Africa is the region that receives the largest volume of Official Development Assistance than any other region but still remains behind with low quality of life and inadequate standard of living.

In 2000, The UN signed the Millennium Development Goals and pledged for increased foreign aid through ODA to improve human development in developing countries. ODA comes from multiple sources, primarily bilateral aid or multilateral aid: (World Bank).

ODA has two characteristics: It aims to promote economic development and welfare in developing countries and it is concessional: grants or loans of 25 percent.

Most literature about foreign aid examines its effects only on economic growth. Only a small but growing literature examines the relationship between aid and human development.

**RESEARCH QUESTIONS**

With growing intensity given to international human development aid, an analysis of its effectiveness in SSA is worthwhile. This study focuses on the following questions:

1. To what extent does increased ODA improve the quality of life and standard of living in Sub-Saharan Africa?
2. How should donors and recipient countries make ODA effective?

**DATA**

- The sample contains data from 45 Sub-Saharan African countries with HDI lower than 0.8 within a 7 year period between 2005 and 2011.
- The HDI is a value between 0 and 1 with 1 representing the highest human development.
- The data used are: Human Development Index, ODA, GDP Per Capita, Foreign Direct Investment, Governance Indicators: Governance Effectiveness, Political Stability, Corruption, Total Population.
- Sources: World Bank, OECD, UNDP

**RESULTS**

- **Figure 1. AID and HDI TRENDS in SSA**
  - A one billion dollars increase in aid increases HDI by 0.0013 and the effect is significant at the 5% level.
  - Most importantly, the interaction between givetofekt and aid has total positive effect on HDI of 0.01451 and the effect is significant at 10% level.
  - At both the maximum and mean value of givetofekt, the interaction effect of givetofekt and aid are both positive and significant on HDI at 5% level
  - While at the minimum value of givetofekt, the interaction effect is negative but insignificant.
  - Corruption and FDI show negative result but insignificant effects.
  - Political stability, Total Log Population and Log GDP per capita show positive and significant effect at the 5% level.
  - Both Bilateral Aid and Multilateral Aid show positive effects with bilatoid significant at 10% level and multilatoid at 5% level.

**CONCLUSION AND DISCUSSIONS**

- This study showed that foreign aid (all types) have some positive effect on the Human Development Improvement in Sub-Saharan Africa.
- It can be inferred that increased aid given for MDGs played a significant role in improving health, education, and income the Sub-Saharan Africa.
- Foreign aid is helpful when combined with better governance.
- Therefore, aid recipients countries in SSA should demonstrate commitment in effective use of aid for improving the quality of life and raising the standard of living of their citizens.
- Donors should match aid allocations with country’s quality of governance.
- Aid monies properly allocated and used can have decent impact on the welfare of Sub-Saharan African countries.

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