



# An examination of the impact of foreign aid on poverty reduction in South Africa, 2015-2020: A case study of the Gauteng province

**O Molosiwa**

 [orcid.org/0000-0001-7628-6816](https://orcid.org/0000-0001-7628-6816)

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Supervisor: Prof V Ojakorotu

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## ***Dedication***

This dissertation is dedicated to the memory of my late dad and brother. my two guardian angels in heaven. **Mogotsiemang Piet Molosiwa and Othusitse Jan Molosiwa.** Psalm 34:18.

### ***Declaration***

I declare that this study, ***An Examination of the Impact of Foreign Aid on Poverty Reduction in South Africa, 2015-2020: A Case Study of the Gauteng Province*** is my fundamental work. It has not been presented for the award of any degree in any institution within and outside NWU and the Republic of South Africa. I have duly referenced and acknowledged any other materials and works used in this study as required by the University for the award of the ***Master of Arts degree***. I declare that while carrying out this study, I was compliant with the standard ethical principles of research and that NWU issued me the necessary training and certification. I also declare that there is no conflict of interest in the conception and execution of this study.

**MOLOSIWA OFENTSE**

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All the glory to the all-mighty, the Heavenly Father. Everything starts with the voice and word of the Lord. Without him, we are lost, and weak. I would like to thank the Lord Almighty for granting me the opportunity to live and experience life.

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## ***Abstract***

The study examined the impact of foreign aid on poverty reduction in South Africa from 2015 to 2020 using the Gauteng province as a case study. To determine the impact of foreign aid on poverty reduction in South Africa, the research investigated whether foreign aid can or cannot assist in addressing poverty and the research explored the possible influence of foreign aid on poverty reduction across South Africa using Gauteng as a case study.

The research relied heavily on already existing scholarly work published in credible journals and publications from internationally recognised organisations like the World Bank and IMF. The study employed the convenience sample technique to carefully select and review empirical data and research papers that explored the relationship between poverty and foreign aid in-depth to examine how foreign aid contributes to equal access of people to basic poverty reduction essential services, determine the extent to which foreign aid received by the South African government is utilised judiciously to eradicate poverty, examine the sustainability of foreign aid in the eradication of poverty, and identify challenges facing the utilization of foreign aid and show how can they be improved, leading to poverty reduction in Gauteng province.

Foreign aid in Gauteng has a minimal or no effect on poverty reduction, and though foreign aid normally stands a good chance of reducing poverty by increasing average income, this is not the case in the Gauteng province. Foreign aid is only effective in its intended goals if the recipient state has quality institutions and good policies.

Foreign aid is insufficient to effectively alleviate poverty in Africa. This is due in part to the fact that some aid comes with strict or harsh requirements, while others are given to undermine the sovereignty of most African states through land grabbing and excessive control over natural resources. In order to address the high levels of poverty in Gauteng the study recommends that the government puts in place new policies that are not grounded in the previous colonial structure. The government needs to ensure that these policies are citizen-centred and give all communities access to basic essential services that are not segregationally in favour of the rich population.

***Keywords:*** Foreign Aid, Poverty, Poverty Reduction, Gauteng, South Africa, World Bank, IMF, Government, Policy, Effective, Natural Resources.

## Table of Contents

### Table of Contents

Dedication .....	1
Declaration .....	2
Acknowledgements .....	3
Abstract .....	4
1.1 Background of the study .....	9
1.2 Statement of Problem .....	12
General Research Question .....	13
Research questions .....	13
1.4 Aim of the study .....	15
1.5 Research objectives .....	15
1.6 Scope of the Study .....	16
1.7 The significance of the study .....	16
1.8 Theoretical framework .....	17
1.8.1 Savings-investment-structural Gap.....	17
1.8.2 Capital Absorptive Capacity Theory .....	18
1.9 Literature Review.....	19
1.9.1 Foreign Aid .....	19
1.9.2 Poverty as a Concept .....	20
1.9.3 Foreign Aid and Economic Growth .....	22
1.9.4 Foreign aid and poverty .....	23
1.10 Research methodology.....	24
1.10.1 Data collection methods .....	26
1.10.2 Data analysis method .....	26
1.11. Ethical Considerations.....	27
1.12 Limitations .....	27

1.13 Chapter outline .....	27
CHAPTER TWO .....	29
LITERATURE REVIEW AND THEORETICAL FRAMEWORK.....	29
2.1 Introduction.....	29
2.2 Literature Review.....	29
2.3 Conceptual Review.....	29
2.3.1 Foreign aid.....	29
2.3.2 Poverty as a concept .....	30
2.4 Empirical Review .....	32
2.4.1 Poverty in South Africa .....	32
2.4.2 Foreign Aid and Economic Growth .....	34
2.4.3 Foreign Aid and Poverty .....	35
2.5 Theoretical Framework.....	37
2.4.1 Savings-investment-structural Gap.....	37
2.4.2 Capital Absorptive Capacity Theory .....	39
CHAPTER 3 .....	41
RESEARCH METHODOLOGY .....	41
3.1 Introduction.....	41
3.2 Research Design .....	41
3.3 Data collection methods .....	42
3.4 Data analysis method .....	43
3.5 Ethical considerations.....	43
3.6 Limitations of the study.....	44
CHAPTER FOUR .....	45
DATA ANALYSIS AND DISCUSSION OF FINDINGS.....	45
4.1 Introduction.....	45
4.2 Data Presentation and Analysis.....	45

4.3 Foreign Aid enhanced equal access to basic services in Gauteng, South Africa. ....	46
4.4 Effective management of foreign aid to reduce poverty in Gauteng .....	47
4.5 Sustainable utilization of foreign aid in the reduction of poverty in Gauteng.....	49
4.6 Identify challenges facing the utilization of foreign aid and show how can they be improved.....	49
4.7 Discussion of Findings.....	50
CHAPTER FIVE .....	54
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	54
5.1 Introduction.....	54
5.2 Summary of the Study .....	52
5.3 Conclusions.....	55
5.4 Recommendations.....	57
List of references.....	59

## List of Acronyms

BNA:	Basic Needs Approach
CA:	Capacity Approach
GDP:	Gross Domestic Product
GNP:	Gross National Product
HDI:	Human Development Index
HPI:	Human Poverty Index
IMF:	International Monetary Fund
MPI:	Multidimensional Poverty Index
NWU:	North-West University
OA:	Official Aid
ODA:	Official Development Assistance
ODF:	Official Development Finance
PPP:	Public-Private Partnership
SDG:	Sustainable Development Goals
UN:	United Nations
UNDP:	United Nations Development Programme

## **1.1 Background of the study**

Poverty and the incapacity to escape its clutches are major themes in the fundamental economic debate that has followed developing economies (Iwegbu & Dauda, 2022). One of the biggest problems facing developing economies overall is high rates of poverty (Georgina, 2019). In developing nations, poverty levels make it very difficult to develop and thrive economically (Mahembe and Odhiambo, 2019). This could have been one of the motivations behind the Sustainable Development Goals (SDGs) target of eliminating poverty worldwide, with a focus on poor nations (Agunyai & Amusan, 2023). SDG 1 was created with this objective in mind.

Africa continues to be one of the poorest continents, with the biggest proportion of people living in extreme poverty, according to the World Poverty Clock Report 2021. In 2022, 10% of Africans lived in extreme poverty in cities, and over 50% did so in rural areas. Africa is a continent where poverty and starvation are rampant. Poverty is more likely when there are poor health effects from inadequate food access. (Amusan & Gunyai, 2023). Given that the majority of African states continue to struggle with poverty and seem to be moving away from achieving the SDGs, this has serious ramifications for the continent's sustainable development.

According to Georgina (2019), South Africa is thought to be among the nations in the African Continent experiencing the highest rates of poverty. Based on the World Poverty Clock report (2021), it is estimated that 16,274,610 individuals in South Africa out of 59,663,528—or 27,3% of the country's total population—live in extreme poverty. While poverty in South Africa affects all ethnic groups equally, there is a solid correlation between race and the standard of living in South Africa (Woolard, 2002). The black community is where it is most prevalent (Woolard, 2002).

According to Woolard (2002), the majority of the impoverished reside in rural areas, with 15% also living in small towns, rural areas, illegal colonies (squatter camps), and townships in metropolitan areas. Although the most afflicted African nation by intra-regional split is impossible to determine, South Africa is without a doubt one of the world's most unequal society (Woolard, 2002). Consequently, this places it among the states with the widest disparities in rates of poverty or income inequality (Woolard, 2002).

The World Bank (2021) reports that South Africa has made significant progress toward raising the standard of living for its people since emancipating from an oppressive system of government in the middle of the 1990s and closing the wealth and inequality gap

between the rich and the poor. According to Mushongera *et al.* (2018), poverty continues to be a major problem in the nation and has destroyed many lives. While the apartheid government has been held partially responsible for South Africa's persistently high poverty index, corruption and issues with leadership have also played a role (Kwenda, 2018). Poverty reduction depends on strong political leadership and good administration to create and carry out policies for ending the world's poverty, draw in foreign direct investment, and create an atmosphere that is favourable to business and may spur economic growth (Kin Boon & Diya Bundhoo, 2017).

The South African urbanised provinces' contributions to economic growth and development—which can help solve the issue of poverty—have a major role in the achievement of this feat. Among these provinces is Gauteng, which continues to be recognised as South Africa's economic centre (Gauteng-City Region Observatory, 2023). It is made up of Johannesburg, which is currently the financial core of South Africa and was once a significant global hub for gold production, and Pretoria, which serves as the country's administrative centre (Tregenna, 2011). Johannesburg has long since taken the lead as the primary migration hub for people leaving rural South Africa, the southern African area, and the African continent (South African Cities Network, 2022). But even with these characteristics, the most common indicators of poverty in Gauteng continue to be gender and race (Mushongera *et al.*, 2018). Its poverty rate ratios are 2:1 for women and nearly 40:1 for men of African descent, states The Gauteng-City Region Observatory (2023).

Furthermore, trends in inequality indicate that the province has the most uneven access to basic needed services for blacks and white South Africans, particularly during the early years of the nation's democracy. Even though Gauteng's inequality score has somewhat decreased, it has remained statistically unchanged since 2000 (Mushongera *et al.*, 2018). Since 1994, inequality has grown and remained high. There are very few high earners, a small middle class, and extremely high rates of chronic poverty as indicators of major income divisions (World Bank, 2020). This accurately demonstrates how, despite having a broad and quickly expanding economy, Gauteng suffers from high rates of poverty, unemployment, and social marginalization.

Apartheid-era ideologies and practices still influence Gauteng's economic landscape, often impeding opportunities for new entrants, especially young people looking for work. According to the Gauteng-City region Observatory (2023) and Alala (2021), some people feel a high degree of marginalization and frustration as a result, while others have lives

that are on par with or better than those of people living in developed cities. It is noteworthy that dynamism and cosmopolitanism in this province have a drawback in that they foster animosity toward immigrants, especially those from foreign nations, and simmering resentment among the successful (Mushongera *et al*, 2018). The increasing rate of inequality, unemployment, and poverty in this province brings to the fore the relevance of this study, which seeks to examine the impact of foreign aid on poverty in South Africa, with specific reference to Gauteng as a case study. Research in this direction will expand the frontier of knowledge on the drivers of poverty, poverty dimensions, and implications in the province.

Foreign aid programmes to South Africa, particularly to Gauteng, the country's economic centre, have received praise and attention frequently, but they also raise questions about their sustainability and potential to reduce poverty. It begs the question of why Gauteng's poverty persists despite outside assistance from international allies. More precisely, why do Gauteng and South Africa continue to struggle with high rates of poverty despite substantial inflows of foreign aid? Some scholars on the continent may have questioned the purpose of foreign aid given to African countries after receiving answers to these questions (Sollenber, 2012; Tang & Bundhoo, 2017; Agunyai, 2023).

Research shows that South Africa has achieved little to no progress toward socioeconomic or political growth in the areas of poverty, even though it is one of the recipients of international aid on the continent. About 13.8 million individuals (or 25% of the population) in South Africa still experience food poverty, and over 30.3 million people (or 55.5 percent) live below the country's upper poverty line (~ZAR 992) (World Bank, 2020).

It is widely acknowledged that foreign aid is insufficient to effectively alleviate poverty in Africa. This is due in part to the fact that some aid comes with strict or harsh requirements, while others are given to undermine the authority of most African countries through land grabbing and excessive control over natural resources (Agunyai & Amusan, 2023; Izobo, 2023). Opinions on the role that foreign aid has played in reducing poverty in South Africa have been divided. Many academics believe that foreign aid is a sign of economic growth since it adds to local resources and offers extra financial resources that help enhance a nation's political and economic conditions. However, others contend that foreign aid might supplant domestic savings and encourage reliance on it, both of which can impede the expansion of the economy and investment in South Africa.

Therefore, the main justification for this study is how foreign aid affects the Gauteng, South Africa, poverty index. It is critical to determine whether any of the Gauteng province's

persistent instances of poverty, inequality, and unemployment can be eliminated with the help of outside assistance. Examining the effect of foreign aid on poverty in Gauteng, South Africa, is the aim of this study. It is hoped that this study's findings will broaden the conversation on Gauteng's poverty issues. It will also make recommendations on how the Gauteng government may best utilize foreign aid to support its strategic initiatives to end poverty, advance equality, and support the province's sustainable development.

## **1.2 Statement of Problem**

The efficient operation of nations in today's international relations between states is based on diplomacy and official development assistance (ODA). Research keeps demonstrating the functions and effects of foreign aid in this regard (Sollenber, 2012; Agunyai & Amusan, 2023; Izobo, 2023). Currently, many countries participate in the international aid process as recipients, contributors, or both. Since there are many arguments both in favour of and against the benefits of foreign help, there is still much debate on how aid affects donor and recipient nations in both theory and empirical research (Izobo, 2023).

Assuming all else is equal, foreign assistance transfers to African nations, particularly South Africa, are anticipated to have a favourable impact on the fight against poverty. But the reality in South Africa, and Gauteng in particular, indicates that foreign aid has not delivered the anticipated gains and advantages, which explains the province's persistent problems with unemployment, inequality, and poverty (Sollenber, 2012). Since reducing poverty in recipient countries is thought to be one of the main reasons developed countries give help to South Africa, it is expected that expectations will grow as foreign aid continues to reach the country. In South Africa, especially the province of Gauteng, this expectation has, however, scarcely been met.

Gauteng province has the highest rate of adult poverty in South Africa (29.3%), despite being one of the richest provinces overall (Statistics South Africa, 2023). Therefore, the province has the highest level of poverty. Significant income inequality is a major contributing factor to Gauteng's poverty. The province's employment situation is one of the major challenges to eradicating poverty and injustice. It is true that in 2022, the rate of youth unemployment reached 51.5% (Statistics South Africa, 2023).

Most people living in Gauteng, particularly Black South Africans, are below the poverty line because they earn less than 760 South African rands per month for food, as per national standards (Statistics South Africa, 2023). Gauteng's poverty situation was distinct because, according to Hunter *et al.* (2003), the four decades of apartheid legislation, which

were built on earlier colonial practices, were partially responsible for the state of poverty and other connected issues. More specifically, Gauteng's poverty rate has multiple characteristics, including those related to area, race, age, gender, illiteracy, and unemployment. Furthermore, the impoverished typically have insufficient access to essential services and reside in tiny homes with numerous dependents.

Even though the government of Gauteng province has developed policies to combat urban poverty in partnership with non-governmental organisations and other agencies, the province still experiences high rates of unemployment, inequality, and the gap between the rich and the poor. It is concerning that socioeconomic hardships that worsen poverty, such as unemployment, unequal access to public utilities, disparities, and inequalities, persist and have a significant impact on more destructive protests, opportunistic crimes, xenophobic attacks, and social unrest.

This calls into question the usefulness and long-term viability of foreign aid as a means of reducing poverty in South Africa. This dissertation looks at how foreign aid affects Gauteng, South Africa's efforts to reduce poverty considering the uncertainty.

Investigating the extent to which the South African government has made wise use of foreign aid—particularly that which is provided to combat poverty nationwide—is a worthwhile research endeavour. An adequate policy to prevent South Africa from mismanaging foreign aid will be designed with the help of research in this area.

### ***General Research Question***

This general question will guide this study:

1. What is the impact of foreign aid on poverty reduction in South Africa?

### ***Research questions***

1. How has foreign aid enhanced equal access to basic essential services in Gauteng, South Africa?
2. How has the South African government effectively managed foreign aid to reduce poverty in Gauteng province?
3. How sustainable is the use of foreign aid in poverty reduction in Gauteng province?
4. What are the likely challenges facing the utilization and sustainability of foreign aid in the reduction of poverty in Gauteng province?



### **1.4 Aim of the study**

The principal aim of the study is to examine if foreign aid can or cannot assist in addressing poverty in South Africa using Gauteng as a case study.

### **1.5 Research objectives**

1. To examine how foreign aid contributes to equal access of people to basic poverty reduction essential services in Gauteng, South Africa.
2. To determine the extent to which foreign aid received by the South African government is utilised judiciously to eradicate poverty in Gauteng province;
3. To examine the sustainability of foreign aid in the eradication of poverty in Gauteng province;
4. To identify challenges facing the utilization of foreign aid and show how can they be improved, leading to poverty reduction in Gauteng province.

## **1.6 Scope of the Study**

This study focuses on foreign aid and the impact it has on poverty reduction in South Africa, using the Gauteng province as a case study. Gauteng is used as a case study because it is the most urbanised province, Gauteng is referred to as an economic hub for South Africa as it generates a lot more to the country's GDP compared to the other provinces. For instance, the province contributed 35% of the country's GDP in 2016, data shows South Africa's total GDP at R4.35 trillion in 2016 and Gauteng's contribution was R1.5 trillion or 34.64% (Stats SA, 2017). The research project will investigate the possible influence of foreign aid on poverty reduction with specific reference to South Africa between 2015 and 2020, Gauteng province as a case study. The researcher chose this period because of the slight and continuous increase in poverty levels from 2015. The study ends with 2020 because 2020-2030 has been set to be a lost decade and in 2020, global poverty reduction slowed to a near standstill according to statistics from the World Bank and Statistics South Africa

## **1.7 The significance of the study**

The findings of this study will provide adequate information on how the South African government at the level of municipalities, province, and national, could effectively utilize foreign aid towards the eradication of poverty. Importantly, this study has the potential of revealing to the Gauteng provincial government the need to invest in the empowerment of youths and other related groups to reduce poverty among these groups. With the results of this study, more relevant information will be available on how the empowerment of people through income from foreign aid could be used to reduce poverty in the province.

This study can expose hidden information about foreign aid accruing to Gauteng and its effect on the poverty level within the province. Besides, the findings of this study will equip an understanding and frontier of knowledge on how the Gauteng government can design policies towards the effective utilization of foreign aid for developmental purposes that can engender poverty reduction. The study hopes that its findings will increase awareness both domestically and internationally and inform the donor community about the reality of aid in South Africa.

An additional significance of this research is that the results will provide insight into the intergovernmental fiscal (foreign aid interactions) relationships between the Gauteng premier and the national government, particularly concerning the foreign assistance allocated for the province's poverty alleviation.

## **1.8 Theoretical framework**

Across social sciences and humanities, some theories explain how foreign aid reduces poverty, especially in developing countries. Importantly, effective savings, investment, capital accumulation, economic growth, and development have all been attested as viable strategies for reducing poverty in a country. Thus, theories that discuss and analyze the link between savings, investment, empowerment, and poverty reduction will adequately explain the impact of foreign aid on poverty reduction in South Africa. Given this, theories of savings-investment-structural Gap and Capital Absorptive Capacity Theory will be utilised to explain how foreign aid impacts poverty in South Africa and Gauteng in particular.

### **1.8.1 Savings-investment-structural Gap**

This theory is premised on the fact that poverty in most developing countries is caused by low savings and investment. This theory was popularised by Chenery and Strout (1966), Galbraith (1961), and Millikan and Rostow (1965), who indicated that poverty in some countries is based on the inability to increase investment and saving drives, as a result of bottlenecks related to poor institutional and non-institutional capacities to keep growth rate at a high level. It further argues that the higher the extra savings, which are injected into the country in the form of foreign aid, the higher the growth rate accruing to these countries than their investment and savings. This goes to explain the potency of foreign aid towards the alleviation of poverty in developing countries, especially South Africa. From the foregoing analysis, the more foreign aid is judiciously utilised through adequate savings and investment, the more revenue will be derived to offset poverty. This theory further argues that foreign aid from developed nations can increase the level of operations capable of reducing poverty in developing countries.

This theory highlights a very important aspect of why Gauteng is a suitable case study, as the majority of the people who live below the poverty line in Gauteng are unable to save and invest to make it out of poverty as many of them live from hand to mouth and are always on a survival mode. It has the following principles.

1. Lack of capital accumulation is the major source of poverty in developing countries.
2. Poverty in most developing states is caused by cultural beliefs and negative colonial legacies, hence the need for foreign aid to reduce the poverty level.
3. Foreign aid inflows could reduce poverty in a country if adequately utilised by governments in developing countries.

#### 4. Lack of domestic capacity to reduce poverty is caused by low-savings investment

This theory succinctly explains the connection between foreign aid and poverty reduction in Gauteng province. Its principle of low rate of savings and investment as the root cause of poverty, aptly explains challenges faced by governments at the national, provincial, and municipal levels in South Africa. Evidence shows that poor savings and investment in public utilities (electricity, water, healthcare, education, security) that can reduce poverty are among the challenges facing Gauteng province. This corroborates the report of the Human Rights Commission (2020) which indicates that despite being the wealthiest, the Gauteng provincial government has hardly been committed to investment in poverty reduction projects.

It is imperative to note that this does not in any way mean that provincial governments are not saving or investing their capital, but the real issue is, what are they investing their capital in? Evidence shows that political elites occupying most of these provinces, including Gauteng, lack the political will to save and invest in public utilities that can reduce poverty (Izobo, 2020). This may have partly contributed to why people in the province still suffer from a high cost of living, due to low investment in housing to accommodate the dense population in the province.

#### **1.8.2 Capital Absorptive Capacity Theory**

This theory contends that for developing countries to be transformed from their poverty state, there should be a total capital limit, local or foreign, that can be effectively utilised by giving net returns over and above depreciation (Millikan, 2020). The theory also argued that in countries that rely on foreign aid for poverty alleviation, such foreign aid should be utilised for the financing of skills acquisition Programmes, setting up vocational and technical institutions for the training of managerial or technical experts that can, in turn, contribute their skills in the fabrication of policies that can eradicate poverty. It further contends that developing nations through effective use of foreign aid may alleviate poverty, all things being equal. The theory has the following principles.

The above-mentioned theory explains one of the study's main concerns that we have highlighted, saying that to “reduce poverty levels in communities around Gauteng governments should prioritise building and introducing youth programmes that will upscale and improve the skill set within those communities.

##### 1. Lack of judicious investment in skills acquisition programmes from foreign

2. Aid funding is the bane of poverty in developing countries. The theory indicates that the sincerity and transparent investment of foreign aid in skilled acquisition programmes, empowerment of youths, and diversification of the economy will go a long way in alleviating poverty in most developing countries.

3. As more people are empowered with requisite skills for vocational and technical works, the higher the level of contributions of efforts towards alleviation of poverty. This is because acquired skills could be utilised to transform individual poverty levels in developing countries.

Assumptions and principles aptly explain the impact of foreign aid on poverty reduction in that If the South African government, judiciously utilize foreign aid to establish empowerment Programmes, educational and vocational or technical institutions that can promote skill acquisition by people, there will be a reduction in the way people rely on the government for jobs and other socio-economic benefits. They can be meaningfully engaged in productive self-employed jobs that can go a long way in reducing poverty among them. With skills acquisition and the right education, people will be highly productive engaged in a job. This will go a long way in the reduction of poverty in Gauteng province, South Africa.

## **1.9 Literature Review**

In this section, a review of concepts and issues bothering foreign aid and poverty will be done. Thematic reviews will be adopted in this study, beginning with conceptual reviews and empirical reviews of studies related to the study.

### **1.9.1 Foreign Aid**

According to Riddell (2008), foreign aid is broadly defined as any resources given to recipient countries by donors, including gifts, financial grants, technical know-how, and physical items. It can be classified as ODA and official development finance (ODF). World Bank (1998) notes that official aid (OA) and ODA are sometimes used interchangeably. Grants and concessional loans with a minimum 25% grant component are covered by ODA and OA. ODA and OA are primarily provided to support the economic development and welfare of developing nations, and they originate from official sources (OECD, 2009). According to Clunies-Ross *et al.* (2009), the sole distinction between ODA and OA is that the former provides funding to "transitional countries" and selects "advanced" developing nations, while the latter serves the majority of developing nations.

There are three standard methods to quantify aid: total dollars, aid as a percentage of GDP, or aid per person. Every metric reveals something distinct. Even though total cash quantities are significant, they don't provide the whole picture. Possibly the most widely used metric, aid as a percentage of GDP, shows how much it contributes to the economy as a whole. However, a high ratio may indicate a low GDP or a high level of help, thus it can be deceptive. When the amount of aid required to immunize a million children is nearly the same per child, it can appear as though a large portion of GDP is required in a poor country and a small portion in a richer country. Some of the biggest beneficiaries receive relatively tiny aid flows per capita. The \$1.4 billion in aid that Bangladesh got in 2004 amounted to only 2 percent of the country's GDP or roughly \$10 per Bangladeshi. Nicaragua, on the other hand, only received \$1.2 billion in 2004, which equated to around 225 dollars per person for its 5.5 million residents. A modest amount goes a long way in small countries. Despite receiving a meagre \$33 million, Sao Tome and Principe's GDP grew by 67 percent or around \$209 per person. Consequently, examining all three of the aid quantity metrics is beneficial to obtain a clear picture (Radelet, 2003).

### **1.9.2 Poverty as a Concept**

To measure the incidence of poverty in a home, society, nation, or area, there are essentially three methods. Primarily grounded in the human basic needs approach (BNA), the first technique is known as the income or spending strategy. The BNA establishes minimal, absolute requirements in several quantifiable areas, mostly related to material necessities (Clunies-Ross, Forsyth, & Huq, 2009). Because it primarily concentrates on the necessities for a respectable life, like health, nutrition, and literacy, it is a consumption-oriented strategy.

According to this description, poverty is the lack of consumption or income (Deaton, 2006). This method of calculating poverty assumes that people are impoverished if their consumption or income falls below a specific threshold, sometimes known as a "poverty line." Several poverty indicators, sometimes known as monetary measures of poverty, are derived from the BNA. These include the headcount index, squared poverty gap, poverty gap index, and per capita gross national product (GNP).

The BNA's definition of poverty led to the adoption of monetary or income metrics by the World Bank and its affiliates. According to Hanmer, Pyatt, and White (1999), a crucial amount of income or spending is used to determine the poverty line, which is used to separate the impoverished from the non-poor.

The human capabilities approach (CA), which is based on Amartya Sen's groundbreaking research from the 1980s and 1990s, is the second technique for calculating the prevalence of poverty. According to this definition, poverty is the inability of a person to perform at a level that is at least acceptable in a community (Lok-Dessallien, 1999; Deaton, 2006). By increasing people's "capabilities" to take care of themselves, the CA aims to improve people's well-being. According to the CA concept, poverty results from an inability to "achieve" or "function" in a way that leads to well-being (Wagle, 2005).

According to the United Nations Development Programme (UNDP), 2000, capability is defined as the "means" to achieve well-being, while the latter is described as the "ends." Clunies-Ross *et al.* (2009) and Sen, 1981, 1992, 1999) note that the CA approach to measuring poverty also looks at poverty outcomes, or "ends," such as people's capacity and chances to live long, healthy, and happy lives; to be literate; and to be free to pursue their values. According to this definition, the CA is a more thorough method of measuring poverty than the BNA since it situates it in the larger framework of human development (Lok-Dessallien, 1999). Most of the California poverty indicators are social or non-financial variables including life expectancy, literacy rates, and malnourishment.

A mixed approach, which acknowledges that poverty is a multifaceted problem, is the third technique for measuring poverty. Perry, López, and Maloney (2006) and Deaton (2013) contend that the definition of poverty is multifaceted, encompassing a wide range of factors like consumption, security, health, mortality, and economic poverty. This enlarged definition suggests that the poverty line may have multiple dimensions, including non-monetary lines for needs not covered by money and an income line for requirements that can be addressed financially (Bourguignon, 2004; Deaton, 2006).

By using this third approach, the poverty indicators are also known as composite measures, indices, or multidimensional poverty indicators. Among these indicators is the Human Development Index (HDI) of UNDP, which is a composite measure of three dimensions of human development: (i) a long and healthy life, as determined by life expectancy at birth; (ii) education or knowledge, as determined by adult literacy and the gross enrolment ratio for primary, secondary, and tertiary institutions; and (iii) a decent living standard, which is estimated using the GDP per capita in Public-Private Partnerships (PPP) in U.S. dollars (UNDP, 2005).

The Human Poverty Index (HPI), created by the UNDP as an additional metric to the HDI, provides another illustration (UNDP, 1997). HPI incorporates the fundamental elements of poverty and uses longevity (the proportion of the population predicted to die before turning

40), adult illiteracy, access to potable water and health care, and rates of under-five malnutrition (UNDP, 1997; Lok-Dessallien, 1999.).HPI was superseded by the UNDP in 2010 with the Multidimensional Poverty Index (MPI), which measures poverty by multiplying the proportion of impoverished households' deprivation by the percentage of weighted indicators (Todaro & Smith, 2012).

MPI uses dual cut-offs for both levels and numbers of deprivations to identify the impoverished. Numerous variables of standard of living, health, and education are used by the MPI and are regarded as significant direct household indicators of deprivation (Todaro & Smith, 2012). The global Multidimensional Poverty Index (MPI-1) was recently developed by Alkire and Foster (2011) and (Alkire & Santos 2014). It takes into account ten indicators of poverty related to health (undernutrition and child mortality), education (years completed and attendance at school), and "standards of living" (access to infrastructure, including housing, improved cooking fuel, electricity, and sanitation, as well as ownership of household assets).

According to historical evidence, impoverished people's "dissolute behaviours"—such as having many children, being lazy, or making poor financial decisions, such as buying a lot of alcohol—are the cause of their poverty (Ravallion, 2015). This theory suggests that poverty can be completely eradicated by behavioural changes. The perspective that has recently gained traction, however, holds that poverty is a result of unaddressed public market failures (Ravallion, 2015). This revised perspective implies that governments can act in the market to aid in the reduction of poverty. Thus, it is critical to accurately describe and quantify poverty levels utilizing all or a mix of the techniques covered above. Creating successful policy interventions might benefit from this.

### **1.9.3 Foreign Aid and Economic Growth**

First, the traditional theory holds that foreign aid helps increase capital stock, finances investments, and improves saving. This theory holds that developing nations can only save enough money for extremely sluggish growth or cannot save enough to finance the investments needed to start a business. The most extreme interpretation of this theory holds that the world's poorest nations would be trapped in a cycle of poverty, with incomes too low to save enough to start the process of long-term economic growth (Sachs, et al., 2004).

- Second, by funding health and education, aid could boost labour productivity.

- Third, the need for industrialization, foreign direct investment, digitalization, and infrastructure, among others, stimulate the drive for technology transfer in the form of foreign aid.

Papenek (1973); and Levy (1988) are two examples of primary studies that indicated a positive association between help and growth. However, this line of research took a major turn in the mid-1990s when academics started to look into the possibility that aid could sustain growth with decreasing returns. Unusual for research, until the mid-1990s, research exclusively examined a direct relationship (a specification that is still used in certain studies today, notwithstanding Solow's 1950s reaction to the Harrod-Domar model). Numerous types of research allowing for diminishing returns have discovered a favourable correlation.

While the majority of published research on the topic since the mid-1990s has found a positive connection, either by accounting for shrinking returns or by testing for conditional relationships, as discussed below, these studies have garnered far less public attention than those that have found a zero or conditional relationship. Rather than concluding that aid has always worked in every country, they have found that, on average, and after controlling other factors, higher aid flows have led to more rapid growth. They conclude that, even with significant dispersion around the trend line, a positive association between aid and growth emerges when these variables are taken into account and declining returns are taken into account. Beyond GDP, aid may also have a favourable effect on developmental outcomes including the environment, education, and health.

The field of health has perhaps the best documentation; initiatives funded by aid have helped to eradicate smallpox, almost eradicate polio, control diseases like river blindness, spread oral rehydration tablets to treat diarrhoea, and significantly raise immunization rates in developing nations since 1970 (Levine *et al.*, 2004) Certainly, a great deal of health-related help has also been wasted. However, there isn't much systematic data on the connections between aid and other outcomes like income distribution, education, health, or other outcomes outside of particular case studies.

#### **1.9.4 Foreign aid and poverty**

Indeed, foreign aid is an antidote that can aid poverty reduction, if effectively allocated to expected areas of growth and development. This might have made scholars submit that foreign aid makes available funds needed to transform most developing nations from their poverty level to a more desirable one (Nurske, 1953; Lewis, 1954; Rosenberg-Rodan,

1943). In addition, it has been revealed that developing nations partly require funds from foreign aid to break away from the poverty cycle or trap (Clunies-Ross *et al.*, 2009; Rosenstein-Rodan, 1943). Thus, there is a need for comprehensive investment that can generate the needed income to alleviate poverty in most developing nations (Shleifer, 2009).

The position of foreign aid in the eradication of poverty in developing nations has been well-documented. Evidence shows that foreign aid has a substantial impact on poverty reduction through investment, savings, empowerment, and capital accumulation (Burnside & Dollar, 2000, 2004; Sachs, 2005; Rajan & Subramanian, 2008; Clemens, Radelet, Bhavnani, & Bazzi, 2011; Arndt *et al.*, 2010, 2015). That aid-growth relationship does, however, have two major issues. The assistance allocation's main goal, poverty alleviation, is not immediately addressed in the first place.

The second issue is its implicit premise—as stated by Burnside and Dollar (2000), Collier and Dollar (2001, 2002), and White (2015)—that poverty is impacted by aid through growth. That being said, this may be true given that rapid and high growth rates are necessary for long-term gains in societal outcomes. Yet, there is a limited view that suggests poverty reduction occurs if help stimulates economic growth. Aid has the potential to directly or indirectly impact poverty, hence this is insufficient.

According to Mahembe and Odhiambo (2017), there are numerous approaches that foreign aid can impact poverty. These include macroeconomic stabilization, pro-poor public spending on programmes like health, education, and other social services, economic growth, and funding for infrastructure and other development projects. Still, the studies that looked at the relationship between poverty and foreign aid directly are the main emphasis of this one.

### **1.10 Research methodology**

The research strategy that will be employed in this study is based on a qualitative research method. It will make use of systematic desktop evaluations of important topics about foreign assistance and poverty in Africa, particularly those studies that look at the relationship between foreign aid and poverty and will be purposefully taken into consideration. It has been suggested that studies that offer distinctively thorough summaries of reviews in response to research questions should adopt a systematic approach (Ehrlich, 2018). It is more practical to use a systematic review approach because

this study is based on research questions. The fact that the results of this investigation will provide answers to research issues is what will validate or motivate it.

Furthermore, the approach's justification stems from studies and research in the fields of education, engineering, humanities, social sciences, tropical medicine, and health that have demonstrated its efficacy and produced positive results (Owens, 2021; Bedenlier *et al.*, 2018; Almudena *et al.*, 2018).

Based on available data, many studies employing this methodology have produced findings that offer specific solutions to research problems (Giang *et al.*, 2018). Thus, employing this methodology will yield specific responses to the posed study inquiries. For thorough examinations and discussions of findings or responses to the research questions, data will also come from empirical studies, verifiable government documents, online resources, periodicals, newspapers, journals, and policy notes. A qualitative research technique approach is also used in this investigation.

According to Du Plooy (2009), the interpretation and construction of qualitative components of experiences constitute the qualitative research approach. According to Stebbins (1978), the exploratory nature of this study compels the researcher to choose a qualitative research methodology. Stebbins (2011) asserts that the qualitative research approach is useful because it provides insights into the problem through the exchange of perspectives. An investigation of an issue to use questions to find a solution is known as a systematic research project (Singh, 2021). By offering responses to particular study questions, the research aims to gain a deeper comprehension of a particular issue. The main justification for using a systematic qualitative research strategy is the ability to examine empirical results from earlier investigations to bolster the study's analysis and conclusions.

The impact of foreign aid on poverty reduction in South Africa is examined in this study using Gauteng as a case study. The study will rely heavily on secondary data from the World Bank, Stat South Africa, and similar studies, as well as desktop reviews of results to bolster its original claims and arguments. Additionally, a qualitative research design will be used on purpose because desktop reviews have historically been the basis for previous studies on this topic, particularly those that examined the effects and efficacy of foreign aid on infrastructure, employment, economic growth, education, and health. This lends credence to the study's use of a qualitative research design. Continuous and prompt desktop examinations of pertinent works and research that have addressed and will continue to address in-depth concerns about the subject will be conducting data

monitoring. Data storage that is sufficient and secure will be used for data monitoring, along with the internet system.

### ***1.10.1 Data collection methods***

To fill in the gaps in the literature, secondary data from online academic books, articles, journals, reports from government agencies, organisations, and think tank publications will be used in this study. The main target of this state-based inquiry will be South Africa. The convenience sample technique will be employed in this study by carefully selecting empirical data or papers that explore the relationship between poverty and foreign aid in depth. Only scientific research or studies published in accredited journals with a high impact factor will be reviewed, protecting the validity and consistency of the information acquired. Only peer-reviewed academic empirical studies will be used, guaranteeing the data's quality and trustworthiness.

The study's selection criteria for literature include scholarly works published in credible journals and publications from internationally recognised organisations like the World Bank and IMF. Reports' literature shouldn't go back further than 1990, and academic works' literature shouldn't go back further than 2000. One can obtain secondary data from books, journals, monographs, book chapters, and official websites of the United Nations (UN), World Bank, and IMF. The data is freely available online without permission from the publisher. We will analyse this data using a thematic descriptive content analysis.

### ***1.10.2 Data analysis method***

The content analysis method—which makes use of thematic analysis—will be adopted by this investigation. Among other themes, the analysis will touch on foreign aid and job opportunities, foreign aid and South Africa's trend toward dependency, foreign aid and donor motivations. Desktop examinations of earlier empirical investigations along with continuing or ongoing ones are the basis for this data analysis technique. This approach enables the study to draw clear conclusions from the data collected through impartial and methodical analysis. After gathering data and comparing it to findings from previous research, the results are interpreted. The publication of articles, oral presentations at seminars or conferences, and book chapters will all be used to communicate or spread the results.

### **1.11. Ethical Considerations**

Conducting research, especially scholarly research that will be published requires careful consideration of ethical issues. When researching to distinguish between good and evil, ethical guidelines are set forward. The search for information and truth is a crucial goal of the research, and ethical considerations play a crucial role in this process since moral behaviour can prevent the production or misrepresentation of data. A thorough grasp of ethics and how it may impact research planning is therefore essential for researchers.

This research project will adhere solely to the desktop review systematic research methodology, which may not involve conducting interviews or distributing questionnaires. This is because the only secondary data it will need will be found online, in books, magazines, and newspapers. All ethical guidelines on the utilization of secondary data, including avoiding plagiarism, conducting critical analysis, and referencing current research, will be adhered to. The acquired data will be encrypted by the researcher and stored securely for five years. Research data will be kept for five years by NWU's ethical guidelines. Oral presentations at conferences or seminars will be used to disseminate study findings. Complete compliance with NWU's established ethical guidelines, including appropriate referencing and anonymity, will be guaranteed by the researcher.

### **1.12 Limitations**

Some empirical research that addressed the relationship between foreign aid and poverty in South Africa is not accessible to this study, which is one of its limitations. Most existing research has focused on Africa. Online documents can be quite difficult to obtain, although some of these data were retrieved with the help of library staff. Additionally, it appears to be quite difficult to acquire access to the Gauteng province's programmes for reducing poverty. To determine the relationship between those projects and the foreign help that South Africa receives is necessary.

### **1.13 Chapter outline**

Chapter 1: Introduction

This chapter provides an overview of the study, including its background. It next presents the problem statement, which outlines the objectives, goals, and research questions of the study. The chapter also emphasizes the importance of study. The study's delimitations and limitations are provided in the paper. Specifics about the study's methodology, theoretical framework, and literature review are provided.

## Chapter 2: Literature Review

In Gauteng, South Africa, this chapter will examine how foreign aid has helped ensure that everyone has equal access to fundamental amenities that reduce poverty. It will also assess the degree to which the Gauteng province's poverty is eliminated through the prudent use of foreign aid that the South African government receives. Finally, it reviews the difficulties in utilizing foreign help and suggests ways to improve it to reduce poverty in Gauteng province. It also reviews the viability of foreign aid in eradicating poverty in the province.

## Chapter 3: Methodology.

This chapter will analyse and discuss various methodological tools utilised in the study. It includes discussions on sample strategy, data collection procedures, and analytic techniques.

## Chapter 4: Data presentation, analysis, and discussion.

This chapter examines how South Africa's reliance on the West was facilitated by foreign aid. It will also analyse how poverty has persisted in Gauteng despite aid from outside South Africa.

## Chapter 5: Conclusion.

This chapter provides an overview of how foreign aid has reduced poverty. Additionally, suggestions on how Gauteng and South Africa might use foreign aid to reduce poverty will be included.

## **CHAPTER TWO**

### **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2.1 Introduction**

This chapter provides the extended literature review of reviewing existing literature in contribution to the study. The chapter is separated into two parts. The first will be a literature review and the second will consist of the study's theoretical framework. Concerning the study, it is imperative to review literature from different researchers and outline the adopted theory. The literature review is done to gain insight into existing studies in the field being studied and to establish a gap in the literature. The second part of this chapter analyses the adopted theory.

#### **2.2 Literature Review**

The literature review looks at different studies and academic articles concerning the present study on the developments that have taken place in the field. Literature review brings development to existing studies and creates scholarly arguments for improving research findings and verdicts of the existing studies. In this section, a review of concepts and issues concerning foreign aid and poverty will be conducted. Thematic reviews will be adopted in this study, beginning with conceptual reviews and empirical reviews of studies related to the study.

#### **2.3 Conceptual Review**

##### **2.3.1 Foreign aid**

The World Bank (1998) notes that official aid (OA) and ODA are sometimes used interchangeably. Grants and concessional loans with a minimum 25% grant component are covered by ODA and OA. ODA and OA are primarily provided to support the economic development and welfare of developing nations, and they originate from official sources (OECD, 2009). According to Clunies-Ross *et al.* (2009), the sole distinction between ODA and OA is that the former provides funding to developing states and selects "progressive" developing nations, while the latter serves most developing nations. Adding to the definition of foreign aid, foreign aid is defined as any resources handed out to recipient countries by donors, it can be labelled as official development support and official development finance (Riddell 2008).

The donor's reasons for giving aid are diverse, donors give aid to assist in meeting emergence or humanitarian needs, further commercial interest, assist developing countries realize developmental goals (growth and poverty reduction), secure strategic and political interest and show solidarity (Clair, 2017).

A modest amount goes a long way in small countries. Despite receiving a meagre \$33 million, Sao Tome and Principe's GDP grew by 67 percent or around \$209 per person. Consequently, examining all three of the aid quantity metrics is beneficial to obtain a clear picture (Radelet, 2003).

### **2.3.2 Poverty as a concept**

To measure the occurrence of poverty in a home, society, nation, or area, there are essentially three methods. Primarily grounded in the human basic needs approach (BNA), the first technique is known as the income or spending strategy. The BNA establishes minimal, absolute requirements in several quantifiable areas, mostly related to material necessities (Clunies-Ross, Forsyth, & Huq, 2009). Because it primarily concentrates on the necessities for a respectable life, like health, nutrition, and literacy, it is a consumption-oriented strategy. According to this definition, poverty is the absence of consumption or income (Deaton, 2006). This method of calculating poverty assumes that people are impoverished if their consumption or income falls below a specific threshold, sometimes known as a "poverty line." Several poverty indicators, sometimes known as monetary measures of poverty, are derived from the BNA. These include the headcount index, squared poverty gap, poverty gap index, and per capita gross national product (GNP). The BNA's definition of poverty led to the adoption of monetary or income metrics by the World Bank and its affiliates. According to Hanmer *et al*, (1999), a crucial amount of income or spending is used to determine the poverty line, which is used to separate the impoverished from the non-poor.

The human capabilities approach (CA), which is based on Amartya Sen's groundbreaking research from the 1980s and 1990s, is the second technique for calculating the prevalence of poverty. According to this definition, poverty is the inability of a person to perform at a level that is at least acceptable in a community (Lok-Dessallien, 1999; Deaton, 2006). By increasing people's "capabilities" to take care of themselves, the CA aims to improve people's well-being. According to the CA concept, poverty results from an inability to "achieve" or "function" in a way that leads to well-being (Wagle, 2005). According to the United Nations Development Programme (UNDP), 2000, capability is defined as the "means" to achieve well-being, while the latter is described as the "ends." Clunies-Ross *et*

*al.* (2009) and Sen, 1981, 1992, 1999) note that the CA approach to measuring poverty also looks at poverty outcomes, or "ends," such as people's capacity and chances to live long, healthy, and happy lives; to be literate; and to be free to pursue their values.

According to this definition, the CA is a more thorough method of measuring poverty than the BNA since it situates it in the larger framework of human development (Lok-Dessallien, 1999). Most of the California poverty indicators are social or non-financial variables including life expectancy, literacy rates, and malnourishment.

Poverty is multi-faceted; it can be related to unemployment, hunger, and lack of access to clean water, sanitation, schools, healthcare and exploitation. Poverty can be linked to homelessness and vulnerability to crisis (Woolard, 2002). A hybrid approach, which acknowledges that poverty is a multifaceted problem, is the third technique for measuring poverty. Perry, López, and Maloney (2006) and Deaton (2013) contend that the definition of poverty is multifaceted, encompassing a wide range of factors like consumption, security, health, mortality, and economic poverty. This enlarged definition suggests that the poverty line may have multiple dimensions, including non-monetary lines for needs not covered by money and an income line for requirements that can be addressed financially (Bourguignon, 2004; Deaton, 2006).

By using this third approach, the poverty indicators are also known as composite measures, indices, or multidimensional poverty indicators. Among these indicators is the HDI of the UNDP, which is a composite measure of three dimensions of human development: (i) a long and healthy life, as determined by life expectancy at birth; (ii) education or knowledge, as determined by adult literacy and the gross enrollment ratio for primary, secondary, and tertiary institutions; and (iii) a decent living standard, which is estimated using the GDP per capita in PPP in U.S. dollars. (UNDP, 2005). The Human Poverty Index (HPI), created by the UNDP as an additional metric to the HDI, provides another illustration (UNDP, 1997). HPI incorporates the fundamental elements of poverty and uses longevity (the proportion of the population predicted to die before turning 40), adult illiteracy, access to potable water and health care, and rates of under-five malnutrition (UNDP, 1997; Lok-Dessallien, 1999,).

The HPI was superseded by the UNDP in 2010 with the Multidimensional Poverty Index (MPI), which measures poverty by multiplying the proportion of impoverished households' deprivation by the percentage of weighted indicators (Todaro & Smith, 2012). The MPI uses dual cut-offs for both levels and numbers of deprivations to identify the impoverished. Numerous variables of standard of living, health, and education are used by the MPI and

are regarded as significant direct household indicators of deprivation (Todaro & Smith, 2012). The global Multidimensional Poverty Index (MPI-1) was recently developed by Alkire and Foster (2011) and (Alkire & Santos 2014). The HPI considers ten indicators of poverty related to health (undernutrition and child mortality), education (years completed and attendance at school), and "standards of living" (access to infrastructure, including housing, improved cooking fuel, electricity, and sanitation, as well as ownership of household assets).

According to historical evidence, impoverished people's "dissolute behaviours"—such as having many children, being lazy, or making poor financial decisions, such as buying a lot of alcohol—are the cause of their poverty (Ravallion, 2015). This theory suggests that poverty can be completely eradicated by behavioural changes. The perspective that has recently gained traction, however, holds that poverty is a result of unaddressed public market failures (Ravallion, 2015). This revised perspective implies that governments can act in the market to aid in the reduction of poverty. Thus, it is critical to accurately describe and quantify poverty levels utilizing all or a mix of the techniques covered above. Creating successful policy interventions might benefit from this.

## ***2.4 Empirical Review***

### ***2.4.1 Poverty in South Africa***

Ever since the beginning of democracy, one of the main goals of the South African government has been the reduction of poverty. Inequalities and imbalances are results that can be linked apartheid system that separated blacks and white South Africans through policies (Tregenna, 2011). Numerous economic plans were implemented. "Specifically aiming at the achievement of various economic goals, such as more rapid economic growth and job creation, improved service delivery, poverty and inequality alleviation" (Sulla and Zikhali, 2018). South Africa is perceived as one of the countries in Africa branded by a high level of poverty in the twenty-first century (Georgina, 2019). According to the World Poverty Clock report (2021), it is estimated that South Africa has 274 610 out of 59 663 528 population living in extreme poverty: this means that 27,3% of the population lives in extreme poverty.

Poverty in South Africa is viewed and mostly linked to race, lack of jobs, and wages, poor access to basic services, low consumption levels and homelessness. Policies and discriminations of Apartheid have left inheritances of low economic growth, poverty and inequality, this rule of segregation was biased in providing education, housing and health

services to the minority (whites), to the disadvantage of the majority (blacks) who were deprived of the opportunity to mount up physical and human capital (Woolard, 2002). Thus, it implies that the black majority or the black population are the poor and are the races that face the harsh realities of poverty levels in South Africa (Sulla and Zikhali, 2018).

The poverty levels and inequality within South African societies can in a way be linked to this brutal system of governance (Apartheid) that divided and segregated the citizens of South Africa (Woolard, 2002; Beinart *et al*, 1995). Years post the apartheid system and a new government in office, where now all citizens are declared to be equals and have equal opportunities for employment and access to services, the poverty rates and inequality continue to merge and persist among societies in South Africa (Christopher, 2001; Natrass and Seekings, 2010; Woolard, 2002; Leibbrandt *et al*, 2010). Survival and improvement of the population are key factors in this day in time and measures and policies have been put in place by the post-Apartheid government to try and bridge the gap between the previously disadvantaged and the rich (Beally *et al*, 2005).

Through engaging literature highlighted above the South African urbanised provinces' contributions to economic growth and development—which can help solve the issue of poverty—have a major role in the achievement of this feat. Among these provinces is Gauteng, which continues to be recognised as South Africa's economic centre (Gauteng-City Region Observatory, 2023). It is made up of Johannesburg, which is currently the financial core of South Africa and was once a significant global hub for gold production, and Pretoria, which serves as the country's administrative centre (Tregenna, 2011).

It has been highlighted above that Johannesburg has long since taken the lead as the primary migration hub for people leaving rural South Africa, the southern African area, and the African continent (South African Cities Network, 2022). But even with these characteristics, the most common indicators of poverty in Gauteng continue to be gender and race (Mushongera *et al.*, 2018). Its poverty rate ratios are 2:1 for women and nearly 40:1 for men of African descent, states The Gauteng-City Region Observatory (2023). Furthermore, trends in inequality indicate that the province has the most uneven access to basic needed services for blacks and white South Africans, particularly during the early years of the nation's democracy.

It has been highlighted throughout the study that Inequality has grown and remained high in South Africa. There are very few high earners, a small middle class, and extremely high rates of chronic poverty as indicators of significant income polarization” (World Bank,

2020). This accurately demonstrates how, despite having a broad and quickly expanding economy, Gauteng suffers from high rates of poverty, unemployment, and social marginalization. An important objective of most official development assistance to developing countries is promoting economic growth (Feudjou, 2014).

The empirical literature on the links between aid and economic growth has been curbed by the lack of a clear theoretical model on how aid would influence growth, which could pin down the empirical specification of the aid-growth relationship (Easterly, 2003). The variations noticed in various aid studies are often occasioned by the peculiarities of their methodologies and choice of variables. However, there is no robust literature on foreign aid and economic growth in Gauteng.

#### ***2.4.2 Foreign Aid and Economic Growth***

Firstly, the traditional theory holds that it helps increase capital stock, finances investments, and improves saving. This theory holds that developing nations can only save enough money for extremely sluggish growth or cannot save enough to finance the investments needed to start a business. The most extreme interpretation of this theory holds that the world's poorest nations would be trapped in a cycle of poverty, with incomes too low to save enough to start the process of long-term economic growth (Sachs, et al., 2004).

Secondly, by funding health and education, aid could boost labour productivity. Third, the need for industrialization, direct foreign investment, digitalization, and infrastructure, among others stimulate the drive for technology transfer in the form of foreign aid.

Papenek (1973); and Levy (1988) are two examples of early studies that indicated a positive association between help and growth. However, this line of research took a major turn in the mid-1990s when academics started to investigate the possibility that aid could sustain growth with decreasing returns. Unusual for research, until the mid-1990s, research exclusively examined a linear relationship (a specification that is still used in certain studies today, notwithstanding Solow's 1950s reaction to the Harrod-Domar model).

Numerous types of research allowing for diminishing returns have discovered a favourable correlation. While most of the published research on the topic since the mid-1990s has found a positive relationship, either by accounting for diminishing returns or by testing for conditional relationships, as discussed below, these studies have garnered far less public attention than those that have found a zero or conditional relationship. Rather than

concluding that aid has always worked in every country, they have found that, on average, and after controlling other factors, higher aid flows have led to more rapid growth. They conclude that, even with significant dispersion around the trend line, a positive association between aid and growth emerges when these variables are considered, and declining returns are taken into account. Beyond GDP, aid may also have a favourable effect on developmental outcomes including the environment, education, and health.

The field of health has perhaps the best documentation; initiatives funded by aid have helped to eradicate smallpox, almost eradicate polio, control diseases like river blindness, spread oral rehydration tablets to treat diarrhoea, and significantly raise immunization rates in developing nations since 1970 (Levine *et al.*, 2004) Certainly, a great deal of health-related help has also been wasted. However, there isn't much systematic data on the connections between aid and other outcomes like income distribution, education, health, or other outcomes outside of particular case studies.

### **2.4.3 Foreign Aid and Poverty**

Indeed, foreign aid is an antidote that can aid poverty reduction, if effectively allocated to expected areas of growth and development. This might have made scholars submit that foreign aid makes available funds needed to transform most developing nations from their poverty level to a more desirable one (Nurske, 1953; Lewis, 1954; Rosenberg-Rodan, 1943). In addition, it has been revealed that developing nations partly require funds from foreign aid to break away from the poverty cycle or trap (Clunies-Ross *et al.*, 2009; Rosenstein-Rodan, 1943). Thus, there is a need for comprehensive investment that can generate the needed income to alleviate poverty in most developing nations (Shleifer, 2009).

The role of foreign aid in the eradication of poverty in developing nations has been well-documented. Evidence shows that foreign aid has a significant impact on poverty reduction through investment, savings, empowerment, and capital accumulation (Burnside & Dollar, 2000, 2004; Sachs, 2005; Rajan & Subramanian, 2008; Clemens, Radelet, Bhavnani, & Bazzi, 2011; Arndt *et al.*, 2010, 2015). That aid-growth relationship does, however, have two major issues. The assistance allocation's main goal, poverty alleviation, is not immediately addressed in the first place. The second issue is its implicit premise—as stated by Burnside and Dollar (2000), Collier and Dollar (2001, 2002), and White (2015)—that poverty is impacted by aid through growth. That being said, this may be true given that rapid and high growth rates are necessary for long-term gains in societal outcomes. Yet, there is a limited view that suggests poverty reduction occurs if help does stimulate

economic growth. Aid has the potential to directly or indirectly impact poverty, hence this is insufficient.

According to Mahembe and Odhiambo (2017), "There are several ways that foreign aid can impact poverty. These include macroeconomic stabilization, pro-poor public spending on programmes like health, education, and other social services, economic growth, and funding for infrastructure and other development projects". Still, the studies that looked at the relationship between poverty and foreign aid directly are the main emphasis of this one. Ever since the advent of democracy, one of the main objectives of the South African government has been the reduction of poverty. "Inequalities and imbalances are results that came with the apartheid system". Numerous economic programmes were implemented. "Specifically aiming at the achievement of various economic goals, such as more rapid economic growth and job creation, improved service delivery, poverty and inequality alleviation" (Sulla and Zikhali, 2018).

Poverty in South Africa is viewed and mostly linked to race, lack of jobs, wages, poor access to basic services, low consumption levels and homelessness. Poverty in South Africa is more spread and linked to rural areas, where the majority of the black population is located. Thus, it implies that the black majority or the black population are the poor and are the races that face the harsh realities of poverty levels in South Africa (Sulla and Zikhali, 2018).

Stats SA (2017) conducted a study titled "*Poverty Trends in South Africa*". The study examined the trends of poverty in South Africa from 2006 to 2015. The study discusses poverty and its trend in South Africa and the study clearly shows that there is a gap in poverty levels, the study shows that rural areas and black people are heavily affected by poverty, the study indicates that there was an increase in poverty levels in South Africa in 2011. Thus, both studies are similar in the sense that they both focus on the current trends and increases in poverty in South Africa and try to find possible solutions to the question as to why it is the case that poverty levels continued to increase at a time when they were expected to decrease.

Many studies examining foreign aid and its role in the international system have emerged for investigating its effect or influence on issues in the international system and concerning issues in that system. However, studies taking this approach are always likely to remain limited and fundamentally incomplete, as foreign aid is a broad issue or concept and can be investigated from different perspectives. It is for this specific reason that foreign aid still

needs to be investigated and investigated more wholistically, using an approach that includes new directions.

The main justification for this study is how foreign aid affects the Gauteng, South Africa poverty index. It is important to establish how best the government can utilize foreign aid to support its strategic initiatives to end poverty, advance equality, and support the province's sustainable development. Examining the effect of foreign aid on poverty in Gauteng, South Africa, is the aim of this study.

## **2.5 Theoretical Framework**

Across social sciences and humanities, some theories explain how foreign aid reduces poverty, especially in developing countries. Importantly, effective savings, investment, capital accumulation, economic growth, and development have all been attested as viable strategies for reducing poverty in a country. Thus, theories that discuss and analyze the link between savings, investment, empowerment, and poverty reduction will adequately explain the impact of foreign aid on poverty reduction in South Africa. Given this, theories of savings-investment-structural Gap and Capital Absorptive Capacity Theory will be utilised to explain how foreign aid impacts poverty in South Africa and Gauteng in particular.

### **2.4.1 Savings-investment-structural Gap**

This theory is premised on the fact that poverty in most developing countries is caused by low savings and investment. This theory was popularised by Chenery and Strout (1966), Galbraith (1961), and Millikan and Rostow (1965), who indicated that poverty in some countries is based on the inability to increase investment and saving drives, as a result of bottlenecks related to poor institutional and non-institutional capacities to keep growth rate at a high level. It further argues that the higher the extra savings, which are injected into the country in the form of foreign aid, the higher the growth rate accruing to these countries than their investment and savings.

“In developing countries, achieving high rates of economic growth is crucial for reducing poverty and improving living standards. However, these countries often face a Savings Gap because their domestic savings are insufficient to finance the level of investment needed to achieve the desired growth rate” (Ismet GOCER *et al*, 2016).

The theory explains economic growth and development gaps between states. The theory indicates that the disparities in savings levels and investment rates between first-world

countries and third-world countries hamper economic growth. The theory indicates that developing countries lack sufficient domestic savings to drive investments.

This goes to explain the potency of foreign aid towards the alleviation of poverty in developing countries, especially South Africa. From the foregoing analysis, the more foreign aid is judiciously utilised through adequate savings and investment, the more revenue will be derived to offset poverty. This theory further argues that foreign aid from developed nations can increase the level of operations capable of reducing poverty in developing countries. It has the following principles.

This theory highlights a very important aspect of why Gauteng is a suitable case study, as the majority of the people who live below the poverty line in Gauteng are unable to save and invest to make it out of poverty as many of them live from hand to mouth and are always in a survival mode. The following are key principles that lie at the heart of this theory,

1. Lack of capital accumulation is the major source of poverty in developing countries.
2. Poverty in most developing countries is caused by cultural beliefs and negative colonial legacies, hence the need for foreign aid to reduce the poverty level.
3. Foreign aid inflows could reduce poverty in a country if adequately utilised by governments in developing countries.
4. Lack of domestic capacity to reduce poverty is caused by low-savings investment

This theory succinctly explains the connection between foreign aid and poverty reduction in Gauteng province. Its principle of low rate of savings and investment as the root cause of poverty, aptly explains challenges faced by governments at the national, provincial, and municipal levels in South Africa. Evidence shows that poor savings and investment in public utilities (electricity, water, healthcare, education, security) that can reduce poverty are among the challenges facing Gauteng province. This corroborates the report of the Human Rights Commission (2020) which indicates that despite being the wealthiest, the Gauteng provincial government has hardly been committed to investment in poverty reduction projects.

It is imperative to note that this does not in any way mean that provincial governments are not saving or investing their capital, but the real issue is to know what they are investing capital in. Evidence shows that political elites occupying most of these provinces, including Gauteng, lack the political will to save and invest in public utilities that can reduce poverty (Izobo, 2020). This may have partly contributed to why people in the province still suffer

from a high cost of living, due to low investment in housing to accommodate the dense population in the province.

Limitations of the savings-investment-structural gap include overemphasis on domestic savings and ignoring the role of international trade. The theory lacks accountability for income inequalities and does not address macroeconomic instability. The theory assumptions are unrealistic when employed for long-term growth in developing countries. For example, the model assumes that the capital-output ratio is constant, and that aid inflows and capital imports are equal to investment. The theory faces many difficulties and fails to solve the problems of developing countries. Its main shortcoming is the lack of Absorptive Capacity.

#### ***2.4.2 Capital Absorptive Capacity Theory***

This theory contends that for developing countries to be transformed from their poverty state, there should be a total capital limit, local or foreign, that can be effectively utilised by giving net returns over and above depreciation (Millikan, 2020). The theory also argues that in countries that rely on foreign aid for poverty alleviation, such foreign aid should be utilised for the financing of skills acquisition Programmes, setting up vocational and technical institutions for the training of managerial or technical experts that can in turn contribute their skills in the fabrication of policies that can eradicate poverty. It further contends that developing nations through effective use of foreign aid may alleviate poverty, all things being equal. The theory has the following principles.

The above-mentioned theory explains one of the study's main concerns that we have highlighted, saying that to “reduce poverty levels in communities around Gauteng governments should prioritise building and introducing youth programmes that will upscale and improve the skill set within those communities.

1. Lack of judicious investment in skills acquisition Programmes from foreign
2. Aid funding is the bane of poverty in developing countries. The theory indicates that the sincerity and transparent investment of foreign aid in skilled acquisition Programmes, empowerment of youths, and diversification of the economy will go a long way in alleviating poverty in most developing countries.
3. As more people are empowered with requisite skills for vocational and technical work, the higher the level of contributions of efforts towards alleviation of poverty. This is because acquired skills could be utilised to transform individual poverty levels in developing countries.

Assumptions and principles aptly explain the impact of foreign aid on poverty reduction in that If the South African government, judiciously utilize foreign aid to establish empowerment Programmes, educational and vocational or technical institutions that can promote skill acquisition by people, there will be a reduction in the way people rely on government for jobs and other socio-economic benefits. They can be meaningfully engaged in productive self-employed jobs that can go a long way in reducing poverty among them. With skills acquisition and the right education, people will be highly productively engaged in a job. This will go a long way in the reduction of poverty in Gauteng province, South Africa.

The limitation of the theory is that it emphasizes institutional capacity, ignores political and social factors, and takes into consideration the realities of the political landscape in South Africa and that of the Gauteng province. The concerns around corruption and mismanagement of government funds are an issue that cannot be overlooked and ignored. The assumption of the theory that foreign capital is always beneficial places a huge biasedness to the application of the theory to fully investigate the impact foreign aid has on improving the living standards of the people in the Gauteng province.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This research study adopted the qualitative research design. The research design allows the researcher to look deeper into a phenomenon, by looking into existing and previous studies within its research area. The research design involves a process of collecting, interpreting, and analysing non-numerical data. Thus, the research study seeks to answer and explain the “how” and “why” a particular phenomenon operates as it does in a particular context. This research study adopts a qualitative research design that is sourced through a secondary method of data collection that makes it possible to review empirical findings of previous studies to support the analysis of issues and arguments raised by the researcher. Desktop reviews of results from previous research studies are the basis of support for fresh and new claims and arguments in this research study.

#### **3.2 Research Design**

The research strategy that is employed in this study is based on a qualitative research method. The study made use of systematic desktop evaluations of important topics about foreign assistance and poverty in Africa, particularly those studies that look at the relationship between foreign aid and poverty and were purposefully taken into consideration. It has been suggested that studies that offer distinctively thorough summaries of reviews in response to research questions should adopt a systematic approach (Ehrlich, 2018).

It is more practical to use a systematic review approach because this study is based on research questions. The fact that the results of this investigation provide answers to research issues is what validates or motivates it. Furthermore, the approach's justification stems from studies and research in the fields of education, engineering, humanities, social sciences, tropical medicine, and health that have demonstrated its efficacy and produced positive results (Owens, 2021; Bedenlier *et al.*, 2018; Almudena *et al.*, 2018). This study adopts a qualitative research methodology, using an investigative approach, which allows the researcher to understand perceptions and views (Hesse-Biber and Leavy, 2011).

Based on available data, many studies employing this methodology have produced findings that offer specific solutions to research problems (Giang *et al.*, 2018). Thus, employing this methodology yields specific responses to the posed study inquiries. For

thorough examinations and discussions of findings or responses to the research questions, data came from empirical studies, verifiable government documents, online resources, periodicals, newspapers, journals, and policy notes. A qualitative research technique approach is also used in this investigation.

Qualitative research is an “argued paradigm” that is used to understand a world from a subjective point of view and involves research questions. For further clarification, Hesse-Biber and Leavy (2011) states that qualitative research generally has: how, why, and what questions that require the collection of qualitative data rather than quantitative data to answer and respond to research questions.

According to Stebbins (1978), the exploratory nature of this study compels the researcher to choose a qualitative research methodology. Stebbins (2011) asserts that the qualitative research approach is useful because it provides insights into the problem through the exchange of perspectives. An investigation of an issue to use questions to find a solution is known as a systematic research project (Singh, 2021). By offering responses to research study questions, the research aims to gain a deeper comprehension of a particular issue. The main justification for using a systematic qualitative research strategy is the ability to examine empirical results from earlier investigations to bolster the study's analysis and conclusions.

The impact of foreign aid on poverty reduction in South Africa is examined in this study using Gauteng as a case study. The study relied heavily on secondary data from the World Bank, Stat South Africa, and similar studies, as well as desktop reviews of results to bolster its original claims and arguments. Additionally, a qualitative research design was used on purpose because desktop reviews have historically been the basis for previous studies on this topic, particularly those that examined the effects and efficacy of foreign aid on infrastructure, employment, economic growth, education, and health. This lends credence to the study's use of a qualitative research design. Continuous and prompt desktop examinations of pertinent work and research that have addressed and will continue to address in-depth concerns about the subject were conducting data monitoring. Data storage that is sufficient and secure was used for data monitoring, along with the internet system.

### ***3.3 Data collection methods***

This research study utilised secondary data from online academic books, articles, journals, and reports from government agencies, organisations, and think tank publications to fill in

the gaps in the literature. The main target of this state-based inquiry is South Africa. This research study employed the convenience sample, carefully selecting empirical data or papers that explore the relationship between poverty and foreign aid in depth. Only scientific research or studies published in accredited journals with a high impact factor were reviewed, protecting the validity and consistency of the information acquired. Only peer-reviewed academic empirical studies were used, guaranteeing the data's quality and trustworthiness.

The study selection criteria for literature include scholarly works published in credible journals and publications from internationally recognised organisations like the World Bank and IMF. Reports' literature should not go back further than 1990, and academic works' literature shouldn't go back further than 2000. One can obtain secondary data from books, journals, monographs, book chapters, and official websites of international organisations such as the UN, World Bank, and IMF. The data is freely available online without permission from the publisher. This data was analysed using thematic descriptive content analysis.

### ***3.4 Data analysis method***

This study deployed the content analysis method—which makes use of thematic analysis. Among other themes, the analysis will touch on foreign aid and job opportunities, foreign aid and South Africa's trend toward dependency, foreign aid and donor motivations. Desktop examinations of earlier empirical investigations along with continuing or ongoing ones are the basis for this data analysis technique. This approach enables the study to draw clear conclusions from the data collected through impartial and methodical analysis. After gathering data and comparing it to findings from previous research, the results are interpreted. The publication of articles, oral presentations at seminars or conferences, and book chapters will all be used to communicate or spread the results.

### ***3.5 Ethical considerations***

Conducting research, especially scholarly research that will be published requires careful consideration of ethical issues. When researching to distinguish between good and evil, ethical guidelines are set forward. The search for information and truth is a crucial goal of the research, and ethical considerations play a crucial role in this process since moral behaviour can prevent the production or misrepresentation of data. A thorough grasp of ethics and how it may impact research planning is therefore essential for researchers.

This research project adhered solely to the desktop review systematic research methodology, which does not involve conducting interviews or distributing questionnaires. This is because the only secondary data it needed was found online, in books, magazines, and newspapers. All ethical guidelines on the utilisation of secondary data, including avoiding plagiarism, conducting critical analysis, and referencing current research, were adhered to. The acquired data was encrypted by the researcher and stored securely for five years. Research data will be kept for five years by NWU's ethical guidelines. Oral presentations at conferences or seminars will be used to disseminate study findings. Complete compliance with NWU's established ethical guidelines, including appropriate referencing and anonymity, is guaranteed by the researcher.

### ***3.6 Limitations of the study***

Some empirical research that addressed the relationship between foreign aid and poverty in South Africa is not accessible to this study, which is one of its limitations. Most existing research has focused on Africa. Online documents can be quite difficult to obtain, although some of these data were retrieved with the help of library staff. Additionally, it appears to be quite difficult to acquire access to the Gauteng province's programmes for reducing poverty. To determine the relationship between those projects and the foreign assistance that South Africa receives is necessary. The study utilised and employed advanced search features and searched grey literature to retrieve data on Gauteng's province programmes aimed at reducing poverty.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.1 Introduction**

This chapter presents and discusses the study's research findings. After presenting the findings, they were discussed in line with the theoretical framework and objectives of the study before the key conclusions were drawn. The chapter was organised into two major sections, which include data presentation and analysis as well as discussion of findings. This chapter offers a discussion of the findings of the study in Gauteng Province, South Africa. This section presents and analyses the findings of the study. The data was presented and analysed in a way as to ensure that the objectives of the study were met, and the research questions of the study were answered. The headings under this sub-section were generated from the data collected and therefore they were demonstrated as sub-headings in these sub-sections

It commenced with a discussion on how foreign aid enhanced equal access to basic essential services in Gauteng, South Africa. It went further into looking at how the South African government effectively managed foreign aid and used it to reduce poverty in Gauteng Province. Other subsections of the chapter include considerations of the findings in relation to how sustainable the use of foreign aid and poverty reduction in Gauteng Province is, and the challenges facing the utilization and sustainability of foreign aid in reducing poverty in Gauteng Province.

#### **4.2 Data Presentation and Analysis**

This section presents and analyses the findings of the study. The data was presented and analysed in a way as to ensure that the following questions, how has foreign aid enhanced equal access to basic essential services in Gauteng, South Africa, how has the South African government effectively managed foreign aid to reduce poverty in Gauteng province, how sustainable is the use of foreign aid in poverty reduction in Gauteng province, and what are the likely challenges facing the utilization and sustainability of foreign aid in the reduction of poverty in Gauteng province, were answered and objectives of the study were achieved. The headings under this sub-section were generated from the data collected and therefore they were demonstrated as sub-headings in these sub-sections

#### **4.3 Foreign Aid enhanced equal access to basic services in Gauteng, South Africa.**

For readers to gain full knowledge about the trends and reasons for foreign aid inflow into South Africa, the researcher identified the form of financial assistance used by donors to help developing countries in terms of finances and from there, existing secondary literature was used to strengthen the argument of the research.

During the first few years of post-apartheid South Africa, there was a massive donation and inflow of foreign aid which were meant to assist in sponsoring and developing a stable society into the Rainbow nation (Leshoro, 2013). Aid came in from various states like the United States of America, Germany, the United Kingdom, Denmark, and France. They were the top 10 donors to South Africa (OECD, 2013).

Easterly (2009), in the study titled "*Can the West Save Africa?*" states that foreign aid is the most effective tool in the fight against poverty, and it helps decrease poverty rates by increasing economic growth, increasing access to public services, and improving governance. Arvind (2015) used an instrumental variable method to establish a strong positive relationship between aid and economic growth in developing states in both the long run and the short run, which can result in a positive impact on poverty reduction (thereby leading to decreased levels of poverty).

Foreign aid has the potential to assist in reducing poverty, this is deduced from the argument made by Easterly, where foreign aid is used solely for its intended objective, not looted and misdirected. Foreign aid can assist decrease poverty rates, by increasing economic growth where aid is used to create more employment opportunities, foreign aid can be an effective tool in fighting against poverty by increasing access to public services and improving government if it is met with the right policies and controls in place.

The World Bank (2021) reports that South Africa has made significant progress towards raising the standard of living for its people since emancipating from an oppressive system of government in the middle of the 1990s and closing the wealth and inequality gap between the rich and the poor. According to Mushongera *et al.* (2018), poverty continues to be a major problem in the nation and has destroyed many lives. While the apartheid government has been held partially responsible for South Africa's persistently high poverty index, corruption and issues with leadership have also played a role (Kwenda, 2018).

The South African urbanised provinces' contributions to economic growth and development which can help solve the issue of poverty have a major role in the

achievement of this feat. Among these provinces is Gauteng, which continues to be recognised as South Africa's economic centre (Gauteng-City Region Observatory, 2023). It is made up of Johannesburg, which is currently the financial centre of strength of South Africa and remains a significant global hub for gold production, as well as Pretoria, which serves as the country's administrative centre (Tregenna, 2011).

Johannesburg has long taken the lead as the primary migration hub for people leaving rural South Africa, the southern African area, and the African continent (South African Cities Network, 2022). But even with these characteristics, the most common indicators of poverty in Gauteng continue to be gender and race (Mushongera *et al.*, 2018). Its poverty rate ratios are 2:1 for women and nearly 40:1 for men of African descent, states The Gauteng-City Region Observatory (2023).

Furthermore, trends in inequality indicate that the province has the most uneven access to basic needed services for blacks and white South Africans, particularly during the early years of the nation's democracy. Though Gauteng's inequality score has somewhat decreased, it has remained statistically unchanged since 2000 (Mushongera *et al.*, 2018).

Since 1994, inequality has grown and remained high. There are very few high earners, a small middle class, and extremely high rates of chronic poverty as indicators of significant income polarization (World Bank, 2020). This accurately demonstrates how, despite having a broad and quickly expanding economy, Gauteng suffers from high rates of poverty, unemployment, and social marginalization. Apartheid-era ideologies and practices still influence Gauteng's economic landscape, often impeding opportunities for new entrants, especially young people looking for work. According to the Gauteng-City Region Observatory (2023) and Alala (2021), some people feel a high degree of marginalization and frustration as a result, while others have lives that are on par with or better than those of people living in developed cities.

#### **4.4 Effective management of foreign aid to reduce poverty in Gauteng**

Foreign aid programmes to South Africa, particularly to Gauteng, the country's economic centre, have received praises and attention frequently, but they also raise questions about their sustainability and potential to reduce poverty in the province. It begs the question of why Gauteng's poverty persists despite assistance from international allies. More precisely, why do Gauteng and South Africa continue to struggle with high rates of poverty despite substantial inflows of foreign aid? Some scholars on the continent have questioned the purpose of foreign aid given to African countries (Sollenber, 2012; Tang & Bundhoo,

2017; Agunyai, 2023). Research by (Mushongera *et al.*, 2018; the Gauteng-City Region Observatory, 2023; Alala, 2021) shows that South Africa has achieved little or no progress toward socioeconomic or political growth in the areas of zero- poverty, though it is one of the recipients of international aid on the continent. About 13.8 million individuals (or 25% of the population) in South Africa still experience food poverty, and over 30.3 million people (or 55.5 percent) live below the country's upper poverty line (~ZAR 992) (World Bank, 2020).

Though the government of Gauteng province has developed policies to combat urban poverty in partnership with non-governmental organisations and other agencies, the province still experiences high rates of unemployment, inequality, and the gap between the rich and the poor (Mushongera *et al.*, 2018). It is concerning that socioeconomic hardships that worsen poverty, such as unemployment, unequal access to public utilities, disparities, and inequalities, persist and have a significant impact on more destructive protests, opportunistic crimes, xenophobic attacks, and social unrest (Sollenber, 2012; Tang & Bundhoo, 2017).

It is widely acknowledged that foreign aid is insufficient to effectively alleviate poverty in Africa. This is partly because some aid comes with strict or harsh conditions, while others are given to undermine the sovereignty of most African states through land grabbing and excessive control over natural resources (Agunyai & Amusan, 2023; Izobo, 2023). However, the South African government approached the foreign aid community with a strong and fixed position on values of national ownership, which reserved agenda-setting autonomy.

Foreign aid programmes to South Africa, particularly to Gauteng, the country's economic centre, have received praise and attention frequently, South Africa has achieved little or no progress toward socioeconomic or political growth in the areas of zero- poverty, though it is one of the recipients of international aid on the continent (Mushongera *et al.*, 2018; the Gauteng-City Region Observatory, 2023; Alala, 2021) While the apartheid government has been held partially responsible for South Africa's persistently high poverty index, corruption and issues with leadership have also played a role (Kwenda, 2018).

Poverty reduction depends on strong political leadership and good administration to create and carry out policies that can help reduce poverty in the province, draw in foreign direct investment, and create an atmosphere that is favourable to business, which can spur economic growth (Kin Boon & Diya Bundhoo, 2017).

#### ***4.5 Sustainable utilization of foreign aid in the reduction of poverty in Gauteng***

Ever since the advent of democracy, one of the main objectives of the South African government has been the reduction of poverty. “Inequalities and imbalances, which were institutionalised results that came with the apartheid system” (Woolard, 2002). Numerous economic programmes were implemented. “Specifically aiming at the achievement of various economic goals, such as more rapid economic growth and job creation, improved service delivery, and poverty and inequality alleviation” (Sulla & Zikhali, 2018).

According to the World Bank (2021), South Africa has made huge steps and moves to better the standards of living of its citizens since its shift to democracy in the mid-1990s. However, improvement stagnated during the previous decade. According to new data released by Stats South Africa, “poverty is on the rise in South Africa” (Stats SA, 2017). According to States SA (2017) despite the general decrease in poverty between 2006 and 2011, poverty levels in SA increased in 2015 to the extent that during that year, more than half of South Africans were poor, with the poverty headcount rising to 56% from a series low of 53.2% in the year 2011. These numbers were calculated using the upper-bound poverty line (UBPL) (Stats SA, 2017).

Ironically, some scholars have argued that foreign aid in most cases does not impact or have a direct effect on poverty reduction (Burnside & Dollare, 2000 and 2004; Geoffrey & Ndungu-Kungu,2019).

#### ***4.6 Identify challenges facing the utilization of foreign aid and show how can they be improved***

This study identified that foreign aid does not have a direct effect on poverty reduction because of weak state administration, corruption, and lack of clear foreign aid objectives. Burnside and Dollar (2000; 2004) argue that “foreign aid works or is effective in states that have good policies and administration”. Thus, foreign aid is easily stolen and directed to other departments instead of addressing poverty directly (Moyo, 2009). Furthermore, dependency on foreign assistance has the potential to lead to poverty instead of reducing poverty, as foreign aid assistance comes in the form of “tied” aid (O’Neil, 2019). Geoffrey and Ndungu-Kungu (2019) argue that foreign aid is not effective and does not improve the lives of the people but rather adds to the development challenges of states considering the tied conditions O’Neil (2019) supports this argument.

#### **4.7 Discussion of Findings**

The previous section presented and analysed the findings of the study. Now this section discusses the findings that were presented and analysed earlier in line with the objectives of the study.

The principal aim of the study is to examine if foreign aid can or cannot assist in addressing poverty in South Africa using Gauteng as a case study. The study looked at how foreign aid has enhanced equal access to basic essential services in Gauteng, South Africa, how the South African government effectively managed foreign aid to reduce poverty, the sustainable utilization of foreign aid in the reduction of poverty, and the likely challenges facing the utilization and sustainability of foreign aid in the reduction of poverty in Gauteng province.

It should be noted and stated that “poverty is on the rise in South Africa” (Stats SA, 2017). The current trend in South Africa reports and shows that despite the overall decline in poverty levels between 2006 and 2011, poverty levels increased in 2015, with the poverty headcount increasing by 2,8% from a series of 53,2% to 56% in 2011 (World Bank, 2021).

Poverty has assumed a damaging dimension, since South Africa’s emergence out of apartheid, it has been a situation where the poor get poorer and the rich, wealthier (Stats SA, 2017). In addition, Sulla and Zikhali (2018) argue that “the black/non-white keeps on becoming poorer and continue to face the harsh realities of poverty in South Africa”. Though foreign aid programmes to South Africa, particularly to Gauteng, the country's economic centre, have received praise and attention frequently, South Africa has achieved little to no progress toward socioeconomic or political growth in the areas of zero-poverty goal, even though it is one of the recipients of international aid on the continent (Mushongera *et al.*, 2018; the Gauteng-City Region Observatory, 2023; Alala, 2021).

Measures of foreign aid, such as ODF and ODA have been deployed to eradicate this extreme poverty, especially, among citizens in rural areas and townships in the Gauteng province, considering their vulnerability, but current evidence and developments in South Africa, indicate an increase in poverty rate, despite these measures (Woolard 2002).

According to Mushongera *et al.* (2018), poverty continues to be a major problem in the nation and has destroyed many lives. Even with Gauteng being the financial core of South Africa and once a significant global hub for gold production, the province continues to experience high levels of inequality and poverty.

As already stated, poverty is common among the poor people living in townships in Gauteng, South Africa. It usually manifests in forms of hunger, malnutrition, poor purchasing power, and hopelessness among others (Woolard, 2002; Mushongera *et al*, 2018). For example, the people living in illegal colonies in Alexandre township and other colonies surrounding the Johannesburg Central Business District. This has been a reality in the Gauteng province, where there has been a huge increase in people living in illegal colonies (Skwatta camps). The Gauteng province without a doubt is one of the most unequal provinces, consequently placing it amongst the places with the widest disparities in rates of poverty or income inequality in the country (Georgina, 2019). To link the above argument to the realities of the Gauteng province, this study puts forward the case of Sandton and Alexandre, where Sandton is dominated by rich people to explain the disparities in the province.

Poverty has implications for insecurity, crimes, rape, unemployment, and illegal and irregular migration (Sulla and Zikali, 2018; Ravallion, 2015; Woolard, 2002). For instance, some of the xenophobic attacks on other Africans are partly caused by the high poverty rate, unemployment and the insufficient access to essential services. Blacks in townships and some parts of the urban areas makes up most of the poverty percentages in Gauteng, South Africa (Georgina, 2019; Sulla and Zikhali, 2018; Woolard, 2002). This statement defines the gap that the study has identified and seeks to address, while similar studies have examined poverty and foreign aid in South Africa, robust data is scarce on how the systemic divisions between the whites and the blacks is exacerbating tendencies of poverty in the country (Alvaredo and Gasparini, 2015; Leibbrandt *et al*, 2010; Woolard, 2002).

Assuming all else is equal, foreign assistance transfers to African nations, particularly South Africa, are anticipated to have a favourable impact on the fight against poverty. But the reality in South Africa, and Gauteng in particular, indicates that foreign aid has not delivered the anticipated gains and advantages, which explains the province's persistent problems with unemployment, inequality, and poverty (Sollenber, 2012).

Since reducing poverty in recipient countries is thought to be one of the main reasons developed countries give help to South Africa, it is expected that expectations will grow as foreign aid continues to reach the country. Unfortunately, In South Africa, especially the province of Gauteng, this expectation has, however, scarcely been met. Gauteng province has the highest rate of adult poverty in South Africa (29.3%), despite being one of the richest provinces overall (Statistics South Africa, 2023).

Therefore, the province has the highest level of poverty. Significant income inequality is a major contributing factor to Gauteng's poverty. The province's employment situation is one of the major challenges to eradicating poverty and injustice. It is true that in 2022, the rate of youth unemployment reached 51.5%. Most people living in Gauteng, particularly Black South Africans, are below the poverty line because they earn less than 760 South African rands per month for food, as per national standards (Statistics South Africa, 2023).

This study found that even with all the developments, policies and programmes implemented by the post-apartheid government of South Africa, the poor in most cases are getting even poorer, with the rich getting richer (Mushongera *et al.*, 2018; the Gauteng-City Region Observatory, 2023; Alala, 2021). The gap that was created by the segregation rule of apartheid is still felt and experienced in societies to this day (Shapiro, 2011; Clark and Worger, 2013; Desai and Desai, 2002). Though the government of Gauteng province has developed policies to combat urban poverty in partnership with non-governmental organisations and other agencies, the province still experiences high rates of unemployment, inequality, and the gap between the rich and the poor (Hunter et al, 2003).

It is concerning that socioeconomic hardships that worsen poverty, such as unemployment, unequal access to public utilities, disparities, and inequalities, persist and have a significant impact on more destructive protests, opportunistic crimes, xenophobic attacks, and social unrest. For example, the xenophobic protests that took place in 2015 – 2019 in Johannesburg, Gauteng.

According to O'Neil (2010) as well as Geoffrey and Ndungu-Kungu (2019), they argue that "foreign aid does not assist or improve the lives of the people in developing states, and it does not reduce poverty but rather adds onto the development challenges of the third world, as it comes in the form of tied aid". This study found that donors in most cases have motives behind every donation, be it political or economic and that donors continue to use foreign aid as a tool to gain and employ influence on policy decisions within recipient states (Easterly, 2013; Heerde and Hudson, 2010). This is a huge threat to upcoming and young democracies, as they lose control or autonomy over their political agenda (Koch and Weingart, 2016).

There was a massive inflow of donations of foreign aid into South Africa which was meant to assist in sponsoring and developing a stable and united society (Koch and Weingart, 2016). The majority of the donations were in support of the fight against the apartheid system, which was racist and segregated people in society (Leshoro, 2013).



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of the study, the conclusion of the study and the recommendations based on the findings of the research.

#### **5.2 Summary of the study**

Foreign aid has become an indispensable part of international relations. However, for foreign aid to be able to have an impact on poverty in South Africa, it first needs to have a positive impact on the average income of the people Collier and Dollar (2002) in addition to arguments around the effectiveness of foreign aid, demonstrated that “aid via growth in average income can translate to poverty reduction. Foreign aid addresses poverty by closing the gap between domestic savings and investments needed (Masud & Yontcheva, 2005).

It is widely acknowledged that foreign aid is insufficient to effectively alleviate poverty in Africa. This is due in part to the fact that some aid comes with strict or harsh requirements, while others are given to undermine the sovereignty of most African states through land grabbing and excessive control over natural resources (Agunyai & Amusan, 2023; Izobo, 2023). Arguments on the role that foreign aid has played in reducing poverty in South Africa have been mixed. Many academics believe that foreign aid is a sign of economic growth since it adds to local resources and offers extra financial resources that help enhance a nation's political and economic conditions (Sulla and Zikhali, 2018). However, other scholars contend that foreign aid might supplant domestic savings and encourage reliance on it, both of which can impede the expansion of the economy and investment in South Africa (Mushongera *et al.*, 2018; the Gauteng-City Region Observatory, 2023; Alala, 2021).

This study examined how foreign aid contributes to equal access of people to basic poverty reduction while promoting essential services that would enhance the standard of living among the citizenry. The study used secondary data to assess the extent to which foreign aid received by the South African government is utilised to eradicate poverty in Gauteng province and identify challenges facing the utilization of foreign aid.

Therefore, the main justification for this study is how foreign aid impacts on Gauteng, South Africa poverty index. It is critical to determine whether any of the Gauteng province's

persistent instances of poverty, inequality, and unemployment can be eliminated with the help of outside foreign aid. Examining the impact of foreign aid on poverty in Gauteng, South Africa, is the central argument of this study.

With the initial aim of the study, the study examined how foreign aid impacts and influences changes in poverty levels within communities in Gauteng province. The province's employment situation is one of the major challenges to eradicating poverty and injustice. It is true that in 2022, the rate of youth unemployment reached 51.5%. The study also found that most people living in Gauteng, particularly Black South Africans, are below the poverty line because they earn less than 760 South African rands per month for food, as per national standards (Statistics South Africa, 2023).

Gauteng's poverty situation was distinct because, according to Hunter *et al.* (2003), the four decades of apartheid legislation, which were built on earlier colonial practices, were partially responsible for the state of poverty and other connected issues. More specifically, Gauteng's poverty rate has multiple characteristics, including those related to area, race, age, gender, illiteracy, and unemployment. Furthermore, the impoverished typically have insufficient access to essential services and reside in tiny homes with numerous dependents. The implication is that Gauteng province has become the poverty capital of the country considering the strength of its population and the numerical percentage of the impoverished population living there.

### **5.3 Conclusions**

The principal aim of the study is to examine if foreign aid can or cannot assist in addressing poverty in South Africa using Gauteng as a case study. The general question of this research paper was centred around the impact of foreign aid on poverty reduction in South Africa. The study looked at how foreign aid has enhanced equal access to basic essential services in Gauteng, South Africa, and how the South African government has effectively managed foreign aid to reduce poverty in Gauteng province. How sustainable the use of foreign aid is in poverty reduction in Gauteng province and the likely challenges facing the utilization and sustainability of foreign aid in the reduction of poverty in Gauteng province?

The objectives of the study were to examine how foreign aid contributed to equal access of people to basic poverty reduction essential services. The study through secondary data determined the extent to which foreign aid received by the South African government is

utilised to eradicate poverty in Gauteng province and identified challenges facing the utilization of foreign aid.

This study focused on foreign aid and the impact it has on poverty reduction in South Africa, using the Gauteng province as a case study. Gauteng is used as a case study because it is the most urbanised province in the country. Gauteng is referred to as an economic hub for South Africa as it generates a lot more of the country's GDP compared to the other provinces. For instance, the province contributed 35% of the country's GDP (Stats SA, 2017).

The study found out that during the first few years of post-apartheid in South Africa, there were a massive donation and inflow of foreign aid which was meant to assist in sponsoring and developing a stable society. Aid came in from various states, the likes of the United States of America, Germany, the United Kingdom, Denmark, and France, to name a few of the top donors to South Africa (OECD, 2013). The study discovered that foreign aid in most cases does not impact or have a direct effect on poverty reduction (Burnside and Dollare, 2000 & 2004; Geoffrey and Ndungu-Kungu, 2019). Following Burnside and Dollar's (2000; 2004) argument on how foreign aid works "foreign aid is effective in states that have good policies and administration", this study indicated that foreign aid does not have a direct effect on poverty reduction because of weak state administration, corruption, and lack of clear foreign aid objectives. Thus, foreign aid is easily stolen and directed to other departments instead of addressing poverty directly (Moyo, 2009).

Gauteng's poverty situation was distinct because, according to Hunter *et al.* (2003), the four decades of apartheid legislation, which were built on earlier colonial practices, were partially responsible for the state of poverty and other connected issues. More specifically, the study found that Gauteng's poverty rate has multiple characteristics, including those related to area, race, age, gender, illiteracy, and unemployment. Furthermore, the impoverished typically have insufficient access to essential services and reside in huge homes with numerous dependents. The study also discovered that the Gauteng province has the highest level of poverty. Significant income inequality is a major contributing factor to Gauteng's poverty. The province's employment situation is one of the major challenges to eradicating poverty and injustice.

Even though the government of Gauteng province has developed policies to combat urban poverty in partnership with non-governmental organisations and other agencies, the province still experiences high rates of unemployment and inequality, and the gap between the rich and the poor. It is concerning that socioeconomic hardships that worsen poverty,

such as unemployment, unequal access to public utilities, disparities, and inequalities, persist and have a significant impact on more destructive protests, opportunistic crimes, xenophobic attacks, and social unrest. Thus, this led to a lack of capital accumulation, and low-savings investment which resulted in a lack of domestic capacity to reduce poverty.

The report of the Human Rights Commission (2020) indicated that despite being the wealthiest, the Gauteng provincial government has hardly been committed to investment in poverty reduction projects. It is imperative to note that this does not in any way mean that provincial governments are not saving or investing their capital, but the real issue is, what are they investing their capital in? Evidence shows that political elites occupying most of these provinces, including Gauteng, lack the political will to save and invest in public utilities that can reduce poverty (Izobo, 2020).

The initial aim of the study is to examine if foreign aid can or cannot assist in addressing poverty in South Africa using Gauteng as a case study. The study analysed how foreign aid impacts and influence change in poverty levels within communities across Gauteng province. This study concludes that foreign aid in Gauteng has a minimal close or no effect on poverty reduction and that foreign aid stands a good chance of reducing poverty by increasing average income, which is not the case in the Gauteng province.

The study also discovered that with aid being easily stolen or redirected to other projects rather than eradicating poverty and looted, there will always be a need to go out to source more funds and loans which does not necessarily increase or have a positive impact on savings and investments in the province but rather leads to dependency. The conditions that come with foreign assistance in most cases do not have the interest of the people at heart and this helps perpetuate and ensure a continued circle of poverty.

#### **5.4 Recommendations**

While discussing the findings in Chapter Four, the study observed that there is still more that can be done with this study. Since there are many arguments both in favour of and against the benefits of foreign aid, there is still much debate on how aid affects donor and recipient nations in both theory and empirical research. Assuming all else is equal, foreign assistance transfers to African nations, particularly South Africa, are anticipated to have a favourable impact on the fight against poverty. But the reality in South Africa, and Gauteng in particular, indicates that foreign aid has not delivered the anticipated gains and advantages, which explains the province's persistent problems with unemployment,

inequality, and poverty. It begs the question of why Gauteng's poverty persists despite outside assistance from international allies. More precisely, why do Gauteng and South Africa continue to struggle with high rates of poverty despite substantial inflows of foreign aid?

The study discovered that the Gauteng province has put in place policies to effectively utilize the substantial inflow of foreign aid. The study recommends that the government of Gauteng look into the controls that are in place to ensure effective use of foreign aid and come up with mechanisms to evaluate and monitor these controls to ensure that the communities fully benefit from the foreign aid received.

The study also recommends that the government invest in ensuring that aid increases the saving and investment portfolios of the communities in Gauteng. To address the high levels of poverty in Gauteng the study recommends that the government puts in place new policies that are not grounded in the previous colonial structure. The government needs to ensure that these policies are citizen-centred and give all communities access to basic essential services that are not segregationally in favour of the rich population. A further recommendation in line with this would be that the government sets out clear objectives for foreign aid before engaging the donor community.

Recipient countries should hold firm ground and ensure that aid aligns with the country's priorities and national interests. The government should ensure that foreign aid focuses on sustainable development, and the government should promote country ownership, and lead aid coordination and management. The government and the citizens should ensure transparency and accountability. Foreign aid should be transparent, evaluated and monitored to avoid and stop corruption and mismanagement of foreign aid. Lastly, the government should ensure that foreign aid is used to build and develop local institutions and their capacity.

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