**AID AS A CATALYST TO DEVELOPMENT?** **THE CASE OF GHANA’S POLITICAL AND ECONOMIC TRANSFORMATION (1957-2013)**

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*Abstract*

Ghana’s economic and political past and present show that foreign aid has provided support for infrastructural development, budget financing, macro-economic policy reforms, institutional restructuring and political reforms. Existing literature and pronouncements by leading aid advocates and development practitioners also indicate that aid is a potential catalyst to development. Using the case of Ghana’s trajectory of economic and political transformation from 1957 to 2013 (categorised into three phases), the thesis postulates that aid can be a catalyst to development in so far as endogenous drivers in the recipient country are predisposed to react positively to it; otherwise there are little returns to development.

The study metaphorically applies five attributes of a catalyst from industrial chemistry, and three analytical approaches, including process-tracing, to construct a chain of causal mechanisms and effects between foreign aid and Ghana’s endogenous resources, institutions, structures and actors. Inferring from the outcomes of Ghana’s transformation, the thesis shows that foreign aid was least catalytic to economic and political transformation in phase I (1957-82); most catalytic in phase II (1983-92) and largely ineffectual in phase III (1993-2013) especially the later part of that period.

Reflecting on the findings of the case study to draw larger theoretical and policy implications, the thesis suggests that aid can be a catalyst to development when (i) a substantial part of it is invested in the recipient’s economically productive sectors with the objective of promoting structural transformation; (ii) the recipient country’s political settlement is led by a dominant political party with visionary and disciplinary leadership; (iii) the recipient country has exportable value-added products; and (iv) a professional and technocratic bureaucracy. The findings imply that long-term economic transformation and a best-fit political system should become an important goal to be facilitated through aid in developing countries.