapter further discusses the research design, population, reliability, validity, and data analysis.

Chapter four also presents the empirical background and context of the study. The chapter lays out the situation in Ghana by providing a brief history of Ghana before independence and a post-independence period, followed by an overview of Ghana's political and economic history. Such information is relevant for understanding all the phases that Ghana has gone through to arrive at the current state.

Chapter five analyzes the impact of EU foreign aid on Ghana's economic growth.

Chapter six, the impact of EU foreign aid is analyzed while assessing its impact on Ghana's economic development. It also evaluates EU policies and assesses their effectiveness.

Finally, in Chapter Seven, the summary and main conclusions of the study are presented. The concluding chapter also includes the limitations of the research, followed by policy recommendations.

Chapter 2. Literature Review

In this chapter, the main literature on this topic is presented and reviewed. The literature review attempts to answer this research question at hand namely. Why do the EU's economic conditionality policies lead to Ghana's economic growth?

To answer this question thoroughly, it is important to review the literature from a broader perspective. First, a clear definition of foreign aid, which sets the common language for the foundation of the analysis, will be provided. It further discusses different debates and views on foreign aid and whether it positively impacts the economic development of recipient countries.

2.1 Defining Foreign Aid

Foreign aid plays a significant role in global development cooperation; however, various definitions of aid exist. In this study, the definition provided by Riddell (2007), is particularly prominent. According to Riddell (2007), aid encompasses the transfer of grants, loans, capital, resources, goods, and technical expertise from donor to recipient. OECD (2007), also defined aid as official development assistance, including grants, loans, and resources aimed at contributing to the economic development of recipient countries (OECD, 2007). This involves the voluntary transfer of resources from one country to another to bridge economic gaps. Effective foreign aid should strive to promote the economic development and welfare of recipient countries, possess concessional characteristics, and include a grant element (Brautigam, 2009, p. 14).

While aid aims to foster self-sufficient development, debates persist regarding its effectiveness and true impact on development in recipient countries (Apodaca, 2017). Some researchers and scholars like Burnside and Dollar (2001) Svensson (2003) and Lant and Kaufmann (1996) have argued that foreign aid can stimulate economic growth and development under specific conditions. However, others contend that foreign aid can burden

the economic development of the recipient countries. However, the debate surrounding this issue remains unresolved.

2.2. Foreign aid and economic growth

Foreign aid from Western countries has demonstrated its effectiveness in various aspects of the African economy. This effectiveness can be observed through indicators such as reduced mortality rates, increased enrollment of children in schools, improved access to clean drinking water, establishment of democratic governments, and enhanced infrastructure. However, while the impact of foreign aid is noticeable in terms of GDP growth, its influence on citizens' standard of living is often limited. Assessing the impact of foreign aid on economic growth in recipient countries leads to mixed reactions (Carbone, 2017). Several factors contribute to this complexity, including the utilization of funds, amount of aid provided, and level of corruption in each country (Moss, 2007). Donors may impose restrictions on how funds are utilized, which can significantly affect the effectiveness of aid in promoting economic growth. Additionally, countries in different stages of economic development may experience varying degrees of success in achieving their desired goals and objectives through foreign aid.

2.2.1 Foreign aid has a positive impact on economic growth

Economic growth refers to an increase in the inflation-adjusted market value of goods and services produced within an economy over time. However, many developing countries face limitations in growth, such as inadequate infrastructure, low education levels, and skill gaps (Riddell R. , 2007). This section explores how foreign aid contributes to economic growth. Foreign aid plays a crucial role in developing skills and improving educational levels in recipient countries. The skill gap and low level of education have been recognized as major obstacles to economic growth in Africa. Consequently, significant foreign aid has been

directed towards education and skill development, leading to increased access to free universal primary education in countries such as Ghana, South Africa, Ethiopia, Tanzania, and Uganda (Dzorgbo, 2001). Goldin and Reinert (2012) also highlight the substantial contribution of foreign aid to equipping developing countries with skills, capacity, and institutional development. Ghana is cited as an example of a country that has experienced success in institutional development due to foreign aid. Therefore, foreign aid plays a vital role in eradicating poverty in the recipient countries.

In his book "The End of Poverty," Sachs (2005) argues that poverty could be eliminated if developed countries doubled their aid donations. He contends that poor countries struggle to develop because of challenges such as inadequate infrastructure, limited human capital, insufficient scientific knowledge, and weak institutions. To escape poverty and foster development, developing countries require guidance and support from donors in addressing these areas. Sachs (2005) emphasized that African countries, in particular, are trapped in poverty due to factors such as civil conflicts, governance issues, diseases, and inadequate infrastructure. He called upon wealthy nations, including the European Union and the United States, to donate 0.7% of their GDP to assist the poorest countries (Thompson & Casely-Hayford, 2009).

Sachs' call for increased aid has generated criticism from scholars such as Moyo (2009) and Easterly (2005), who argue for an end to foreign aid. Moyo (2009) and Easterly (2005), suggest that foreign aid has fulfilled its original purpose, and that further aid primarily serves to control recipient countries and perpetuate their poverty. Despite this criticism, Sachs maintains that foreign aid has significantly improved the lives of millions of people in developing countries, particularly Africa and Asia. For example, foreign aid played a role in Botswana's successful eradication of extreme poverty ((Sachs, 2005). However, Sachs's claim highlights how foreign aid can create a vicious cycle of debt and aid dependency, particularly for heavily indebted countries that struggle to manage aid effectively, hindering economic growth (Easterly, 2006).

Quartey (2005), who studied aid effectiveness in Ghana's economy, concluded that multi-donor budgetary support could be successful in fostering economic growth through aid, provided that there is effective coordination between the Ghanaian government and its partners. Additionally, Quartey emphasized the need for the Ghanaian government to reduce its debt burden and minimize borrowing, ensuring that foreign aid is used for its intended purposes rather than for debt repayment.

Foreign aid also plays a crucial role in infrastructure development. Poor infrastructure, including limited access to clean drinking water, inadequate roads, and insufficient energy supply, has been a significant hindrance to Africa's economic growth. However, foreign aid has contributed significantly to improving infrastructure development in Africa, with developed countries investing over \$ 100 million in aid for infrastructure development on the continent (Moyo, 2009).

Furthermore, foreign aid can contribute to good governance. It promotes transparency, accountability, equity, and responsiveness to citizens' needs, which are essential aspects of good governance (Unsworth, 2005).

Donors such as the EU often provide aid to countries that demonstrate a commitment to good governance and democracy. The EU's adoption of civil society engagement in the 1980s influenced the political structures we see today. In the 1990s, the EU encouraged African countries, many of which were governed by military or dictatorial regimes, to adopt similar strategies to promote good governance and democracy (Unsworth, 2005).

Overall, foreign aid has the potential to contribute to economic growth, infrastructure development, and good governance in recipient countries, although challenges such as aid dependency, debt burden, and effective coordination must be addressed to maximize its impact.

2.2.2 Foreign aid has no impact on economic growth

Critics of foreign aid argue that it does not lead to development, but instead burdens recipient countries. Scholars such as Dambisa Moyo (2009), and Easterly (2006) contend that, despite the substantial amount of foreign aid sent to developing countries, the desired results have not been achieved, particularly in Africa, where extreme poverty persists. They called for developed countries to cease aid donations to developing nations.

Moyo (2009) suggests that foreign aid can negatively impact economic growth by enabling incompetent leaders to remain in power. She further asserted that aid often ends up in the hands of the already wealthy, exacerbating social inequalities and leaving the poor to suffer. Moyo argued that increased government consumption resulting from aid, such as higher incomes for government officials, does not contribute to economic growth.

Moreover, Moyo (2009) maintains that continued poverty and underdevelopment in many African countries are due to aid dependency, as recipient nations fail to chart their own development paths. She proposed that African leaders focus on utilizing their natural resources to build their countries instead of relying solely on foreign aid. She also criticizes the motives, institutional structures, and systems imposed by donors that perpetuate dependency. Bawumia (2014) supports this claim, highlighting Ghana's economic growth during the period of high aid influx, and its subsequent decline when aid was reduced. Bawumia suggests that sustainable economic growth could have been achieved by harnessing the country's natural resources.

Moss (2007) adds that once a country becomes dependent on foreign aid, it loses the ability to leverage its natural resources for economic growth. (Goldin & Reinert , 2012, p. 19). support this view, noting that despite significant aid to sub-Saharan Africa, poverty levels increased. They argue that aid, instead of fostering development, has created dependency, as African countries wait for handouts rather than utilizing their natural resources for infrastructure development and capacity building.

To summarize, critics argue that foreign aid can perpetuate aid dependency, hinder economic growth, and exacerbate social inequality. They advocate a shift towards self-reliance and the utilization of natural resources to drive development.

2.2.3 Foreign aid has a conditional impact on economic growth

The impact of foreign aid on economic growth is often considered conditional, with certain factors influencing its effectiveness. Aid conditionality, recipient country characteristics, donor practices, and aid conditions are some of the key aspects of the aid debate.

Scholars such as Burnside and Dollar (2001) World Bank (1998) Svensson (2003) and Lant and Kaufmann (1996) argue that foreign aid promotes economic growth when coupled with good policies and institutional settings. They emphasized that aid works effectively in a favorable policy environment. Collier and Dollar (2001) also concluded that poverty reduction through aid depends on the quality of policies in the recipient country.

Moreover, donor practices play a significant role in aid effectiveness. Miller and Tingley (2003), Sato, Koyashi, and Kondoh (2010) assert that ineffective coordination, lack of monitoring systems, and large bureaucracies hinder the impact of aid. They suggested that aid

would be more effective if recipient countries were empowered to take ownership of aid and participate in policy design.

Aid conditions imposed by donors, such as democracy and good governance, are believed to contribute to the impact of aid on economic growth (Svensson, 2003) Principles such as democracy, good governance, human rights, and gender equality are set as the conditions for receiving foreign aid. Recipient countries incorporate these conditions into their national laws guided by donor requirements (Mosley et al., 1991, p. 65).

The amount and type of aid provided by donors can influence their functioning. As a longstanding provider of foreign aid to African countries, the EU offers loans and grants. However, the EU has faced criticism regarding its role and impact on economic development (Maroodza, 2012).

In summary, the impact of foreign aid on economic growth is contingent on such factors as aid conditionality, recipient country characteristics, donor practices, and aid conditions. The effectiveness of aid relies on favorable policies, recipient ownership, effective donor coordination, and the incorporation of conditions related to democracy and governance. The amount and type of aid provided also play a role in aid practices and their impacts.

2.3 Theoretical Framework

Despite the existing debates on foreign aid, certain factors, such as cultural and historical aspects, have been overlooked in the literature. These factors are crucial for understanding the reliance of African countries on foreign aid. Post-colonization, many African countries were left with divided states instead of the cohesive kingdoms that existed prior to colonization (Flynn & Walker, 2020). This division has led to conflicts over boundaries and territories, resulting in poverty and subsequent dependence on foreign aid (Bortolot & Alexander , 2000).

Furthermore, the transition from powerful kings to governments and election systems after colonization disrupted traditional leadership structures in Africa. New African leaders faced challenges in effectively leading their countries towards economic freedom, leading to power struggles and coups that crippled the economy (Antwi-Boateng, 2017). Considering these historical factors is essential when analyzing the impact of foreign aid on recipient countries. Historical institutionalism, a new institutional approach in social science, examines the influence of historical sequences, timing, and path dependence on institutions; social,

economic, and political changes; and behavior (Hackenesch, 2019). This sheds light on the historical factors that have shaped a country's economic growth.

To address this gap in the literature, this study incorporates institutional theory with special emphasis on historical institutionalism. One of the key concepts animating it is path dependence theory that emphasizes the importance of history in understanding the current trajectory of a country. By studying past events, one can better understand the factors that have led to the current state of aid dependency.

Additionally, conditionality theory, when combined with the institutional framework, offers insight into the impact of foreign aid on Ghana's economic growth. The conditionality theory allows foreign donors to use incentives to induce recipient countries to change their policies and goals.

In summary, historical factors, often overlooked in the literature, play a significant role in African countries' reliance on foreign aid. By adopting an institutional approach and incorporating theories such as path dependence and conditionality, this thesis aims to provide a comprehensive understanding of the impact of the EU's economic aid on Ghana's economic growth.

2.3.1 The significance of institutional theory

The theoretical frameworks chosen for this thesis are historical institutionalism, and conditionality theory. Historical institutionalism emphasizes the significance of historical processes and paths in understanding social and historical phenomena (Sewell W. , 1996). It recognizes that past actions shape future outcomes and aims to explain the current social reality while providing normative and practical goals for development.

Self-producing mechanisms and critical junctures within institutional theory are utilized to interpret the unfolding events and trajectories in Ghana. The self-reinforcing mechanism highlights the accumulation of economic advantages and persistence of positive outcomes and feedback over time (Kaya, 2017); (Marinov & Nestorov, 2017). By employing these mechanisms, this study aims to explain the behavior and constant dependence of recipient countries on foreign aid, particularly Ghana's aid dependency.

Critical junctures, on the other hand, will shed light on the specific moments when recipient countries opt to seek donor aid instead of relying on their own efforts. This theory recognizes that past decisions can constrain current choices, even if the circumstances have changed

(Jehling, Hitzeroth, & Brueckner, 2019). This will help explain the limited set of decisions that Ghana faces regarding foreign aid and the underlying historical factors that contribute to aid dependency.

Finally, conditionality theory will be explored to examine the conditions imposed by the EU when providing foreign aid to Ghana and other developing countries. Conditionality refers to the institutional mechanisms and requirements attached to aid that recipients must adhere to in order to continue receiving assistance (Stokke O. , 1995). This theory investigates the effectiveness or ineffectiveness of these conditions and their impact on aid outcomes.

These three theoretical frameworks serve as the foundation for this analysis and provide a comprehensive understanding of Ghana's dependence on foreign aid. Historical institutionalism, critical junctures, and conditionality theory offer insights into the social, economic, and political dynamics surrounding the EU's economic aid in Ghana.

2.3.2 Historical institutionalism

Historical institutionalism sheds light on how past interactions and trajectories shape institutions and states. Understanding the formation and development of institutions requires studying their previous actions, as past events have an impact on the present (Allen, 2010). Timing, sequences, and path dependence are crucial concepts in historical institutionalism, as they influence institutions and shape social, political, and economic behavior (Allen, 2010). According to North (1990) decisions made in the present are dependent on past decisions and actions, even if past events are no longer relevant. Mahoney and Schensul (2006) highlight the importance of past events, even those in the distant past, in shaping future outcomes. Therefore, comprehending the current state of a social constellation requires understanding the path taken to reach that state. This path is important because it can trigger reactions and influence subsequent development (Pierson P. , 2000).

For instance, Ghana's reliance on foreign aid can be traced back to past decisions that set the country on an aid trajectory, which is further explored in the analysis chapter. Despite receiving significant foreign aid and abundant natural resources, Ghana is still underdeveloped. This can be attributed to the actions taken after independence, when the country chose to rely on foreign aid from its former colonizers.

By applying historical institutionalism, this thesis aims to uncover the historical factors and sequences that have contributed to Ghana's dependence on aid. Analyzing past decisions and

their consequences will provide insights into the challenges Ghana faces in achieving sustainable development, despite external assistance.

2.3.3. Increasing return (self-reproducing sequence) and reactive sequence

Historical institutionalist scholars often analyze the theory through two main types of sequences: increasing returns, which are also known as self-reproducing sequences, and reactive sequences (Mahoney, 2000).

Increasing returns refer to the phenomenon in which the likelihood of staying on a chosen path grows over time. Once a particular outcome is established, it becomes more difficult to deviate from the path. Pierson (2000), argued that people become accustomed to existing systems, making it challenging to effect change. Additionally, altering an established system can be costly in terms of time and resources required for adaptation. Therefore, past events are often more relevant than future events, and different structures yield different outcomes, emphasizing the importance of history (Arthur, 1994). This concept is known as historical lock-in, in which entities find themselves trapped in developmental paths that are difficult to escape. Once decisions and commitments are made along a particular path, it becomes problematic to reverse or modify them (North, 1990).

For example, Ghana, after experiencing numerous failed attempts to develop the country following its independence from colonial rule, found itself locked into a trajectory of relying on foreign aid for development. Despite possessing abundant natural resources that could have fostered economic growth, Ghana became heavily reliant on foreign aid, leading to a situation in which its own resources were underutilized (Adom, 2015).

Reactive sequence is another type of sequence described by historical institutional theory. In reactive sequences, events are tightly interconnected, with each event being a response to prior occurrences and cause of subsequent events. The final event in the sequence is typically the result sought by the researcher studying the process (Mahoney, 2000, p. 509).

2.3.4 Critical Junctures

Historical institutional theory emphasizes the influence of past events on future outcomes. However, in this case study, the concept of critical junctures provides explanatory and analytical power. Critical junctures refer to relatively short periods during which the choices made by agents have a significantly higher likelihood of affecting the desired outcome (Capoccia & Keleman, 2007). Although the duration of these critical moments may be brief, their consequences have long-lasting effects on subsequent outcomes.

Mahoney argues that despite their shorter duration, critical junctures are deemed "critical" because the choices made during these moments lead to a lock-in effect, making it highly improbable to revert to the original situation when actors had multiple options to choose from (Mahoney, 2000, p. 509). Analyzing the concept of critical junctures is crucial for understanding the process and highlighting the factors that contribute to institutional change. These junctures help to elucidate how specific events lead to outcomes at a given historical time.

According to Pierson (2000), critical junctures rely on the contingency of outcomes and the downstream effects of those moments. He further contends that junctures are labeled as critical because they set institutional arrangements on specific paths or trajectories that become highly resistant to alteration.

Therefore, this study seeks to apply the concept of critical junctures to analyze the pivotal moment when Ghana chose the trajectory of aid dependence. Ghana's deep reliance on foreign aid from independence until the present will be examined within the broader context of the historical explanation.

2.3.5. Conditionality theory

Conditionality can be defined as the practice of providing incentives to recipient countries to align their policies with those of their donor countries. In the context of foreign aid, the European Union (EU) utilizes conditionality by setting specific conditions for recipient countries to meet in order to receive aid. Montinola and Stoke offer a more specific definition of EU foreign aid conditionality, characterizing it as an exchange in which the EU provides aid under the condition that the recipient country aligns its political policies with the EU's

goals (Montinola, 2010). While development aid may appear benevolent, it is contingent upon the implementation of specific policies (Stokke O. , 1995).

Furthermore, the International Monetary Fund (IMF) emphasizes the alignment of recipient countries' policies with the fund's objectives to ensure the appropriate use of funds (World Bank, 2005). The IMF and World Bank attach conditions to development assistance with the aim of enhancing aid effectiveness and improving living standards in recipient countries.

Good "governance" has been a particular condition emphasized by the EU in its aid provision (Stokke O. , 1995, p. 227).

Conclusion

This chapter has discussed various institutional theories that will be employed in analyzing this study. These theories address the gaps in previous literature on foreign aid in African countries and help explain the factors and causal mechanisms contributing to aid dependency and the challenges faced by aid in developing countries. The institutional theories highlight the significance of historical events and past decisions made by recipient countries in shaping their current trajectory. Therefore, historical institutionalists argue that analyzing the impact of foreign aid on economic development in recipient countries necessitates an examination of historical paths.

Chapter three will subsequently present the methodological design employed in this thesis.

Chapter Three: Methodology

3.1. Introduction

In this Chapter, the researcher discusses the methodology used to accomplish the aims and objectives of the research. This section discusses the approach that the study used to accomplish its major objectives, the single-case study design, the nature of the data, the data collection method, and analysis and interpretation of the data. The research project adopted interpretive data analysis based on the philosophies of EU donors and how it offers foreign aid to Ghana.

3.1. The Single Case Studies

The case study design employed in this research focuses on a single case, specifically, the assessment of EU economic aid and its impact on Ghana's economic growth. This study aimed to generate the desired findings by examining Ghana as a single case. This approach involves repeated measures and the manipulation of independent variables (Lesourd et al., 2020). Although the single-case study method has faced criticism for potentially overemphasizing historical events and neglecting structural explanations (George & Bennet, 2005), its advantages make it suitable for this investigation. One advantage is its potential to achieve high conceptual validity by gathering ample data from a single case, thus ensuring the collection of reliable and credible data (Risso, et al., 2019). Consequently, the data analysis derived from a single case study is expected to be more dependable than that from multiple cases. The single-case study approach also addresses the complexity of causation in the research study, as it allows the researcher to narrow down the focus and alleviate challenges associated with data collection from large or multiple sources (Tobi & Kampen, 2018). Moreover, a single case study facilitates the formulation of new hypotheses based on the specific case under investigation, reducing the tendency to generalize the findings, as seen in multiple case studies. Finally, a single case study ensures a focused analysis and enhances the reliability and accuracy of the research findings (George & Bennet, 2005).

An exploratory research design was employed in this study to evaluate the aid relations, ideologies, and influences of EU donors on Ghana's development. This design offers analytical power to examine and understand the impact of foreign aid on Ghana's economic

development (George & Bennet, 2005). Furthermore, the exploratory case research design enabled the study to specifically focus on the EU as a donor and to examine the principles applied in providing aid to Ghana. This facilitated the analysis of donors' contributions and influence in supporting Ghana's development.

To answer the research question, the study not only analyzed donors' contributions but also observed the goals and approaches through which foreign aid was provided. The analysis revealed that, while the EU applies different principles in offering foreign aid, the common goal is to assist Ghana in achieving development. EU donors have contributed in various ways, including infrastructure development, which is expected to foster economic growth and development.

3.2. Qualitative Data and Interpretive Data Analysis

This study employed document analysis through a qualitative approach that utilized interpretative data analysis. The choice of this qualitative method was based on its ability to examine complex scenarios in case studies. Document analysis offered this study its ability to critically review and interpret existing academic documents (Bowen, 2009).

Using document analysis helps to collect data without the need for primary data collection (Bowen, 2009). In this study, document analysis was used to analyze and interpret theories that was used in analyzing the historical events that have led to the current trajectory of Ghana. It was also used during the literature review to analyze and interpret the various debates in the study.

Interpretative data analysis is a qualitative research method used to explain and analyze documents, aiding the exploration and clarification of complex scenarios (Shulman et al., 2018). The qualitative research design investigates phenomena using non-numerical values and employs a descriptive analysis to identify relevant themes.

Interpretive research focuses on revealing meaning-making practices and demonstrates how they contribute to observable outcomes. In interpretative research analysis, observations should be interpreted from the subjective perspectives of social participants within their social contexts (Lesourd et al., 2020). Interpretative analysis operates at two levels: experiencing or viewing the phenomenon from the subjective perspectives of social participants (Shulman et al., 2018). Interpretative data analysis has several advantages. First, it can unpack complex cases by exploring the motives behind social processes in which

quantitative evidence may fail to capture accurately or completely. Second, interpretative data analysis is valuable for theory formation in areas lacking existing theories. Third, they are useful for studying unique events or processes. Finally, it can uncover pertinent research questions and issues for further investigation.

Although interpretative data analysis is valuable and offers numerous advantages, it also has certain limitations. First, they tend to be time- and resource-intensive. Second, the data sources may lack credibility or involve biased participants, leading to misinterpretation. Therefore, a careful evaluation of the quality of the documents used and addressing any challenges or gaps is essential.

Additionally, the colonial period served as the starting point for the analysis because it was a significant period in Ghana's history. Furthermore, the document analysis method was employed to evaluate documents containing agreements between donor and recipient countries.

Relevant articles and publications were searched for using keywords related to the topic. Databases such as Google Scholar, Ebscohost, and ProQuest were used. The specific keywords used in this study included foreign aid, development assistance, development aid, EU aid, economic development, conditionality, path dependence, aid dependency, and developing countries. These keywords were searched for in various reputable online academic journals.

Multiple books and journals were found in the database; however, it was not possible to consider all articles found. One selection criterion was to prioritize recent research articles. The publication dates of articles served as the initial selection criteria for the selection of relevant books and journals. Publications from 2000 to 2018 were considered. Selecting recent publications ensured the utilization of up-to-date research findings and insights regarding foreign aid, thus enhancing the relevance and currency of the research study.

Table 3.3. Summary of secondary data sources

Keywords	Source of Data (20 sources)
Political development in Ghana from 2000-2018	Books, Journals, literature, publications from the government of Ghana, articles, and reports on the development of Ghana. The sources used are as follows.

	<p>Novignon, J., Lanko, C., & Arthur, E. (2021). Political economy and the pursuit of universal health coverage in Ghana: a case study of the National Health Insurance Scheme. <i>Health Policy and Planning</i>, 36(Supplement_1), i14-i21.</p> <p>Kodah, M. K. (2020). Democratic illiteracy: A threat to sustainable democracy and peace in Ghana. <i>African Journal of Political Science and International Relations</i>, 14(4), 159-167.</p> <p>Adams, E. A., Kuusaana, E. D., Ahmed, A., & Campion, B. B. (2019). Land dispossessions and water appropriations: Political ecology of land and water grabs in Ghana. <i>Land use policy</i>, 87, 104068.</p> <p>Rock, J. (2019). "We are not starving:" challenging genetically modified seeds and development in Ghana. <i>Culture, Agriculture, Food and Environment</i>, 41(1), 15-23.</p> <p>Ahmed, A., Kuusaana, E. D., & Gasparatos, A. (2018). The role of chiefs in large-scale land acquisitions for jatropha production in Ghana: insights from agrarian political economy. <i>Land use policy</i>, 75, 570-582.</p>
Economic Development in Ghana	<p>Literature, books, journal, articles, reports on the development of Ghana. Some of the selected literature under this category is as follows.</p> <p>Adu-Ampong, E. (2018). Tourism and national economic development planning in Ghana, 1964–2014. <i>International Development Planning Review</i>, 40(1), 75-95.</p> <p>Mah, J. S. (2021, May). Specialization in Primary Products, Industrialization and Economic Development of Ghana. In <i>Forum for Development Studies</i> (Vol. 48, No. 2, pp. 289-308). Routledge.</p> <p>Lo Bello, S., Sanchez Puerta, M., & Winkler, H. (2019). From Ghana to America: The skill content of jobs and economic development.</p>

	<p>Akudugu, J. A. (2018). Institutionalizing local economic development practice in Ghana. <i>Local economy</i>, 33(4), 405-420.</p> <p>Ali, E. B., Anufriev, V. P., & Amfo, B. (2021). Green economy implementation in Ghana as a road map for a sustainable development drive: A review. <i>Scientific African</i>, 12, e00756.</p> <p>Amartey, E. A. (2018). African Socialism; or the Search for an Indigenous Model of Economic Development in Ghana?</p>
Foreign aid	Books on foreign aid, World Bank data on foreign aid, Official documents on aid flow to Ghana, Websites relating aid flow to Ghana
Conditionality Theory	Books; reports, literature Journal articles
Path dependency	Books; journal articles; reports, historic publications, the internet
Aid	Reports from WB; aid reports, websites relating to aid; annual reports of the IMF;
EU aid	WB reports on EU aid to Africa, reports on foreign aid to Africa; books; European Union embassy website in Ghana website; literature on EU investment in Africa

<p>Influence of aid:</p> <ul style="list-style-type: none"> - Economic development - Institutional development 	<p>Official aid documents on the development of Ghana, web documents relating to aid and its impact on economic development of recipient countries, the literature on aid from aid institutions, books, articles and reports on foreign aid and development of Ghana, annual reports of the IMF and World Banks on Ghana,</p>
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3.3. Data collection and data selection

This study relies primarily on secondary data sources to assess the impact of foreign donor funds on Ghana's economic development. The sources used in this study are presented in Table 3.3.

This study focuses specifically on the European Union (EU) as a foreign donor of funds for spurring Ghana's economic growth and development. The EU was selected because it contributes the largest amount of donor funds to the country, significantly impacting Ghana. Foreign aid has the potential to contribute to the economic growth of recipient countries. This study uses gross domestic product (GDP) as the main measure to evaluate the impact of foreign aid on Ghana's economic growth. Additionally, the amount of foreign aid provided by the EU, measured in US dollars, is considered a key variable for assessing the Union's investment in Ghana's economic growth and development.

To gather relevant information, this research utilized EU official documents on aid and Ghana's development, as well as aid literature from bilateral and multilateral institutions such as the World Bank, the Ministry of Finance, the Government Expenditure Bank, and IMF publications. Academic books, peer-reviewed articles, and reports on foreign aid, development, and Ghana were consulted. Works by authors, such as Dambisa Moyo, including books such as "Dead Aid" and "White Man's Burden," were among the resources used. In addition, relevant documents from websites related to the study were incorporated.

3.4. Conclusion

This chapter presents the methodological design used in this study. Critical research was the main approach used in this study. Within this framework of the qualitative method, the critical approach theory was used for data gathering and analysis. In conclusion, the collection and analysis of data are also illustrated in this chapter.

Chapter Four

The Empirical Background: The Historical Context of Ghana

4.1 Overview of Political and Economic Development in Ghana

To comprehensively understand Ghana's economic development and its dependence on aid, it is crucial to delve into the historical events that have shaped the country's trajectory. While there is limited research specifically focusing on the historical context of aid recipient countries, it is imperative to acknowledge that a thorough examination of a country's development necessitates a careful analysis of its historical background and its impact on the economic landscape. Therefore, this section aims to explore Ghana's history and elucidate the factors that have contributed to its aid dependency.

This chapter will present a case study of Ghana, focusing on its political trajectories and economic history. It will draw upon historical accounts, textbooks, and scholarly works by authors such as Owusu-Ansah, Ofcansky, Bortolot, Alexander, and Poulter. These sources provide a comprehensive overview of Ghana's political and economic journey over a significant period. By analyzing this information and data, valuable insights into Ghana's economic growth and the impact of foreign aid on its economy can be gained.

4.2 Ghana at a Glance

Situated in West Africa, Ghana is home to over 29 million people. Geographically, it is positioned along the Gulf of Guinea, sharing borders with Burkina Faso to the north, Ivory Coast to the west, Togo to the east, and the Gulf of Guinea and the Atlantic Ocean to the south. The following figure illustrates the maps of Ghana and its various regions.

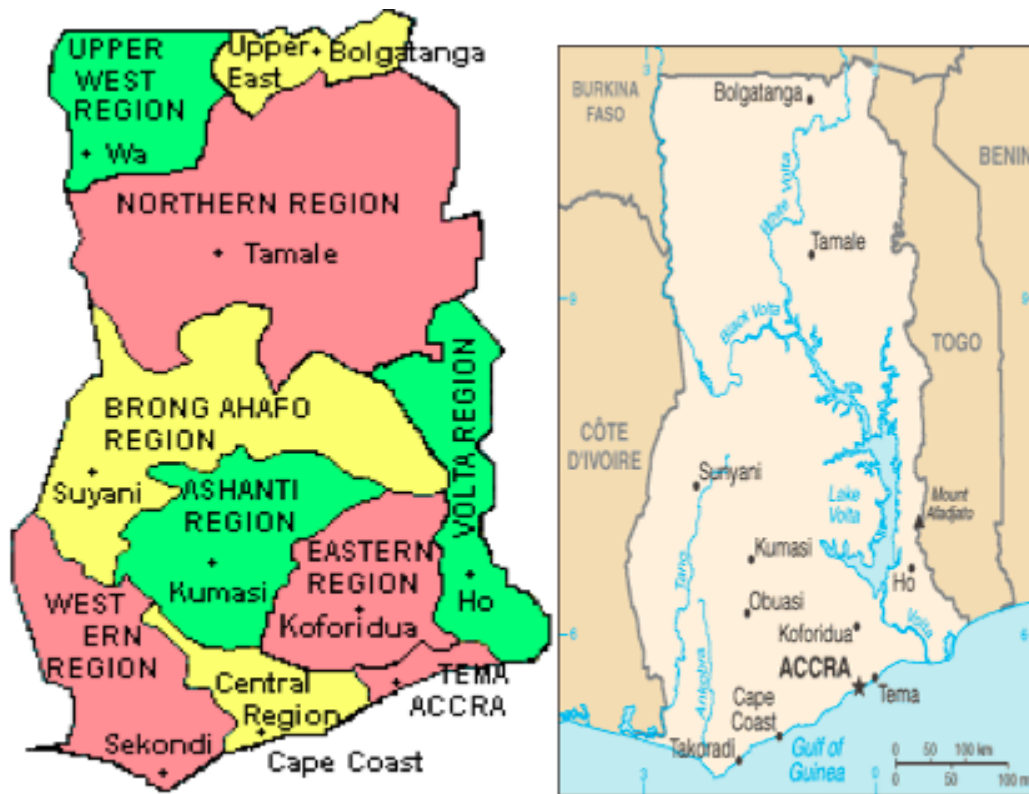


Figure 1.1: Map of Ghana with the ten regions as well as their respective capitals

Source: www.ghanaweb.com

Initially named the Gold Coast because of its abundant resources, Ghana underwent a significant transformation after achieving independence in 1957. Dr. Kwame Nkrumah, the country's first president, decided to rename Ghana. This historical event marked Ghana as the pioneer nation in Sub-Saharan Africa to liberate itself from colonial rule, inspiring other African nations to pursue political and economic emancipation (Owusu-Ansah et al., 2000). Despite experiencing recent periods of political stability, Ghana remains trapped in a cycle of poverty and continues to depend on external aid to meet its developmental needs.

4.3 Brief History of Ghana and European exploration

Before the arrival of European voyagers, Ghana thrived as one of the most powerful kingdoms in Africa, boasting vibrant culture and significant wealth. The European exploration of Africa coincided with an era of fierce competition among developed nations for control over territories and natural resources (Poulter, 2016). Initially, trade between

Europeans and Africans was concentrated along the coastal regions, before expanding further into the continent. As this relationship deepened, European explorers began constructing warehouses along the coast to store goods they acquired. At times, they had to defend themselves against potential invaders and local populations (GhanaWeb, N/A)

Trade between Europeans and Africans encompassed a wide range of goods, including gold, diamonds, textiles, and slaves. Africans provided Europeans with textiles, carvings, spices, ivory, and rubber, whereas Europeans supplied clothes, iron, copper, and various other raw or processed materials. Non-utilitarian items, such as jewelry, beads, and mechanical toys, were also exchanged (Bortolot & Alexander, 2000). The accumulation of wealth in Africa served both the personal and national interests of European powers, fueling their desire for dominance over the continent and leading to conflicts among European nations.

In Ghana, European settlers, including Portuguese, Dutch, British, and Danish merchants, established castles and forts to safeguard their gold, ivory, and slaves starting in (GhanaWeb, N/A). By the late 19th century, all colonies had withdrawn from Ghana, except for the Dutch and British colonies. Eventually, the Dutch also departed, leaving the British as the sole colonial power in Ghana (GhanaWeb, N/A). In 1821, the British government reached an agreement with the Fanti chiefs, granting them control over the coastal areas and establishing a dominion over Ghana, then known as the Gold Coast. The British maintained colonial rule until March 6, 1957, when Kwame Nkrumah, alongside other political elites, led Ghana to independence (Owusu-Ansah et al., 2000).

4.4 Ghana political and economic development after independence

Nkrumah, along with his political party, the Convention People's Party (CPP), assumed leadership, following Ghana's independence. The CPP administration immediately embarked on infrastructure development initiatives, including the construction of the Tema harbor, the Accra-Tema motorway, and the Volta River in Akosombo (Woode, 2012). These projects aimed to facilitate the transportation of goods, particularly cocoa, timber, and other commodities between urban and rural areas.

By 1959, Nkrumah's modernization plans had yielded positive economic results, and Ghana was thriving. Revenues generated from natural resources have enabled the country to achieve a GDP comparable to that of Malaysia and South Korea ((Kilick, 2007). Ghana's progress

garnered international attention, positioning it as a model for other African nations to emulate ((Kilick, 2007).

However, Ghana's success was short-lived, as the government heavily allocated its revenues and funds to infrastructure development and economic modernization through industrialization. Consequently, the economy began to deteriorate, accompanied by a decline in GDP ratio. The investment ratio dropped from 25% in 1961 to 18% in 1963, before eventually increasing to 25% in 1964. By 1966, net reserves had reached a negative value of US\$391 million, and inflation had risen from 1% in 1957 to 22.7% in 1965 (Woode, 2012); (Frimpong-Ansah, 1991).

On February 24, 1966, Nkrumah was ousted from power by the National Liberation Council (NLC) in a military coup while he was abroad on a peace mission (Kilick M. , 2007). The NLC introduced neoliberal policies such as trade liberalization and currency devaluation. Although initially successful, these measures eventually led Ghana to a state of hyperinflation (Kilick M. , 2007).

To address the ailing economy, the NLC government pursued economic decentralization by encouraging private sector involvement and seeking assistance from the international community. This resulted in a significant increase in aid donations and loans, with the total inflow of foreign aid and loans under the NLC's rule reaching US\$110 million (Riddell, 2007).

In 1967, an election brought the Progressive Party (PP) to power, but Ghana was already in a state of turmoil and was burdened with debt (McLaughlin & Owusu-Ansah, 2009). The country faces job losses and extreme poverty (Moyo 2009). To address these economic challenges, the Busia administration implemented austerity measures and focused on developing rural areas by providing electricity and constructing roads (McLaughlin & Owusu-Ansah, 2009); Frimpong-Ansah, 1991).

The PP government ruled until 1979, when they were overthrown by the Armed Forces Revolution Council (AFRC) led by Jerry John Rawlings. Rawlings later handed power to the People's National Party (PNP) after winning an election. The Liman government sought to revive Ghana's ailing economy by establishing favorable relationships with donor countries and the international community (Agyeman-Duah, 2008). However, in 1981, facing the near collapse of the country, Rawlings and his army colleagues staged another coup, forming the Provisional National Defense Council (PNDC). The PNDC implemented measures such as price controls, import duties, import tariffs, and quotas to restore the functioning of the market (Dzorgbo, 2001).

During this period, the World Bank and the European Union provided aid donations to help stabilize Ghana (IMF, 2007).

Table 4.1 economic indicator in Ghana from 1961-2000

Year	GDP 2000 million (US\$)	GDP growth (annual %)	GDP per Capita (constant 2000 US\$)	GDP per Capita growth %
1961	1,967.24	3.43	282.716	0.22
1970	2,55.423	9.72	293.996	7.23
1980	2,64.708	0.47	241.946	-1.90

Source: Kim 2013

4.5 Ghana and Corruption

Corruption occurs when public officials, whether political appointees or civil servants, engage in inappropriate and unlawful activities to unlawfully enrich themselves by misusing their entrusted public power (Yankson-Mensah, 2002).

Despite being considered a model for democracy in Africa, Ghana continues to grapple with the issue of corruption, which poses a threat to its development. Instances of corruption have been observed in Ghana since its independence, but in recent years, the frequency of such cases appears to have increased.

Upon assuming office in 2000, the Kuffour administration embarked on a campaign to combat corruption, attributing the country's predicament to the actions of their predecessors (Ablorh, 2015). However, they soon realized that corruption had deep roots in the cultural and social fabric of Ghanaian politics.

According to Ablorh (2015), "several allegations of corruption involving government officials went uninvestigated." In 2011, a British construction firm working in the country

was accused of bribing eight Ghanaian public officials to secure public contracts. However, this case was later dismissed, and the officials were acquitted (Ablorh, 2015). It has also been reported that Ghana loses approximately 3 billion US dollars annually due to corruption (Ljubas, 2019). This loss resulted from the Ghana Electricity Company's use of an excess capacity electricity plant for which the government was billed, despite the excess power not being utilized (World Bank, 2019). It is believed that public officials colluded with the electricity company to embezzle these funds (Adom, 2015).

Conclusion

This chapter provides the empirical and historical background of Ghana. It begins with a concise overview of Ghana, accompanied by a map illustrating all the regions of the country. Furthermore, the chapter offers a brief account of Ghana's history before and after European exploration. Lastly, the chapter concludes by discussing the various political parties that have governed Ghana since its independence, as well as highlighting certain corruption issues within the country. Building upon this foundation, Chapter five will delve into the analysis of the impact of EU foreign aid on Ghana's economic development.

Chapter Five

Findings of The impact of EU Foreign Aid on The Economic Growth of Ghana

5.0. Introduction

This chapter carries out the analysis of the effects of EU foreign aid on Ghanaian Economic Growth. The chapter examines the EU investment and support flows and the impact the EU aid has had on the economy of Ghana.

5.1. Ghana's Foreign Aid in Perspective

ODA to sub-Saharan Africa (SSA) between 1970 and 2002 amounted to \$318.8 billion, while Asia received \$214.1 billion during the same period (Amusa et al., 2016). Aid flow in sub-Saharan Africa, including Ghana, followed a similar pattern. In Ghana, the percentage of GDP represented by development funds increased from 9.5 percent to 10.4 percent between 1970 and 2005, representing a growth of 3.1 percent (Forson et al., 2015). The significant inflow of aid to Ghana can be attributed to the successful implementation of economic reforms in the 1980s under the Economic Recovery Program (ERP) and Structural Adjustment Program (SAP) as well as the establishment of constitutional governance in 1992 (Duodu & Baidoo, 2022).

The International Monetary Fund (IMF) supports Ghana through various forms of assistance, including debt relief under the Highly Indebted Poor Countries (HIPC) initiative, balance-of-payments support, general sector and budget support, project aid, and Multilateral Debt Relief Initiative (MDRI). Both traditional and non-traditional donors contributed to Ghana's development, with 24 bilateral donors and 23 multilateral organizations being part of the conventional donor pool. The World Bank and European Union are among the major multilateral donors, accounting for approximately 45 percent of the total amount provided by multilateral donors. In addition, collaboration between more than a dozen United Nations organizations and the International Development Fund (IDF) of OPEC aims to combat diseases such as AIDS, TB, and malaria (Abodiakpi, 2015).

Table 1: Ghana Overseas Development Assistance in Millions (US Dollars)

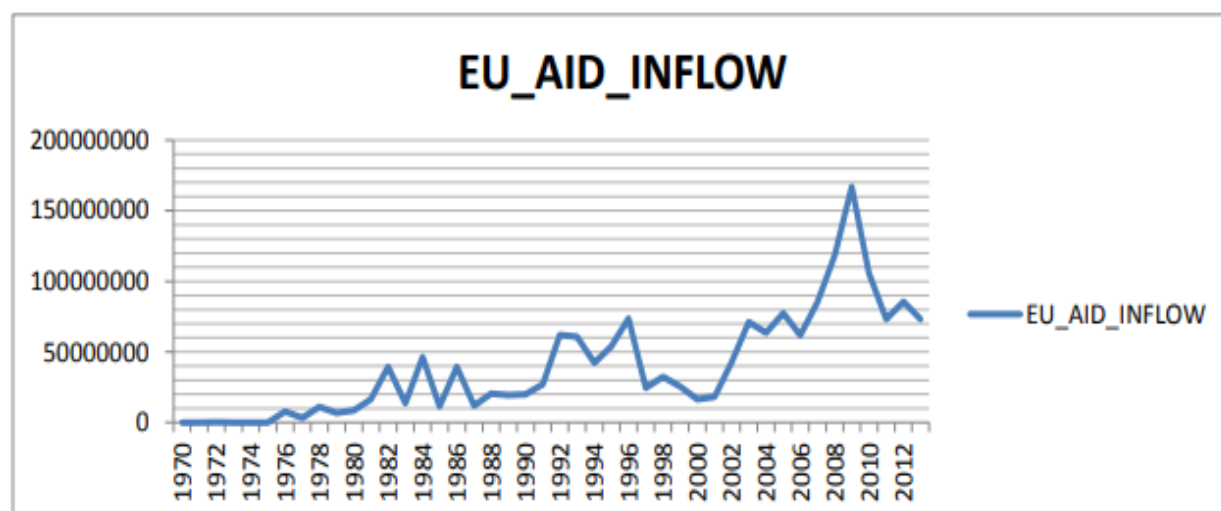
YEAR	2003	2004	2005	2006	2007	2008	2009	2010
Total	1003.1	1130.1	1205.8	1478.1	1656.5	1649.6	2102.5	1896.8
*IMF	76.6	38.7	38.2	116.6	0	0	200	200
Debt Relief Grants	154.2	174.1	196.9	307.3	342.7	229.5	289.6	235.8
Budget Support	277.9	316.7	313.2	349.3	386.7	473.1	700.4	619.2
**EU	154.2	174.1	196.9	209.8	246.1	158.4	181.9	168.8
Project Aid	494.4	600.6	657.5	698.6	927	947	912.5	841.8
GDP	7621	8853	10726	12729	14984	16085	14385	14870
Total (ODA % of GDP)	13.2	12.8	11.2	11.6	11.1	10.3	14.6	12.8

Source: Adopted from Quarterly et al., (2010) and Ministry of Finance and Economic Planning report (2010).

The assistance flows of traditional and nontraditional donors are depicted in Table 1. There was a continuous growth in project funding from \$494.4 million in 2003 to \$912.5 million in 2009, followed by a drop of \$841.8 million in 2010 (Adu & Denkyirah, 2018). Aid for the budget was followed in the footsteps of this development. In 2003, the European Union's assistance to developing countries increased significantly from \$154.2 million to \$246.1 million.

Since 2008, this trend has exhibited a mixed pattern of growth and decline. The scenario results from the 2008 global economic collapse in the United States and the EU crisis, in which Greece, Portugal, and Spain have exacerbated since late 2010 (Adu & Denkyirah, 2018), and total official development assistance as a percentage of GDP has decreased from 13.2 percent in 2003 to 12.8 percent in 2010. The graph below depicts the trend in EU Aid to Ghana from 1970 to 2012.

Figure 1: Ghana's EU annual Aid Allocation (1970 to 2013)

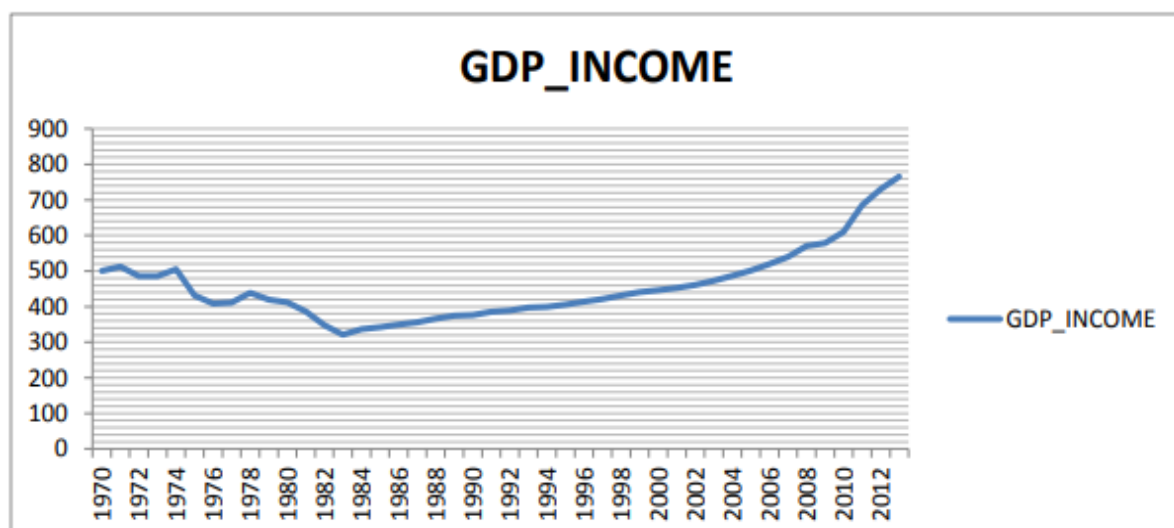


Significant developmental initiatives have been undertaken in Ghana because of aid inflow, with a notable example being the Millennium Challenge Account (MCA). In 2006, Ghana entered into a five-year agreement worth \$547 million with the Bush administration under the leadership of then-President Kufour (Iddris, 2018). The total funding allocated by the Millennium Challenge Corporation surpassed \$1.2 billion and was distributed among selected underdeveloped nations, with Ghana receiving half of the earmarked budget due to its successful democratic dispensation, setting a benchmark for others. Ghana's compact under the MCA focused on achieving the eight Millennium Development Goals (MDGs), including rural agriculture mechanization, transportation, and the provision of services to the needy (Adu & Denkyirah, 2018). The program currently targets 30 regions with poverty rates exceeding 40%, primarily located in Ghana's three northern areas, the southern horticultural belt, and the Central Afram Basin. MCC funds have supported farmer training in commercial agriculture, irrigation development, land tenure system modifications, road network construction, and rural community water and sanitation facilities (Iddris, 2018).

In addition to traditional donors, non-traditional contributors, such as China, have also played a role in Ghana's development.

While Ghana has received funding from the EU for its development, Figure 2 illustrates that its economic growth remains moderate and less remarkable. The nation experienced significant economic growth in 2020 due to the discovery of oil rather than relying solely on foreign aid. The discovery of oil provided an additional revenue stream for the budget, and growth during this period may have been driven by fresh investments in the nascent oil sector (Iddris, 2018).

Figure 2: Ghana's GDP per Capita (1970 to 2013)



5.2. European Union Development Aid Policy

The EU's policy agreement in Ghana encompasses the promotion of good governance, political stability, and eradication of corruption (Thompson & Casely-Hayford, 2008). Ghana's economy has experienced significant growth over the past few decades through EU subsidies. The EU has provided funding for various projects in Ghana, including the construction of urban and rural infrastructure, such as roads, bridges, schools, and hospitals (European Commission, 2008). The European Union has also played a significant role in Ghana's efforts to combat HIV/AIDS.

The goals of the European Union in Ghana are broad and comprehensive, with the 11th European Development Fund (EDF) Summit highlighting three key priorities. These priorities, in order of importance, are effective public sector management and accountability, investment in agricultural development in savanna and ecological zones, and enhancing social and economic security (European Commission, 2008). These objectives are in line with Ghana's agenda for change as it strives to transition into a middle-income country. However, Ghana faces challenges as it pursues these objectives, which are closely aligned with the EU's agenda for change (European Commission, 2008). Furthermore, EU aid to Ghana is accompanied by specific pre-established rules that Ghana must adhere to meet the standards set by the global community (Frisch, 2008).

5.3. The Impact of Foreign Aid on the Development of Ghana

The question remains as to whether foreign aid contributes to a country's progress as intended. Although foreign aid has a positive effect on the development of the recipient nations, this growth is dependent on the policies of the receiving country that are in place (Clemens & Postel, 2008). Other data suggest that help supplied with conditions (tied aid) is less effective than aid provided without conditions. As a result, they feel that while enforcing limits on support is an excellent way to minimize misuse, too many criteria might negatively affect it. The receiving country's behavior has a significant impact on the effectiveness of aid and its effect on development. Foreign aid has been successful in Ghana but has not been as

beneficial in other parts of the country (Clemens & Postel, 2008) For example, in Ghana, a network of local professionals is devoted to supporting development across a wide range of government stakeholders. Ghana's political stability can also be attributed to its strong administration.

5.3.1. Path Dependence Theory and Critical Juncture

Pre-colonial Ghana operated as an autonomous nation governed by sovereign monarchs unrelated to paternal lineage, where political authority was exercised by male adults, with kings and chiefs as the primary figures (Agyeman-Duah, 2008). The decision-making process relies on customary rules, established norms, and values. However, colonial rule introduced a centralized administrative and institutional framework, supplanting previous modes of governance. Consequently, this shift towards central authority and institutions set off a series of events that led to power struggles across land. Colonialism, along with the slave trade, had a profound impact on Ghana's political and economic systems, resulting in diminished power for traditional leaders and the imposition of commands by the central government, leading to a disrupted system. The arrival of Europeans disrupted the peaceful coexistence of Ghanaians and enabled a small group of political elites to amass power and influence over the less-privileged members of society, a dynamic that persists today.

Understanding Ghana's present circumstances requires an examination of its historical trajectory and traversed path (Allen, 2010).

Following independence there was a lack of adequate training for the governing authorities, which contributed to a rapid descent into chaos. The rush for autonomy without sufficient preparedness has led to power struggles and political turbulence. During Nkrumah's tenure, Ghana's natural resources were utilized for nation-building, and the economy experienced growth. Ghana is regarded as a model for other African nations because of its economic success. However, Nkrumah's ambitious 10-year growth plan was not fully implemented during his time. The struggle for political power among elites stemming from the fight against colonial rule resulted in conflicts that eventually led to the downfall of the government in power. Within a year of assuming control, the PP faced internal changes and power struggles, followed by the NLC. Continuous policy shifts have exacerbated Ghana's economic crisis and debt, necessitating intervention from the international community.

Nevertheless, after gaining independence in 1957, and following a series of unsuccessful governments, the impact of external pressures became apparent. These external influences determined Ghana's current critical juncture. Ghana is a pivotal moment in history. The introduction of Millennium Development Goals (MDGs) in the 2000s brought about a significant increase in foreign influence. Killick notes that Ghana experienced a surge in foreign aid from \$598.17 million at the start of the millennium to \$1306.33 million in 2008 (Allen, 2010). Despite substantial international assistance, Ghana remained a poverty-stricken and underdeveloped nation. Moreover, colonialism has fostered reliance on European countries during times of need.

After independence, Ghanaian leaders faced another critical juncture when seeking assistance from the international community in the form of foreign aid. Following a series of tumultuous regimes and economic instabilities, Ghana turned to the world for help. Consequently, significant amounts of aid and loans were provided to Ghana (Allen, 2010). The overwhelming debt burden Ghana owed to the World Bank became apparent to former President Kuffour in 2000, leading to Ghana's enrollment in the HIPC initiative. Consequently, Ghana's debts were alleviated through the HIPC, enabling the country to commence its economic recovery.

5.3.2. Good Governance

The EU's commitment to good governance is a crucial aspect of its policy agenda and its economic aid to Ghana has contributed to improvements in governance and democracy. Good governance entails transparency in government affairs, accountability, efficiency, responsiveness, equity, inclusivity, and adherence to the rule of law (Abubakar, 2021). Ghana made a significant transition from military dictatorship to multiparty governance in 1992, establishing a democratic and stable government. The country has witnessed a peaceful election and smooth transition in power. Ghana's strong democratic credentials also play a vital role in regional integration, peace, and security (Abubakar, 2021). The EU recognizes and appreciates Ghana's efforts to promote democracy and continues to support civil society organizations working towards advancing the good governance agenda (EEAS, 2012).

Conclusion

In conclusion, Ghana is a significant recipient of foreign aid in sub-Saharan Africa, particularly from the European Union (EU). The EU's financial assistance to Ghana has witnessed substantial growth over the past decade and has remained a prominent donor to the country since its independence. The EU's priorities in Ghana include capacity building, good governance, democracy, and decentralization of government authority. It is important to note that EU aid to Ghana is provided in the form of grants, and thus, Ghana does not have the responsibility to repay it.

The historical relationship between the European Union and Ghana is complex and influenced by Ghana's colonial past and longstanding donor relationships. As part of its programme to promote democratic reforms, human rights, and good governance, the EU has provided both financial and technical assistance to the Ghanaian government. However, the EU's strategy shifted after 9/11, placing greater emphasis on security and supporting stable governments. Consequently, recipient countries, including Ghana, are compelled by the EU's conditionality principle to improve their governance systems.

It is noteworthy that EU aid to Ghana comes with the expectation that funds will be utilized to enhance good governance and ensure long-term economic sustainability in the country. This highlights the EU's intention to foster positive development outcomes and to promote effective governance practices in Ghana.

Chapter 6

Analysis of the Impact of EU Foreign Aid on Economic Development of Ghana

6.0. Introduction

This chapter focuses on the impact of foreign aid on Ghanaian's economic development. It will focus primarily on the various development sectors in Ghana, where foreign aid has been allocated, to determine whether sizeable foreign aid transfers have substantially affected Ghana. This chapter also examines EU policies and their efficacy.

6.1. The Impact of Foreign Aid on Development in Ghana

International and bilateral entities have provided aid in supporting development activities in Ghana. Ahmed (2018), highlight the role of foreign aid in facilitating neoclassical and market-friendly economic change in the country. These changes included income mobilization through tax reforms, increased municipal revenues, and reduced tax burdens. Furthermore, foreign aid has contributed to notable improvements in Ghana's infrastructure. However, the disbursement of foreign aid commitments has been inconsistent in recent decades (Ahmed, Kuusaana, & Gasparatos, 2018). Their study revealed that, on average, only 65 percent of the pledged aid was disbursed between 2009 and 2019, with disbursement rates ranging between 30 and 80 percent. This significant variability in aid disbursement poses risks to Ghana's development, leading to reliance on domestic borrowing, substantial balance of payments deficits, and a decline in foreign reserves. Ahmed (2018), argues that aid distribution in Ghana has primarily focused on infrastructure, communications, agriculture, education, and health sectors, neglecting other areas of development, and contributing to unequal economic growth.

6.1.1. Impact of Foreign Aid on Education

Ghana's government has consistently emphasized the importance of education reform, recognizing the correlation between a well-educated population and a country's global competence level (Adom, 2015). The World Bank asserts that sustainable development in Ghana can be achieved only through a knowledge-based economy that places education at its core. In response to Ghana's educational development objectives, several OECD nations have pledged significant aid in investing in the education sector and other knowledge-related initiatives. Consequently, Ghana has made significant strides in the education sector, with foreign aid primarily targeting the renovation and construction of schools across all educational levels. However, indicators of Ghana's education system reveal significant disparities between rural and urban areas as well as between the southern and northern regions. These inequalities have prompted donors to direct some of their assistance to addressing existing barriers and gaps in education (Ablorh, 2015). Although donor interventions in these areas have yielded notable results, they are still considered inadequate by global standards.

6.1.2 Impact of Foreign Aid on Agriculture

The agricultural industry in Ghana remains the primary source of employment for the economically active population despite the emergence of the non-farming sector in rural areas. Approximately 41% of the population is engaged in agriculture, making it one of the leading job sectors in Ghana (Yankson-Mensah, 2002). Recognizing the significance of Ghana's agricultural sector, foreign aid has been directed towards stimulating economic development and alleviating poverty, which has been a longstanding priority for the country's government. Foreign aid funds focus on upgrading agricultural equipment, improving irrigation systems, and enhancing human resources. Recent attention has been paid to rain-fed farming methods, technological cooperation initiatives, and local production capacity (Yankson-Mensah, 2002). The growth and development of the agricultural industry have enabled it to maintain its prominent role in generating foreign currency earnings, ensuring food security, and contributing to the GDP. During times of economic uncertainty, industry serves as a safety net for the general population.

Owing to the significant share of agriculture in Ghana's economy and its impact on various development indicators, foreign funders consider agriculture to be the key driver of economic growth in the country (Yankson-Mensah, 2002). Consequently, the adoption of advanced

industrial technologies has gained popularity among foreign contributors in recent years. As a result of donor assistance, traditional agricultural production systems have undergone substantial decline over the past few decades. There is a growing emphasis on modern intensive crop production systems, particularly in areas with significant agricultural potential, as a departure from well-established farming methods. Small-scale irrigation and automation have been increasingly adopted in the agricultural sector to achieve this objective.

6.1.3. Impact of Foreign Aid on Health

Over the past decade, the health system in Ghana has undergone significant changes, with collaboration among missions, funders, and the government playing a crucial role in providing healthcare services. Foreign sources contribute 35% of the sector's financing, whereas the national government is expected to cover the remaining 65% over the next ten years. Donor-funded initiatives in the health sector have primarily focused on curative treatment, rather than preventive care. These efforts have included programs aimed at improving access to high-quality healthcare, reducing the spread of infectious diseases, and expanding Community-based Health Planning and Services (CHPS). Both local healthcare facilities and existing hospitals have received significant attention and investment.

Foreign aid has been directed towards the Expanded Program on Immunization (EPI), which operates in all ten regions of Ghana. The project successfully vaccinated children against diseases such as measles, pertussis, tuberculosis, and neonatal tetanus. In addition, it targets yellow fever and severe poliomyelitis (Sato et al., 2010). Efforts to enhance EPI services nationwide have resulted in improvements to the policy environment. DIS policy requires private hospitals, health institutions, and public health clinics to provide Daily Immunization Services. According to the DIS policy, healthcare staff members are required to inquire about the vaccination and immunization status of children aged five years and below during every encounter. EPI has also incorporated satellite, static, and outreach clinics into its scheme.

6.1.4. Impact of Foreign Aid on Telecommunication

The telecommunications industry in Ghana has made significant investments in smart networks and next-generation internet protocols thanks to foreign grants (Sato et al., 2010). These grants have facilitated the implementation of a nationwide broadband plan, public-private partnerships to enhance Internet access, and the launch of various e-Government projects. The motivation behind foreign aid investments in the communications sector stems from Ghana's aspirations to leverage technology and innovation to improve its socioeconomic well-being.

6.1.5. Impact of Foreign Aid on Infrastructure

Ghana allocates an estimated \$1.5 billion annually to infrastructure construction, which is equivalent to approximately 8 percent of its annual GDP (Sato et al., 2010). The majority of the \$0.5 \$ billion infrastructure budget shortfall each year is attributed to the repair of the road and electricity infrastructure. Consequently, Ghana's ability to generate additional funds is closely tied to foreign aid inflow.

Among Ghana's notable infrastructure projects that have benefited from foreign financial aid are the Anwiankwanta-Yamoronsa Road repair and the National Electrification Project (Sato et al., 2010). The National Electrification Project (NEP) has facilitated the distribution of energy from the national power grid to small rural and urban settlements. By 2018, the project had connected 3,000 towns and villages to the national grid, completing the electrification of 127 rural communities and 16 district capital (Sato et al., 2010). Japan's assistance in repairing the Anwiankwanta-Yamoronsa route has enhanced the transportation of export commodities from the Western Region and central Ashanti to the Takoradi port in recent years. Since the completion of the project, traffic has increased and new satellite markets have emerged, providing employment opportunities for residents.

6.1.6 Impact of foreign aid on Democracy and rule of law

As mentioned in Chapter Four, Ghana experienced political turmoil after gaining independence. This turmoil resulted in a military regime and, later, a one-party government (Woode, 2012). In response to the country's struggle to rebuild itself, the World Bank and the European Union started providing aid donations to Ghana to help stabilize its economy

(Thompson & Casely-Hayford, 2008). However, these aid donations were contingent upon Ghana implementing democratic governance and the rule of law, which marked the beginning of democracy in the country (Adom, 2015). Subsequently, a general election was held in 1992, leading Ghana to the fourth Republic (Awortwi, 2011). Since then, Ghana has transitioned from military rule to a multi-party government. Presently, the country is highly regarded for its peaceful elections and often serves as a positive example in Africa, as acknowledged by Western leaders (EEAS, 2012).

6.2. EU policies and their Effectiveness

6.2.1. EU Policies

The Country Strategy Paper (CSP) is the EU's primary instrument for cooperating with developing nations. Aligned with other international development organizations, the European Community has developed an approach to assist the developing world based on a country's stated national policy goals (Ejdus & Juncos, 2018). As part of the requirements set by the World Bank and the International Monetary Fund (IMF), Developing nations are expected to submit a Poverty Reduction Strategy Paper (PRSP) as part of the requirements set by the World Bank and IMF. The development of CSP can significantly contribute to the EU's long-term planning goals and enhance the efficiency and effectiveness of its international assistance, as stated by European Commission officials (Ejdus & Juncos, 2018). The assessment of the partner nation's political, economic, social, and environmental conditions is crucial and should be documented in a "country diagnostic" report. When evaluating a country's political situation, essential governance indicators, such as human rights protection, democratic principles regarding elections and government transitions, governance structure, power distribution among government levels, and transparency should be considered. These indicators encompass areas, such as human rights, social services, and security.

According to the European Commission, countries that have not achieved or are experiencing deteriorating "structural stability" require more attention to measures ensuring stability and security, including dispute prevention, post-conflict intervention strategies, and demilitarization (Ejdus & Juncos, 2018). The European Commission has developed a governance assessment framework for developing countries, outlined in the statement "Governance in the European Consensus." Initially, the profile included nine ACP nations,

but the subsequent versions excluded them. The governance profile serves as a programming tool to identify collaboration areas, establish benchmarks and objectives for change, and does not involve joint work with the partner country. However, the content of the profile should be presented to partner nations as a part of the programming discussion. The European Commission's governance profile consists of nine components that can be categorized further. The first six components align with the World Governance Indicators and cover aspects such as government effectiveness, economic governance, corruption control, political governance, and social governance (Thielemann, 2018). The remaining components focused on the quality of cooperation, regional and international contexts, and social governance. The inclusion of a migration component in the eighth component seems to be motivated by concerns within the European Union regarding potential immigration. Overall, governance profiles and indicators play a vital role in assessing and addressing governance issues in partner countries, enhancing the effectiveness of EU aid programs, and promoting sustainable development.

6.2.2. Effectiveness of EU Policies

The EU policies are subject to potential policy modifications and political variations during the implementation phase. The involvement of stakeholders from different institutions is necessary to implement these policies (Thielemann, 2018). However, the European Commission, which is responsible for overseeing the implementation of community legislation in member states, has limited resources to ensure the collaboration of public and commercial entities involved in the process. As a result, the EU often faces criticism for systemic implementation issues. In recent years, increased attention has been given to the study of European Union legislation implementation and compliance.

The EU has a clear division of labor for implementing shared policies across its member states. Article 10 [ex-Article 5] of TEC specifies that member states are generally responsible for implementing the provisions of the European Community (Thielemann, 2018). Member states are required to take appropriate general and specific measures to fulfill the obligations of the treaty or actions taken by community institutions. These are expected to contribute to achieving the community's objectives.

Conclusion

In conclusion, international and bilateral entities have supported development efforts in Ghana through aid commitments and disbursement. This chapter examines the impact of foreign aid on Ghana's economic development, focusing on the various development sectors in which foreign aid has been allocated. This study aimed to assess whether substantial foreign aid transfers had a significant effect on Ghana. Chapter 7 provides a summary of the main findings and conclusions of the study along with a discussion of the research limitations and policy recommendations.

Chapter Seven

Conclusions

7.1 Introduction

This chapter provides a summary and conclusion of the research conducted in this study. The preceding chapters extensively covered the historical events and conditions that have shaped Ghana's current trajectory. Additionally, the causal mechanisms leading to the desired outcomes in this study were thoroughly discussed and explained.

In this chapter, the theories introduced in Chapter 2, namely institutional theory, and conditionality theory, are used to analyze the processes and incidents examined throughout this study. The main thoughts were discussed and summarized, leading to a conclusive assessment.

This chapter is organized into subsections to enhance clarity and coherence. It commences with a summary of the foreign aid debates explored in Chapter 2. Subsequently, an analysis of colonial rule and the factors contributing to path dependence on foreign aid dependency will be presented, along with an examination of Ghana's economic and political development following independence.

Finally, an evaluation of the EU's aid to Ghana will be conducted, focusing on its contributions to Ghana's socioeconomic development.

7.2 Summary

The study began by contextualizing the debates surrounding foreign aid and its impact on Africa's development. The literature review presents divergent perspectives on foreign aid. In the foreign aid discourse, one viewpoint asserts that foreign aid can contribute to economic development in recipient countries, if donors thoroughly assess recipients' needs. Thus, for foreign aid to yield positive effects, there must be an alignment between the aid provided and the specific requirements of the recipient countries. This alignment is crucial because misalignment and the absence of well-established institutions in developing nations can result in misuse and misdirection of foreign aid (Sachs, 2005, p. 244).

Conversely, opposing views suggest that African countries should leverage the continent's abundant natural resources to build their economies, rather than relying heavily on foreign aid. Critics argue that donors do not offer foreign aid purely out of altruism but often have hidden agendas behind their assistance to African nations. Furthermore, it has been alleged that the conditions attached to foreign aid are responsible for its failure to foster development in Africa. This is because despite Africa receiving the highest amount of foreign aid compared to other continents, tangible development remains elusive. Therefore, opponents of foreign aid continue to speculate that donors provide aid not with genuine developmental intentions but rather to perpetuate Africa's reliance on them.

7.3. Post-colonial era and Path Dependence theory

An analysis of Ghana's current state and practices necessitates a thorough examination of historical contexts, particularly the enduring influence of its colonial past. Path dependence theory suggests that institutions in societies exhibit high persistence, implying that the political, social, and cultural legacies of the past have long-lasting effects that are deeply embedded in the system. In Ghana, the impact of the colonial era can be observed in various aspects of the country. For instance, prior to colonial rule, Ghana was a powerful kingdom, with independent kings overseeing the political power distributed among male adults. Decision-making was guided by customary laws and established norms and values (Poulter, 2016). However, the establishment of colonial rule disrupted Ghana's political structure and socio-economic system. Traditional leaders have lost significant power as centralized institutions have taken control, leading to chaos within the system (Bortolot & Alexander, 2000). The European presence further disrupted the harmonious existence of Ghanaians, as land- and property-sharing among families and fair treatment by clan leaders were replaced by decisions made by the central government (Awortwi, 2011). This shift also contributed to power concentration among a few political elites, exacerbating the wealth disparity between the rich and poor, thereby hindering poverty alleviation (Agyeman-Duah, 2008).

Moreover, the rush to independence and inadequate training in governance has led to disputes, power struggles, and political turmoil (Woode, 2012). Although Nkrumah's CPP party-initiated development efforts and utilized natural resources to improve the country's economy, his 10-year development agenda was not fully realized due to ongoing power

struggles and subsequent overthrows of ruling governments (Kilick M. , 2007). Ghana witnessed multiple military coups, policy fluctuations, economic shocks, and increasing debts, prompting international intervention (Riddell R. C., 2007).

While external influences on Ghana can be traced back to the colonial era, their significant impact became prominent after independence and numerous failed governments. Colonialism also established a reliance on European countries during times of crisis (Thompson & Casely-Hayford, 2009).

The EU's economic aid, along with contributions from other donors, has been channeled towards infrastructure development, school construction, and capacity building in Ghana to facilitate development. Official Development Assistance (ODA) constitutes a substantial portion of Ghana's GDP, with aid as a percentage of GDP increasing from 13% to 14.6% between 2003 and 2009 (Agyeman-Duah, 2008). As Ghana's largest aid donor and trading partner, the EU has played a significant role in fostering growth in the country. For instance, the EU actively participated in the fight against HIV/AIDS by providing testing, medication, condom distribution, and public education on the disease (European Commission, 2008). The EU also contributed to achieving the Millennium Development Goals (MDGs) in Ghana, such as providing clean drinking water in rural areas, reducing child mortality rates, supporting school construction, and modernizing agriculture to alleviate poverty (European Commission, 2008). Significant progress has been made in universal education, particularly through the government's free education initiative, resulting in improved enrollment rates in primary and junior high schools. However, challenges persist, including inadequate school infrastructure and textbooks (European Commission, 2008). Ghana has also witnessed notable advancements in gender equality and women's empowerment, with increased female participation in politics and improvements in girls' child education (World Bank, 2019). Another area that has experienced growth is maternal health and mortality. The UN reported that the number of mothers who lost their lives during childbirth and after birth has decreased in the country (World Bank, 2019). The number of children who died at birth has also decreased. However, there are still challenges, such as poor roads, transportation of pregnant women to the nearest hospitals, adequate tools for saving lives, and sufficiently trained medical practitioners.

7.3.1 Ghana Economic Development After HIPC

Following a series of coups and unstable governments, international institutions such as the IMF, World Bank, and EU exerted pressure on Ghana's leaders to establish a sustainable system that would alleviate poverty and achieve long-term economic and political objectives. The implementation of the Highly Indebted Poor Countries (HIPC) initiative marked the beginning of the country's economic recovery and a decline in debt levels. Additionally, the discovery of oil in 2011 further contributed to Ghana's wealth, leading to a booming economy with an estimated 9% GDP growth in 2017, making it attractive for foreign direct investment (FDI) flows according to the World Bank (2018).

Ghana's economy ranks second in West Africa (World Bank, 2018). The country not only enjoys economic stability but is also recognized as a democratic model in Africa, characterized by successful government changes and free elections. This combination of economic and political stability continues to attract FDI investments and aid from the international community (World Bank, 2018).

However, despite these positive developments, over 30% of the population still lives in absolute poverty. This disparity arises from the concentration of a country's wealth in the hands of a few economic elite. Foreign aid and FDI are often misdirected and misused by political leaders for personal gain, which leaves ordinary Ghanaians trapped in poverty (Van Wijk et al., 2019).

7.3.2 Impact of EU aid on Ghana's development

The EU has provided development aid to Ghana since its independence, primarily by focusing on infrastructure development. Notably, the EU assisted in constructing the Akosombo dam, one of the largest dams in the country, which supplies power and electricity (Abodiakpi, 2015).

EU aid also encompasses technical and capacity-building initiatives facilitated by specialists who train the local individuals. This knowledge transfer fills the knowledge gap and enhances skill development (European Commission, 2008). The EU's aid policies also emphasize the promotion of good governance and political stability, contributing to Ghana's status as a model for democracy and political stability in the sub-Saharan region (Awortwi, 2011).

7.3.3 Challenges to Ghana's development

There have been improvements in certain areas such as democracy and political stability. However, Ghana still faces challenges, despite being a significant recipient of foreign aid in the sub-Saharan region. While improvements have been observed in areas such as democracy and political stability, attention is required in crucial sectors such as the construction of roads, schools, and hospitals. Corruption poses a major obstacle to Ghana's development, with an estimated annual loss of approximately US\$ 3 billion attributed to corruption (Ljubas, 2019). The absence of accountability for government officials involved in corrupt practices perpetuates the norm of enriching oneself, rather than contributing to the country's progress (Ljubas, 2019).

7.4 Conclusion

The main objective of this thesis is to investigate why EU policies have not led to Ghana's economic growth. This study also aimed to explore the influence of foreign aid on Ghana's socioeconomic development. Given the varying opinions on development approaches, this study sought to examine the existing literature and theories related to the topic. Several theories, including historical institutionalism, critical juncture, and conditionality theory, were employed to analyze the study.

To conduct this master's thesis within the given time constraints, secondary data sources such as academic books, journals, and reports were used to obtain the desired results. This study also delves into institutional theories to explain Ghana's heavy reliance on aid donations. This reveals that Ghana's colonial history with the EU contributed to its high dependency and established a paternalistic relationship between the two.

While the conditions set by the EU aim to ensure coherence and accountability from their perspective, they can sometimes be excessively strict and misaligned with national policies. Additionally, tied aid hinders foreign aid from reaching its full potential, as a significant portion of aid is spent on purchasing unnecessary items from the EU. The unique and paternalistic relationship between the EU and Ghana, stemming from colonial history, has resulted in decision-making authority largely resting with the EU, with Ghana expecting to

comply unquestioningly to qualify for development aid. This dependency dynamic traces back to the colonial era, when Ghana relied on colonial masters for crucial decision-making, and it has persisted post-independence as the country sought assistance for development. While the EU acknowledges corruption issues in Ghana and attempts to support the country in combating them for the sake of development, the study concludes that despite being one of the highest recipients of EU foreign aid in the Sub-Saharan Africa region, Ghana remains underdeveloped. The country continues to face challenges, such as high unemployment, inadequate infrastructure, and widespread poverty. Despite possessing abundant natural resources that could drive development, Ghana faces obstacles such as low savings and investment, which are necessary conditions for development. Corruption was also identified as a significant threat to Ghana's development, emphasizing the need for the government to prioritize anti-corruption efforts.

In the future, it would be beneficial for foreign aid donors to coordinate their funds more effectively and channel them towards endeavors that are cost-effective and align with the common goal of fund coordination to achieve the common goal of development.

7.4.1 Recommendation

Based on the findings of this study, the following recommendations have been proposed to promote socioeconomic development in Ghana.

1. Interest-free loans and grants: To alleviate the burden of external debt, it is recommended that loans and grants provided to Ghana be interest free. This study revealed that interest payments on external debt hinder the effective utilization of the loan itself, making recipient countries financially vulnerable.
2. Focus on skill development: Economic aid should prioritize skill development through education and training programmes. Instead of allocating resources primarily for political purposes, directing aid towards skill development can empower individuals and contribute to sustainable economic growth. This approach minimizes the risk of aid misuse by corrupt governments.
3. Fewer aid conditions: This study suggests reducing the number of conditions attached to foreign aid. The conditions should be mutually agreed upon by both the recipient and donor, considering the norms and values of the recipient country. This approach promotes ownership and allows for the implementation of aid programs that align with Ghana's specific needs and priorities.
4. Sustainable resource management: The Ghanaian government should focus on sustainable approaches to develop its natural resources to generate income from domestic sources. By effectively managing Ghana's abundant natural resources, it can reduce its dependence on foreign aid and foster sustainable development.

7.4.2 Limitations of the Study

This study encountered several challenges that were effectively addressed. The following limitations were identified in the study.

1. **Limited data availability:** The primary limitation was data availability. While information regarding EU financial aid to Ghana was accessible through both Ghanaian and EU databases, there was a scarcity of studies examining the reasons behind the impact of aid conditions on economic growth. Consequently, this study relied heavily on reputable books, official online resources, and reliable statistical data on aid flows and their effects on Ghanaian development.
2. **Difficulty accessing reliable information:** Another limitation was the difficulty in obtaining trusted information regarding the impact of aid in Ghana. The presence of overlapping and contradictory information poses challenges in discerning the truth and establishing clear conclusions.

Despite these limitations, appropriate measures were taken to address them and to ensure the validity and reliability of the research findings. The study employed rigorous methodologies and utilized available data from reliable sources to provide comprehensive insights into the impact of the EU's economic aid on Ghana's development.

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