

Re-examining the Impact of Foreign Aid on Sub-Saharan African Development: A PESTLE Framework Approach

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Abstract

This policy brief examines the impact of foreign aid on development in Sub-Saharan Africa using a PESTLE framework. Despite substantial aid flows, the region continues to underperform in key development indicators—including GDP per capita and human development. This disconnect has spurred renewed calls for rethinking development strategies and aid deployment. Macroeconomic trends are visualized through real-world charts and a detailed Recommendations Matrix is presented to map each PESTLE challenge to actionable solutions. The aim is to guide policymakers toward leveraging aid more effectively using the PESTLE analytical framework to explore new strategies for sustainable progress.

Keywords: Economic growth; Foreign aid; Sustainable Development; PESTLE framework; Poverty

1. Introduction

Development issues have been a critical focus of Sub-Saharan African socio-economic trajectories over the past five decades. Despite vigorous and numerous supports from developed countries and substantial foreign aid towards a solution to the crippling development crisis, real development has remained elusive as foreign aid has failed to produce the desired positive results in most African nations.

The UNDP Human Development Index (HDI) report underscores that despite notable progress in reducing poverty, hunger, and disease globally, many sub-Saharan African countries continue to underperform. Most remain classified in the *low human development* category [16], leaving the region as the least developed worldwide and home to some of the most distressed nations. This persistent crisis has prompted growing calls for a reassessment of aid-driven policies and external cooperation strategies [13]. Against this backdrop, this paper examines the external drivers of underdevelopment in sub-Saharan Africa and proposes alternative strategies for sustainable growth.

Over the past decades, aid inflows have failed to generate sustained developmental progress. GDP per capita remains far below global averages, while growth trajectories consistently lag behind those of advanced economies. Structural barriers across political, economic, social, technological, legal, and environmental dimensions undermine the capacity of aid to deliver transformative outcomes. As illustrated in Figures 1 and 2, GDP per capita in sub-Saharan Africa has recorded only marginal improvements and continues to diverge from advanced economies, with growth projections reflecting a widening gap. These trends highlight the urgent need for structural reforms that complement external assistance with strategies tailored to the region's institutional and developmental realities.

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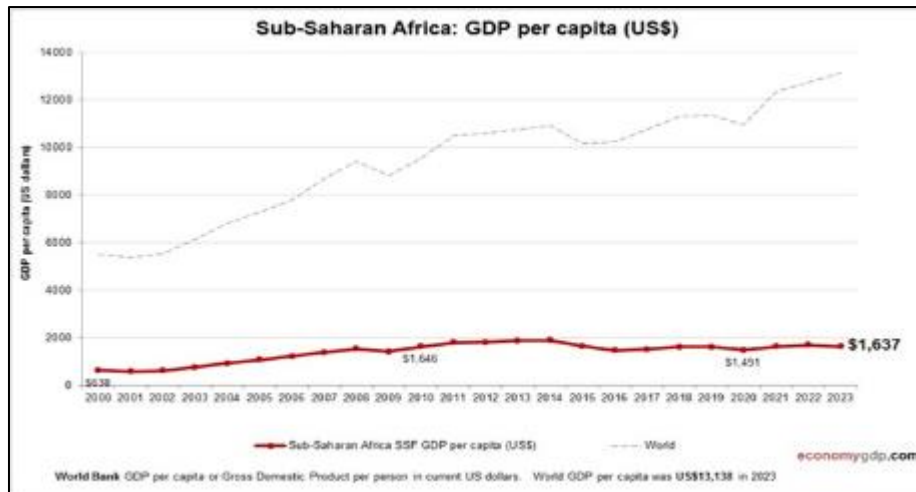


Figure 1 Sub-Saharan Africa: GDP per capita (US\$)

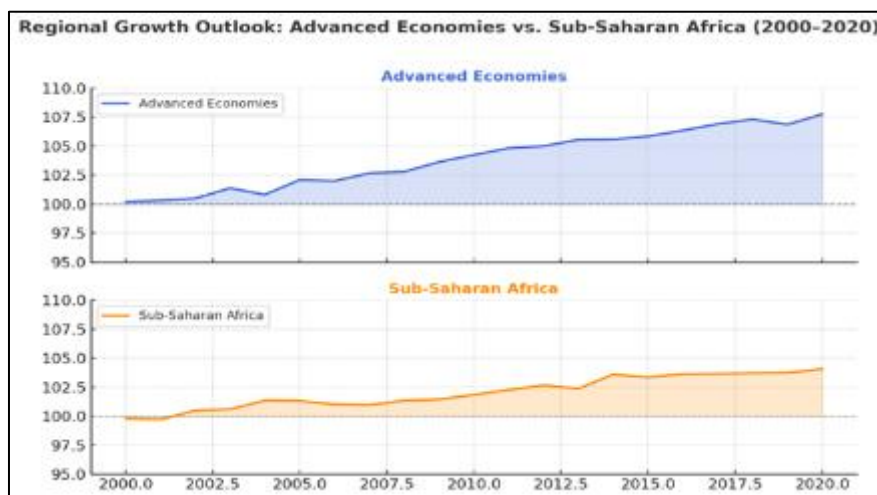


Figure 2 Regional Growth: Advanced Economies vs. Sub-Saharan Africa

2. Problem Identifications

2.1. Effects of the Development Challenge in Sub-Saharan Africa

Despite decades of trade liberalization, economic reforms, and targeted political strategies, sub-Saharan Africa remains the least developed region globally [7]. Scholars such as Moyo [12] contend that foreign aid has often done more harm than good, arguing that developing nations require access to free trade rather than dependence on external handouts to overcome poverty. Thus, achieving meaningful progress cannot be pursued through half-hearted commitments or fragmented support; instead, it requires sustained and systemic reforms.

In recognition of persistent poverty, global leaders reframed development priorities through the adoption of the Sustainable Development Goals (SDGs). The first SDG ambitiously seeks to eliminate extreme poverty worldwide by 2030 [15]. Yet, United Nations data already suggested by 2018 that the world was falling behind this target, a situation further compounded by the economic and fiscal disruptions of COVID-19. For many sub-Saharan African states, the pandemic exacerbated resource deficits and weakened already fragile progress, making it increasingly unlikely that the region will achieve the SDG poverty targets [17].

Critics argue that the shortcomings of foreign aid lie not in insufficient funding but in the design and implementation of assistance programs. Easterly [9] emphasizes that aid has rarely been structured to produce sustainable developmental

change. Similarly, Moyo [12] highlights that systemic governance and institutional weaknesses limit the effectiveness of aid, reducing its impact on poverty alleviation and human development. Consequently, the continued underperformance of foreign aid in sub-Saharan Africa reflects deeper structural barriers, spanning governance, markets, and institutions that cannot be resolved by financial inflows alone.

For sub-Saharan Africa to move beyond this cycle, development must take the form of an alternative strategy centered on mobilizing domestic resources, both in human and material efforts to foster inclusive growth. This shift requires investing in local capacity, building resilient institutions, and addressing structural bottlenecks across the political, social, and economic domains. Only then can foreign aid complement, rather than substitute for Africa's own developmental trajectory.

2.2. Analysis of the Underlying Problems

There are multiple analytical approaches to identifying the underlying barriers to poverty reduction in sub-Saharan Africa. This paper, however, concentrates on the external influences that shape the effectiveness of foreign aid in the region. To capture these dynamics, the PESTLE framework is employed, as it provides a systematic lens for examining the political, economic, social, technological, legal, and environmental conditions that influence development outcomes [4]. In practice, PESTLE analysis facilitates an assessment of the links between external contingencies and expected results [6]. By applying this framework, development practitioners are better positioned to reflect on how contextual forces affect aid implementation and to design more adaptive strategies that respond to external constraints in their work.

Table 1 Analytical Lens: PESTLE Framework

PESTLE Category	Challenge	Recommendation
Political	High levels of Corruption and political instability would result in ineffective policy implementation and strategy. Moreso, a lack of robust governance weakens implementation frameworks and accountability [12]; [1].	Tie aid to governance metrics; enforce transparency protocols.
Economic	Aid dependency, volatility, and unstable market indicators. Over aid sensitivity leaves economies vulnerable to external shocks [17].	Promote domestic revenue generation; invest in diversification.
Social	Gender imbalance, rural exclusion, and complexity of cultural norms. Cultural resistance to new technologies, such as digital financial services limits adoption [3].	Implement inclusive policies; support digital literacy programs.
Technological	Low innovation, limited ICT adoption and inability to properly disseminate technology.	Support STEM education; incentivize community tech hubs.
Legal	Weak contracts, poor property rights and inefficiencies in regulations.	Reform land laws; streamline regulatory processes.
Environmental	Climate vulnerability, traditional views of environmental symbolism and unstable local conditions.	Climate-proof infrastructure; build resilience capacity and support local effects.

The PESTLE framework highlights the ways in which external environmental factors shape the objectives and outcomes of development programs. In the context of women's empowerment initiatives, political, technological, and environmental dimensions emerge as particularly influential in understanding the persistent challenges faced by sub-Saharan African countries. Issues such as insecure property rights, weak democratic institutions, and entrenched corruption have been consistently identified as critical barriers to sustainable development. As Hernando De Soto [8] argues, the inability of the poor to leverage assets due to unstable property rights systems prevents them from securing loans and participating fully in economic activity. These institutional weaknesses not only constrain individual opportunities but also perpetuate broader patterns of underdevelopment across the region.

Political stability has long been recognized as a critical factor in understanding the causes of underdevelopment in sub-Saharan Africa. Democratic institutions, in particular, are often assumed to promote development through policy continuity, market stabilization, and stronger governance structures. Halperin et al., [10] argue that democratic states consistently outperform non-democratic regimes on key social and economic indicators, underscoring the importance of prioritizing democratic governance as a pathway to sustainable growth in developing regions.

Corruption, meanwhile, remains one of the most pervasive barriers to development across the continent. Defined as the deliberate diversion of public revenue and resources for private gain, corruption undermines the effectiveness of state institutions and erodes public trust. Moyo [12] characterizes corruption in Africa as an endemic problem that cuts across public contracts and government programs, perpetuating cycles of inefficiency and underdevelopment. This perspective is reinforced by Lambsdorff's [11] findings, which demonstrate a direct link between corruption indicators and weakened economic performance, despite temporary GDP fluctuations. Moyo [12] further contends that the pervasiveness of corruption reduces incentives for entrepreneurship and innovation, thereby constraining economic dynamism. Building on this, Acemoglu, Johnson, and Robinson [1] argue that ineffective institutions are the fundamental cause of persistent disparities in economic development across sub-Saharan Africa. Their analysis highlights how weak governance, combined with fragile democratic practices and entrenched corruption, contributes to the region's enduring development challenges.

3. Discussion

This paper conceptualizes the use of foreign aid as any form of international development assistance, grants, and official debt forgiveness. This measure is relative to the standard used by other scholars in analyzing foreign aid [5]. As highlighted in the preceding section, many African states continue to face challenges across the full spectrum of PESTLE factors. However, the technological dimension remains particularly critical for sub-Saharan Africa in light of the rapid integration of global markets. The region's limited capacity for technological innovation and adoption represents a structural barrier to development. Inadequate investment in innovation, insufficient digital infrastructure, and weak dissemination of technology have hindered the ability of sub-Saharan economies to compete effectively and to leverage global market opportunities. Consequently, technological innovation emerges as one of the most significant constraints shaping the trajectory of underdevelopment in the region.

The trajectory of information and communication technology (ICT) development in most African countries has lagged significantly behind global trends. A range of structural and institutional barriers contribute to this gap, including insufficient training, limited awareness of the application of advanced technologies in production and storage, and inadequate digital infrastructure. Moreover, scholars have noted that the adoption of new technologies is often constrained by cultural perceptions and hesitancy toward unfamiliar practices. For example, during the introduction of mobile money platforms, many individuals were reluctant to engage in online transactions due to concerns about safety and distrust of the process [3]. Addressing these barriers requires not only strengthening digital infrastructure but also investing in targeted training modules that enhance technological literacy. Such programs should emphasize the practical benefits of technology in improving business opportunities at the community level while pairing these efforts with progressive incentives to encourage participation and long-term adoption.

3.1. Policy Recommendation: Addressing External Constraints in Sub – Saharan Africa

Table 2 Strategy and Impact Analysis using PESTLE Framework

Problem Area (PESTLE Dimension)	Policy Intervention	Implementation Strategy	Expected Impact
Political – Weak governance, corruption, and fragile democratic institutions	Strengthen institutional capacity and transparency mechanisms	Establish independent anti-corruption agencies; expand use of e-governance tools; promote inclusive policymaking	Improved governance credibility, reduction in corruption leakages, stronger citizen trust
Economic – Overdependence on aid, unstable markets, and low domestic resource mobilization	Promote economic diversification and fiscal sustainability	Invest in small and medium enterprises (SMEs), agriculture, and manufacturing; broaden tax base through formalization of informal economy	Reduced aid dependency, improved resilience, sustainable GDP growth

Social – Inequalities, gender gaps, and limited community participation	Expand inclusive development and empowerment programs	Support women's entrepreneurship; increase social protection schemes; institutionalize community-led development planning	Reduced poverty, gender equity, stronger community ownership of programs
Technological – Low ICT adoption and limited innovation capacity	Enhance digital infrastructure and skills development	Invest in broadband expansion; integrate ICT training into school curricula; incentivize startups and local innovation hubs	Increased technological literacy, productivity gains, stronger integration into global markets
Legal – Weak property rights and enforcement systems	Strengthen legal frameworks and access to justice	Land titling reforms; simplified contract enforcement procedures; support for judicial independence	Increased investment confidence, improved access to credit, reduced land-related disputes
Environmental – Climate change vulnerability and resource degradation	Promote climate-resilient development strategies	Expand renewable energy initiatives; climate-smart agriculture programs; enforce environmental regulations	Reduced vulnerability to shocks, improved food security, sustainable resource use

4. Conclusion

Foreign aid on its own has not delivered the expected developmental outcomes in sub-Saharan Africa, largely due to systemic external constraints. Despite substantial aid inflows over several decades, macroeconomic data reveal limited improvements in GDP per capita and only modest gains in human development indicators. Structural deficits across the PESTLE dimensions—political, economic, social, technological, legal, and environmental—remain critical barriers to sustained progress.

Numerous studies have also emphasized the shortcomings of poorly designed aid interventions and technical assistance programs in Africa [14]. These limitations underscore the urgent need to re-evaluate the policies and implementation strategies that guide development assistance. Greater attention should be given to ensuring that aid programs align with local needs, institutional capacity, and governance contexts. For aid and development initiatives to be more effective, meaningful community participation is essential. Encouraging local ownership of projects not only enhances their relevance and sustainability but also fosters accountability and long-term capacity building.

Finally, this study argues that the PESTLE framework provides a valuable analytical lens for understanding how external forces shape program outcomes. By systematically addressing these external constraints, policymakers and development practitioners can design interventions that are more responsive to context-specific challenges. Such an approach is vital for advancing targeted reforms that promote governance, inclusion, innovation, and resilience is essential. Only through such integrated approaches can foreign aid catalyze the sustainable transformation needed to meet SDG targets, and ultimately moving back on track toward the global ambition of eradicating extreme poverty by 2030.

In summary, it reinforces the finding that aid alone is insufficient to drive sustainable development without structural reforms across the PESTLE dimensions. The policy recommendation offers a roadmap for context-sensitive interventions that engage local communities, strengthen institutions, and align external assistance with long-term development priorities. Beyond diagnosing the limits of aid, the analysis points toward concrete pathways for reform and policy innovation capable of addressing the region's persistent development challenges.

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