



Nexus between Foreign Aid, Political Instability and Economic Growth in West Africa

¹ Habiba M. B. Umar, ² Saeedat Isah Dauda, & ³ Abubakar Alhaji Sadiq

^{1 & 3} Department of Economics, Faculty of Management Sciences, IBB University Lapai, Niger State – Nigeria
 ² Department of Economics, Faculty of Management Sciences, Federal University Dutsinma Katsina – Nigeria

Corresponding Author's; E - mail: <u>habbiambumar@yahoo.com</u>

Abstract

In light of the likelihood of simultaneity between foreign aid and political instability, as well as economic growth, the study investigates the nexus between foreign aid, political instability, and economic growth in West Africa, namely the interaction between them. we utilizing data from 15 west African nations from 1996 to 2020 (25yrs), we employed the pooled mean group technique, which is a panel ARDL method of estimate methods, to investigate the interaction between all these variables According to our findings, aid has an unfavorable influence on growth, and political instability also has an unfavorable impact on economic growth in those regions. The findings from the study shows that there's a negative relationship between foreign aid and political instability as it relates to economic growth. there are some policy implications suggested which can aid economic growth giving situation of aids and political instability in the regions.

Keywords: Economic growth, foreign aid, panel ARDL. and political instability **JEL Classification:**

Contribution to/Originality Knowledge

1.0 Introduction

Given that most developing countries rely on external financing, West African countries have received substantial aid from donor economies such as the United States and China, Since the 1970s, foreign aid has dramatically increased in the developing world. It grew from only 6.836 billion US dollars in 1970 to 49.673 billion US dollars in 2000 and up to161.075 billion US dollars in 2014 and presently 245 billion US dollars in 2022 which was 24% increase over 2021. (World Bank, 2023). The voluntary worldwide movement of finances, services render between administrations or its products is known as foreign aid, (diplomatic help) or through an international assistance agency like the World Economic forum for the benefit of the host state or its citizens. During natural disasters, aid might take the shape of economic, military, or immediate humanitarian assistance. As a result of donor countries' demands, foreign aid has accelerated structural transformation in many developing countries. This has necessitated the execution of policy reforms aimed at raising standards, particularly in government offices, adopting more economically favorable policies, and policies that encourage efficiency, openness, and accountability.



Effectiveness of aids in supporting economic growth in developing nations has been a source of debate since the early 1940s, when it was advocated for in Eastern and South-Eastern Europe (Dalgaard et al., 2004). As a result, it's not surprising that the dispute persists to this day. In the empirical research, there is no harmony on the power felt of international aids to economic growth. There have been several disputes about the influence on the effects of aid on growth, but inferential statistics on economic growth -enhancing effect of assistance remains divided. According to Moyo (2009), despite the fact that African countries have received more than US\$300 billion in development assistance since 1970, they still remain poor. Thus, she opined that Africans are poor basically because of aid. To be more startling, she argued that aid has been, and continues to be, an unmitigated political, economic, and humanitarian disaster for most parts of the developing world it is the disease of which it pretends to be the cure.

Institutional quality is an essential ingredient for economic growth. As Rodrick et al. (2004) famously proclaimed: institutions rule. And while foreign aid is aimed at promoting growth and prosperity in developing nations, some researchers have argued that its effectiveness is a function of institutional quality (e.g., Burnside and Dollar, 2000 & 2004). Studies such as Acemoglu and Robinson (2008) have argued that the quality of a country's governance clearly affects its success rate in terms of economic growth and improvement in standard of living. Relatively, west Africa is one of the regions in the world with weak governance. This identifies that governance is an important issue that needs to be investigated in the region. Based on the aforementioned, aid and governance are both important elements for economic growth in west African countries.

From peacekeeping to security to fostering more civilian control of the army, the United States is dedicated to promoting stability in Africa. Senator Edward J. Markey of Massachusetts is a member of the United States Senate in an opening statement started that the funding for all departments that relate to Africa's defense sector at the state department totaled little under \$400 million in fiscal year 2014. The request for fiscal year 2016 is closer to \$500 million (Hrg 2014). These funds cover conventional peacemaker aid, crime control funds, and proper military instruction and support and in the end, the volume of money required and needed for these purposes is growing.

According to OECD data, the EU and its Member States were the top donors to Africa, donating around \notin 20 billion in official development assistance per year (European parliament 2020). The EU-28 provided 50.1 percent of overall ODA to Africa in 2015, while EU aid to Africa climbed by 4.3 percent in 2018, totalling \notin 25 billion. Private European investments totaled \notin 239 billion in the same year, accounting for roughly half of Africa's overall FDI (European Commission 2021), compared to \notin 15 billion in aid and \notin 80 billion in investments in 2020 (European Commission 2021). The operationalization of the African Peace and Security Architecture (APSA) as well as early warning detection and response efforts accounted for a large portion of EU financing to Africa. The Africa Peace Facility (APF), the EU's main peace and security program for Africa, has spent approximately \notin 2.7 billion since its creation in 2004 (African union 2020). Aid and stability are both crucial aspects for economic growth in west African countries, based on the aforementioned. More aid is needed to supplement local



savings, as well as regional political stability to improve and ensure aid effectiveness. The important of aids to many poor nations cannot be started yet, it often has negative implications that many people do not realize till it's belated. A number of foreign donor's place so much emphasis on the leadership and other major institutions in these developing countries that they miss the genuine concerns of the citizens. This implies that the bulk of aid doesn't quite finally hit the poor; rather, large-scale projects fail to help the most vulnerable, and the funds/grants fall into the hands of well-known and influential leaders who utilize them to pursue their personal agendas. which brings us to the question we will like to asked, how has all these foreign aids impact on economic growth in west African region and also complements its political instability issues in such regions?

The paper will be divided into five parts, part one which is the introduction aspect, two comprises of literature review and theoretical framework, three methodology, four results interpretations and the last part (five) will be our conclusion of the research work.

2.0 Literature review

2.1 Conceptual literature

Developing countries have received large amounts of international help over the last few decades. Regardless of how much the link connecting aid and growth has been disputed in various literatures without yielding a unified conclusion, it is believed that those nations that effectively uses funds from international assistance appears to be expanding and rapidly raising citizens' quality of life. South Korea, cited as an example also receives a large amount of assistance from the West. After the war, South Korea utilized foreign help effectively to expand its economy, which is seen as a major achievement in the country's history. using a time series data, According to Bhattarai (2009), aid money has a favorable impact on growth in the economy of Nepal, which was also in line with the work of Sharma and Bhattarai (2013). According to another study which started the favorable effect of aids on pro-poor growth in Sierra Leone (Kargbo and Sen 2014), Jones and Tarp's (2015) work demands a considerable interest. They assert that relief funds have had a significant effect on growth economically for the past decades, influencing a variety of contributory inputs to the upshot of growth and development such as human and physical capital, economic hardship and mortality rates, as well as growth and transformation metrics such as agricultural production and manufacturing improved products.

In a contradictory view on the impact of aids on economic growth, many aid donors indicate particular initiatives they would like to sponsor and urge developing states to cooperate. This could lead to implementations of projects that have non or less priority to the state, especially if the receiving countries has little voice in the decisions. This, too, renders countries unduly dependent on aid recipients, as givers are accountable for just about everything, and help contribution to economic growth in those countries will not be positive. In an early and well-known essay, Svensson (2000) constructs a game theory based on foreign aid flows on rent seeking activities, resources from aids are utilized to pay for public goods or seized for personal spending, according to the theory. He stressed how attempts by agents in recipient nations to required support could be both ineffective (redundant) and expensive in terms of wasted



economic activity. Ali and Isse (2005) examined how foreign aid affects economic growth. Foreign aid, they believe, has a negative effect on GDP. After interacting the variable with plan, they discover that aid money has a positive impact on growth. As a result, they argue that good plans boost the efficiency of growth aid. In a researched the impacts of aid on economy in many nations in 2008, Rajang and Subramanian found that international assistance had an undesirable influence on growth. Foreign aid, according to the two academics, cannot help boost growth even in a favorable policy climate.

According to a wide range of studies on institutes and expansion, the idea of the status of poverty for Africa is because of its institutions, which include a lack of intellectual assets, totalitarian regime, flawed courts and enforcement of contracts, political unrest and thuggery, a hostile regulatory system for privately owned business, and high corrupt practices. Good governance, as per Oluwarotimi (2012), is the cure for insecurity problem. She claims that the only way to win the war on terrorism is to raise governance, which she defines as developing a culture of effective governance in which the state is accountable and answerable to the public. In her opinion, the idea of security and good governance are inextricably linked. Many others have made the connection between security and the governing structure. The widespread consensus is that excellent administration determines peace and security. Good governance, however, is a purpose of efficient, visionary, clear, trustworthy, and reliable elected leaders whose motivating factor is an advancement in the better cater of citizens via well, effective erm economic plans and human development opportunities, as Oluwa (2012) has pointed out. Sub-Saharan Africa is a region of the African continent. looking at the data for Chad, Angola, and Nigeria's international aid expenditures, and you'll find that the amount of progress appears to be small in comparison to the massive sums received. The region receives approximately \$50 billion in international aid each year. Rather of helping the lives of millions of people living in poverty, this aid benefits the wealthy, debases the poor, and suppresses growth in the economy, not to add perpetuating the wheel of corruption. (Barro 1991; 2000) Foreign aid is linked to increased levels of corruption, according to Svensson (2000), due to an increase in rent-seeking behavior. As an indicator of institutional quality, the International Country Risk Guide is used. Higher levels of foreign aid, according to Djankov et al. (2008), actually weaken a recipient's political institutions.

2.2 Theoretical framework

2.2.1 Solow swan model

Solow swan growth model is used in our model of theoretical framework because it's an economic model that explains long run growth in the economic by examining capital assortments, workforce or populace growth rates, and increases in productivity, which is fueled by technological advancements. The approach was established separately by Robert Solow and Trevor Swan in 1956, and it succeeded the Keynesian Harrod–Domar model. The Cobb–Douglas framework will be used to develop the Solow growth model given a production function of $Y = aK^bL^{1-b}$ where Y denotes output level, K is capital and L labor. The fact that foreign aid is linked to economic growth is based on theory of growth, which highlights the need of improving technology, effectiveness, and output in supporting growth (Lim, 2001).



Foreign aid's possible impact to development is entirely dependent on the conditions in beneficiary nations. To facilitate downstream effects, certain host nation circumstances are required.

2.3 Empirical literature

Siddique et al. (2017) used panel data and the dynamic panel estimate method to study the link between foreign aid and economic growth in East and South Asian nations from 1995 to 2013. The findings reveal that foreign aid has a large and sustained impact on economic growth. Yiew and Lau (2018) conducted a study that looked at the influence of ODA on the economic development of 95 developing countries while adjusting for foreign direct investment and population. The findings show that ODA has a U-shape impact on GDP, which implies that it has a negative impact on GDP in the short term but then has a positive impact over time, indicating that foreign direct investment and population are important factors in determining whether ODA is high or low. Jia and Williamson (2019) find that foreign aid can attenuate economic development at any level of policy. The findings show that aid that is contingent on policy is ineffective. Abduvaliev and Bustillo (2020) found that between 1998 and 2016, a 1% increase in ODA led to a 1.6% increase in GDP per capita and a 0.48% decrease in poverty in Tajikistan. This disagreement persists because the conclusions are very dependent on the sample period, methodology, institutional quality assessment, and growth rate measurement. Also, Adebayo et al. (2020) used two gap frameworks based on the ARDL, FMOLS, and DOLS models to investigate the effects of foreign aid and economic growth in Nigeria. The findings show that in the long run, gross capital formation, domestic savings, and international aid have a significant effect on economic growth., whereas all of the explanatory variables have significantly positive impacts in the short run-on economic growth in Nigeria (Adebayo et al., 2020). In the context of South Asian countries, Jena and Sethi (2021) confirmed the existence of long-run causality between foreign aid and economic growth Dreher and Lohmann (2020), Sothan (2018), and Sethi et al. (2019) all arrive at the same conclusion regarding the positive and significant impact of aid on economic growth.

Sarwar, Hassan, and Mahmood (2015) agree with this study, finding that foreign aid has a negative influence on governance. Furthermore, aid has been linked to the degradation of both national institutions (political and economic). It has a negative impact on an owned nations legal system, property rights, and openness to foreign trade.

Aid's effect on institutions of an economy was examined by Heckelman and Knack (2008), who found that it hampers (rather than supports) market-oriented transformation. In the dispute over whether foreign help has an influence on corruption, Okada & Samreth (2012) concluded that foreign aid reduces corruption in poor countries, whereas Asongu (2012a) in Africa rejected this result. To resolve the debate, Asongu & Jellal (2013) suggesting that although foreign aid funneled through public spending increases crime, development aid routed by private investment reduces it, when they used a direct mechanism. Aid exacerbates the corruption problem in countries which already occurs. Sadly, this is the case in many of the states that make up Sub-Saharan Africa. According to Transparency International, Sub-Saharan Africa is the greatest beneficiary of foreign aid, and it is also home to the globe's least nations



in several institutions, particularly in terms of dishonesty. Collier and Hoeffler, 2002, investigate the impact of aid on the danger of civil war erupting. They detect an indirect positive effect of help rather than a direct benefit. Aid contributes to increased economic growth and a reduction in reliance on key commodity export ports. Both have been shown to lower the likelihood of conflict. De Ree and Nillesen (2009) examine the influence of aid on the commencement and persistence of civil wars. They do not discover an effect on the persistence of civil conflict, as did Collier and Hoeffler (2002). using the FMOLS and SGMM models with yearly data of 48 countries in a panel framework. This shows that aid is ineffective and is more ineffective in low-income African countries, but aid effectiveness is promoted by the presence of good institutions (Yahayaoui and Bouchoucha 2020.)

2.4 Conceptual framework

The research's conceptual framework is built based on the review of the literature, which shows the connections amongst the dependent variable economic growth and foreign aid the variables of interest, political instability the interactive variable and other control variables which include capital financial development and foreign direct investment.

3.0 Methodology

Variables			
GDPPCGR	Economic growth measured by per capital rate of GDP		WDI
Aids	Foreign aid (inflow) measured by ODA percentage of GNI	(+/-)	WDI
PTS_S	Political instability, measured political terror scale(As	(+/-)	WDI
	measured by US state department)		
GFCF	Capital measured by gross fixed capital formation	(+)	WDI
FDI	Foreign direct investment (inflow) as a percentage of GDP	(+)	WDI
DCPSBB	Financial development, measured by domestic credit to	(+)	WDI
	private sectors by banks		
PTS Aid	Interaction of political instability with foreign aid.		

Table 1 variables description

Note: the expected value is in line with values literatures in the study and the theoretical framework

3.1 Specification of Model and Data Source

The primary goal of this article is to explore the nexus between foreign aid, political instability, and economic growth in countries in West Africa. introducing other factors such as foreign direct investment capital and financial development in our model for a better result in understanding of the long-term link as part of its investigation into the relationship between foreign aid and growth in the countries under consideration, the paper included political instability as an interactive variable between aid and growth in the research, indicating the level



of political unrest in the countries under consideration. In order to accomplish this, the PTS_Aid can determine whether the act of terrorism has resulted in an increase in foreign inflows, which can lead to an increase in economic development. When it comes to data sources, yearly data from 1996 to 2021 was administered with the repository of all variables except PTS coming from the World Development Institute (WDI), but PTS coming from the United States State Department (political terror scale) economic data. specification of our model can be in the equation.

 $GDPPCGRit = \beta_o + \beta_1 AIDit + \beta_2 PTS_Sit + \beta_3 GFCFit + \beta_4 FDIit + \beta_5 DCPSBBi +$ µit (eq1)

Our dependent variable Economic growth (GDPPCGR) is calculated by reducing the GDP rate by the population of the country to account for differences in population between countries, AID is our main variable, PTS is our interactive variable, and FDI, GFCF, and GCPSBB are control variables chosen for their relationship to per capita GDP. The parameters are the values of β representing slope and intercepts. The subscript it represents t time of the series, i individual country (cross section) and µit is the error term.

Unit root test

 $Zit = \psi i Zit - 1 + W'it Zi + it$ (eq 2)

Equation 2 above explains the stationarity test in its most basic form which is based on autoregressive first order elements of simple panel data model where i = 1, 2, ..., N; t = 1, 2..., Ti; Zit is the tested variable; its stationarity error term. Based on the parameters relevant to the study, the Wit term can refer to none, panel-specific means(constant), or constant with trends (time-trend and panel-specific means). Wit is set to = 1 by default, hence the term W'itZi refers to panel-specific measures (fixed effects). W'it = (1; t) if trend is provided, so W'itZi signifies linear time trends and panel-specific means. Unbalanced panels are allowed in the Im-Pesaran-Shin (IPS), Hadri LM tests and Fisher type, but balanced panels are required for the other tests so that the value Ti = T for all i. To test the null hypothesis, H0 = ψ = 1 for all i against its alternative hypothesis, Ha: $\psi < 1$ for all i panel unit root tests are utilized. H1 may hold for all i, a part of all i or just individual part depending on the approach used; the outcome of the respective test clearly specifies the alternative hypothesis. As a result, the equation is often written in this form

$$\Delta Zit = \alpha Zit - 1 + \mu it \qquad (eq 3)$$

Where H0 = α and H1 is < α .

3.2 Estimation Procedures

the pooled mean group (PMG) is a version of the PARDL technique. other two technique are mean group (MG) and pooled mean group (PMG) These estimation methods take into account heterogeneity in variable adjustment dynamics in relationship in the long term. differences in countries feature, natural resources, variation in response to policy, financial crises, or external shock, varies widely. In the estimation of a single value for each explanatory variables, there



may be a significant bias due to heterogeneity. As a result, it is best to adopt an estimate that allows for country heterogeneity all while allowing for separate dynamic in long and short-term (Zalle', 2019). In this case, PMG is the most useful tool since it generates results which are less robust to outliers.

$$\begin{aligned} \text{GDPPCGRit} &= \beta_{\text{oi}} + \sum_{l=1}^{p} \beta_{1} \text{ijGDPPCGRi}, t - l + \sum_{l=0}^{p} \beta_{2} \text{ij AIDi}, t - l + \sum_{l=0}^{p} \beta_{3} \text{ijPTS}_{\text{Sit}} - l \\ &+ \sum_{l=0}^{p} \beta_{4} \text{ijGFCi}, t - l + \sum_{l=0}^{p} \beta_{5} \text{ijFDIi}, t - l + \sum_{l=0}^{p} \beta_{6} \text{ijDCPSBBit} - l + \mu \text{it} \qquad \mathbf{Eq} (\mathbf{4}) \end{aligned}$$

the equation in eq 4 have a regular order, it's a common PARLD estimation provided and take into account the order representation of the variables. The subscript i represent the individual country, t represents the time, lag order is denoted by l, and all other variables are as previously explained. The above equation formally explains the PARDL framework. The equations were augmented to formed this equation with differences in lagged of variables.

$$\Delta GDPPCGRit = \beta_0 + \alpha 1 (GDPPCGRit - 1 - \beta_1 i - \beta_2 iAIDi_{t-1} - \beta_{3i}PTS_{Si_{t-1}} - \beta_4 iGFCi_{t-1}$$

$$\beta_{5} \text{iFDIi}_{t-1} - \sum_{l=0}^{p} \beta_{6} \text{ iDCPSBBit} - 1) + \sum_{l=1}^{p-1} \alpha_{1} \text{li} \Delta \text{GDPPCGRi}, t - 1 + \sum_{l=0}^{p-1} \alpha_{2} \text{li} \Delta \text{AIDit} + \sum_{l=0}^{p-1} \alpha_{3} \text{li} \Delta \text{PTS}_{\text{Sit}} + \sum_{l=0}^{p-1} \alpha_{4} li \Delta \text{GFCit} + \sum_{l=0}^{p-1} \alpha_{5} li \Delta \text{FDIit} + \sum_{l=0}^{p} \alpha_{6} li \Delta \text{DCPSBBit} \qquad \text{Eq (5)}$$

equation 5 which constitutes of elements within the parenthesis shows the long-term impact and the elements with the Δ denotes the short-term impact, showing that any variation in the aspect of the explanation variables will have impact on the dependent variable e.g. (Δ AID to Δ GDPPCGR) as well as in the long-term. The short run is measured by the various parameters of α (s) and β_1 for the long run which based on the derivative is accumulated by α , and corrected per annum by $(1 - \alpha)$ % in case of any distortion in equilibrium.



4.0 **Results and Discussions**

Table 2: Panel Summary Statistics

Variable		Mean	Std. Dev.	Min	Max	Obser	vations
GDPPCGR	Overall	1.607	4.315	-29.462	21.028	N =	375
	between		1.089	-0.223	3.689	n =	15
	Within		4.185	-27.632	20.721	T =	25
Aid	Overall	2226.4	463.161	16	2498	N =	375
	Between		54.047	2079.8	2295.52	n =	15
	Within		460.200	-53.12	2546.44	T =	25
PTS_S	Overall	2.709	0.909	1	5	N =	375
	Between		0.615	1.4	4.04	n =	15
	Within		0.688	1.029	5.469	T =	25
GFCF	Overall	1866.688	428.125	16	2138	N =	375
	Between		329.942	679.36	2000.92	n =	15
	Within		285.333	-11.512	3309.328	T =	25
FDI	Overall	3.281	3.983	-11.199	32.301	N =	375
	Between		1.970	0.801	6.498	n =	15
	Within		3.497	-14.370	29.442	T =	25
DCPSBB	Overall	1172.955	251.249	16	1407	N =	375
	Between		134.452	737.08	1326.84	n =	15
	Within		214.962	-32.005	1687.875	T =	25



Table 3: Pooled Summary Statistics

The results from Tables 2 and 3 both explain the statistical distribution of our variables, table 1 is limited to just measures of central tendency and dispersions but table 2 included measures of normality which include the skewness, kurtosis and jarque bera test. From the statistic table 1, the idea of outlier can greatly overestimate the observed distribution therefore, the standard deviation provides more comprehensive and precise estimates of observation each variable provides more precise and complete estimates of dispersion (overall, between, and within) for each variable. meanwhile, in terms of the highest and lowest values in each series, the definition is done by the minimum and maximum value, as a result, compares of minimum and maximum values gives the range of variables analyzed for all observation value. N denotes the total number of observations; n denotes total number of countries in our analysis and T is the total time frame. (1996 - 2020).

In statistical Table 3, the skewness value is on the normal range only on PTS_S, GFCF and GDPPCGR are left skewed (left tail) and the rest are right skewed (right tail). PTS_S and GFCF have a mesokurtic range kurtosis and all range values for other variables for kurtosis level are



leptokurtic in nature (high peak). The maximum and minimum values for GDPPCGR is 21.028 and -29.462, AID has maximum values of 71.785 and minimum value of 0.240, the range of such values for PTS_S is 5000 to 1000, FDI is 32.301 to -11,199, DCPSBB is between 72.567 and 0.000 and for GFCF is between 25. 542 and 14.489.

Table 4: Test of Unit Root

Variable	Level	First Difference
Aid	-3.105***	-11.359***
PTS_S	-2.135***	-9.018***
GFCF	0.731	-6.613***
FDI	-1.993**	-6.833***
DCPSBB	-3.514***	-9.233***
GDPPCGR	-4.730***	-10.258***

*** & ** denote significance at 1% & 5% level, respectively

The results from table 4 shows the unit root giving peseran 2007 at constant with trends given the t- test values at various level of significant, the results show all variables are stationary at level with only GFCF that was stationary after taking first difference. But all variables are stationary at first differences showing a mixed other of stationarity. The null hypothesis which shows that our variables have problem of unit root will be rejected showing the variables don't have problem of unit root.

GDPPCGR	Aid	PTS_S	GFCF	FDI	DCPSBB
GDPPCGR	1.000				
Aid	0.185	1.000			
	(0.000)				
PTS_S	-0.144	-0.055	1.000		
	(0.005)	(0.286)			
GFCF	-0.112	0.072	0.314	1.000	
	(0.030)	(0.166)	(0.000)		
FDI	0.147	-0.024	-0.153	-0.129	1.000

Table 5: Correlation Analysis



	(0.004)	(0.649)	(0.003)	(0.012)		
DCPSBB	0.112	0.013	0.049	-0.146	0.073	1.000
	(0.030)	(0.805)	(0.347)	(0.005)	(0.158)	

Probability values are presented in parenthesis

The degree of relationship between 2 variables can be shown through a pairwise correlation analysis. Giving the probability values in the parenthesis in table 5 shows the significant of all the variables with PTS_S and GFCF showing a negative significant relationship and all other variables showing a positive significant level. The model is free of multicollinearity issues with the case on the degree of correlations on each of the variables to be moderate.

Table 6: Pedroni Panel Cointegration Test

	Statistic	p-value
Modified variance ratio	2.074	0.019**
Modified Phillips-Perron t	0.498	0.309
Phillips-Perron t	-7.995	0.000***
Augmented Dickey-Fuller t	-8.538	0.000***

Note: Ho: No cointegration

The pedroni cointegration test results in table 6 above shows that we do not accept the null hypothesis starting that no cointegration amongst the variables since our co integration test by ADF, PP, and modified variance ratio test all shows a significant probability value of accepting the alternative hypothesis that we have co integration amongst the variables. The present of co integration shows the existence of long run relationship among the variables.

Table 7: Coefficient Estimation

Dep. Var = GDPPCGR	Coefficient	Std. Error	Prob. Value			
Long-run Coefficient						
Aid	-0.016	0.008	0.044			
PTS_S	-10.786	6.104	0.077			
GFCF	-0.003	0.001	0.000			
FDI	0.356	0.060	0.000			

DCPSBB	0.0003	0.001	0.710			
PTS_Aid	0.004	0.003	0.095			
	Short-run	Coefficient				
Coint. Eqn	-0.870	0.069	0.000			
D(Aid)	-0.001	0.013	0.924			
D(PTS_S)	0.846	7.771	0.913			
D(GFCF)	0.003	0.002	0.239			
D(FDI)	0.241	0.221	0.275			
D(DCPSBB)	0.007	0.007	0.332			
D(PTS_Aid)	-0.0005	0.004	0.892			
_cons	36.922	2.801	0.000			
Pesaran's CD test (Prob. value) 0.915						

The results from Table 7 show the estimation of the coefficient in both long run and short run. From our estimates in the long run Aid was significant at 10% with a negative coefficient showing a 1 unit increase in foreign aid will decrease economic growth of those west African countries by 0.01 units This outcome is not surprising at all viewing from the various point of view by many researcher on economic growth level of west African countries despite the inflow or amount of international assistance into the countries, our results is in line with work of people like Syensson 2000, Rajang et al 2008, Hassan et al 2015 and many more that believe that the fund generated from aids may results in executions of non-priority projects or embezzled by the authority increasing the level of corruption, Syensson 2000, in his work propounded the rent seeking theory where he sees aid as a means of common pool of resources that can be utilized to pay for public goods or seized for personal spending, according to the theory. He stressed how attempts by agents in recipient nations to required support could be both ineffective (redundant) and expensive in terms of wasted economic activity. Political terrorism was negative and significant showing a unit increase in act of terrorism will decrease economic growth by 10.78 unit. The sign for terrorism is mainly as expected all over the world, the political risk level depends solely on the country's state of political stability which is best attributed to level of good governance of a country which can promote growth. Good governance, as per Oluwarotimi (2012), is the cure for insecurity problem. She claims that the only way to win the war on terrorism is to raise governance, which she defines as developing a culture of effective governance in which the state is responsible and answerable to the people. In her opinion, security engagement and good governance are inextricably linked. GFCF was



significant but negatively related to economic growth. FDI was very significant and positively related to growth. A unit increase in FDI increase growth by 0.35. African nations seeking big FDI inflow for which they must improve their policy and governance systems. One probable explanation is that FDI is an important component of an effective and transparent economic system internationally, a major driver of economic growth. However, FDI benefits are rarely spread evenly or instantaneously among countries. policies of the nations and the international investment structure are crucial for attracting FDI to more impoverished countries and reaping the maximum development advantages. DCPSBB was positively related though not significant. PTS_Aid explains the prevalence of terrorism to moderates the relationship between foreign aid and economic growth. This implies that terrorism may enhance d inflow of further international aids which may be targeted at promoting economic growth going by the positive and significant level in the long run.

Short run results in table 5 below shows the coefficient signs to be same with long run in most variables with only PTS_S and PTS_Aid to have different signs, but all probability values were not the significant for all variables in the short run. The coefficient for ECM which measures the adjustment speed back to equilibrium was negative with the range as predicted from 0 - 1 and significant probability values showing 0.87 that is 87% adjustment speed back to equilibrium in the short run. The prob values from the pesare CD results shows 0.915 which is greater than 0.05 critical value and as such shows that we accept the null hypothesis which starts that there is no cross-sectional dependency among our variables.

5.0 Conclusion

The paper using a panel data of 25 west African countries from 1996 - 2021 aimed to analyzed the nexus between foreign aid, political instability and economic growth in west African with political instability acting as the interactive variable. the unit root results show a mixed order of stationarity of the variables, and there was present of co integration amongst the variables using Pedroni co integration test. Our correlation analysis show that our model is free from multi collinearity issues. The results for long run and short run for aids on economic growth in west African shows a negative impact on economic growth, though not significant in the short run but significant in the long run. The connection between political instability to foreign aid shows a positive significant relationship interpreting the fact that terrorism may enhance the inflow of further international aids which may be targeted at promoting economic growth but such growth on the economic is not achieved in the long run clearly showing that west African countries have high inflow of foreign aid from various donors countries due to the level of terrorism in such countries but the main purpose of the funds are not achieved on the economy, the misuse or misleading of aids funds for unprioritized project for the masses or for private embezzlement can bridge the gap here. Hassan et al 2015 and many more study believe that the fund generated from aids may results in executions of non-priority projects or embezzled by the authority increasing the level of corruption in such countries.

There is a need for authorities to create strong macroeconomic situations, appealing policies and programs, and an acceptable legal structure to boost foreign aid in order to achieve longterm and sustained development. Most essential, as numerous studies have indicated,



developing a high-quality, anti-corruption entity is necessity for progress and expansion. as these can be used to direct aid funding to the appropriate channel. reduction on the act of political unrest and terrorism by good policy implementation can help motivate foreign investment and increase growth and this can help solve the issue of over dependence on aid funds by developing countries.

Battle against insecurity necessitates a significant degree of political will. Regretfully, this has been blatantly missing over the course of time. It is critical for elected figures who delegate authority to law enforcement agencies to act swiftly, regardless of their personal feelings about the situation. It is undeniable that insecurity is been benefitted by some people and as a matter of fact, they might go to any length to ensure that they continue to gain from it. A strong democratic hand is up to the task in confronting the issue head-on and resolving it. the idea of Security also necessitates substantial investment, particularly in this "shrewd age," in which violence can be committed from any spot. The authority must make investments in advanced technology that will aid in the detection and management of sociopathic tendencies and activities.

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