Foreign Aid And Economic Growth New Evidence From

Foreign aid is one of the few topics in the development discourse with such an uninterrupted, yet volatile history in terms of interest and attention from academics, policymakers, and practitioners alike. Does aid work in promoting growth and reducing poverty in the developing world? Will a new 'big push' approach accelerate progress towards the Millennium Development Goals or will another opportunity be missed? Can the lessons of almost half a century of aid giving be learnt? These are truly important questions in view of the emerging new landscape in foreign aid and recent developments related to the global financial crisis, which are expected to have far reaching implications for both donors and recipients engaged in this area. Against this shifting aid landscape, there is a pressing need to evaluate progress to date and shed new light on emerging issues and agendas. This volume brings together leading aid experts to review the progress achieved so far, identify the challenges ahead, and discuss the emerging policy agenda in foreign aid. A central conclusion of this important and timely volume is that, since development aid remains crucial for many developing countries, a huge effort is needed from both donors and aid recipients to overcome the inefficiencies and make aid work better for poor people. After all, as global citizens, we have a moral obligation to do the best we can to lift people out of poverty in the developing world. The findings of this book will be of considerable interest to professionals and policymakers engaged in policy reforms in foreign aid, and provide an essential one-stop reference for students of development, international finance, and economics.

This book brings together for the first time in a single volume a complete survey of the theoretical foundations of economic aid policies and a critical analysis of aid programs and practices. The book focuses on the contributions of familiar economic growth models and other economic and social theories of development to foreign aid practices, and provides a broad and penetrating overview of the economics of foreign aid. At the macroanalytical level, the author investigates the savings constraint and the foreign exchange constraint approaches and the models employed for determining the quantity of external capital required for achieving growth goals under varying economic conditions in the recipient economies. The author examines other approaches to aid requirements (including the capital absorptive approach), analyzes debt service capacity, and reviews various debt cycle models. The nature and significance of indicators of economic performance are investigated, and both theoretical and practical policy issues relating to the employment of aid as a means of influencing domestic policies are analyzed. In his final chapter, the author applies his theoretical conclusions to the formulation of an integrated approach to foreign aid, encompassing the major foreign assistance problems faced today. A clear and comprehensive text for every student of development economics, as well as the most thorough reference of its kind for professional economists, the book, a volume in the Aldine Treatises in Modem Economics series, will be useful to all who are concerned with the analysis, development, and execution of aid programs.

Foreign Aid and Economic GrowthA Theoretical and Empirical InvestigationRoutledge

The landscape of foreign aid is changing. New development actors are on the rise, from the 'emerging' economies to numerous private foundations and philanthropists. At the same time the nature of the global poverty 'problem' has also changed: most of the world's poor people no longer live in the poorest countries. Building on an academic review of research on foreign aid, Sumner and Mallet outline a new vision of the aid system – an 'Aid 2.0' – making a series of policy relevant proposals for global development cooperation in the twenty-first century.

Official Development Assistance (ODA), commonly known as foreign aid comprises resource transfers from developed to developing countries in the form of grants and loans at concessional financial terms. Even though the primary objective of foreign aid is to promote economic development and welfare in aid recipient countries, after decades of capital transfer several studies on the relationship between foreign aid and economic growth find contradicting results. The aim of this thesis is to test the hypothesis that the impact of foreign aid on economic growth per capita may differ between humanitarian and development aid in the short and long run for aid recipient countries. To test this hypothesis, we employ panel and cross sectional regressions and used Ordinary Least Squared (OLS) as well as Two Stage Least Squared (2SLS) estimation methods for 81 aid recipient countries between the time period of 1990 and 2010. The study uses a fixed effect model and regresses humanitarian and development aid on GDP per capita growth separately to observe short and long run impacts. Under the panel OLS estimation method we find that a one percent increase in development aid increases GDP per capita growth by 1.19 percentage-points where as it reduces GDP per capita growth by 6.8 percentage-points under 2SLS estimations. However, in the long run (cross sectional regression), we find this type of aid reduces GDP per capita growth by 0.53 percentage-points under OLS and by 1.13 percent under 2SLS estimation methods. Moreover, a one percent increase in humanitarian aid increases GDP per capita growth by 0.68 percentage-points under OLS estimations in the short (panel) and 0.62 in the long run (cross sectional) regression. The major causes of the difference with other studies are discussed in terms of specification, sample size and instrument used. Given these limitations, this study may contribute to the important debate which continues to surround the aid effectiveness argument. Further research is needed in this field to provide donors and recipients in order to improve development policy.

It would be fair to say that foreign aid today is one of the most important factors in international relations and in the national economy of many countries – as well as one of the most researched fields in economics. Although much has been written on the subject of foreign aid, this book contributes by taking stock of knowledge in the field, with chapters summarizing long-standing debates as well as the latest advances. Several contributions provide new analytical insights or empirical evidence on different aspects of aid, including how aid may be linked to trade and the motives for aid giving. As a whole, the book demonstrates how researchers have dealt with increasingly complex issues over time – both theoretical and empirical – on the allocation, impact, and efficacy of aid, with aid policies placed at the center of the discussion. In addition to students, academics, researchers, and policymakers involved in development economics and foreign aid, this Handbook will appeal to all those interested in development issues and international policies.

How important is foreign aid in fostering economic growth in developing countries? Does it help recipient countries, hurt them, or have little effect either way? Foreign Aid Allocation, Governance, and Economic Growth investigates this issue by looking at foreign aid by sector rather than treating it as an aggregate amount. Aid can be allocated to a recipient's production sectors (such as agriculture, manufacturing, or mining), economic infrastructure (such as transport, storage, or communications networks or power generation facilities), or social sectors (such as education or healthcare). This book differentiates among various channels through which each of these three categories of foreign aid affects economic growth. The findings suggest that economic aid, including aid to production sectors and economic infrastructure, contributes to economic growth by increasing domestic investment. Aid to social sectors, however, does not appear to have a significant impact on human capital (measured by school enrollment) and economic growth. This study also assesses the degree to which the quality of democratic governance in a recipient country influences foreign aid's effectiveness and finds that democracy is no guarantee of aid effectiveness. In fact, economic aid to less democratic countries can lead to better economic growth, at least initially, provided the aid recipients secure property rights and allow capital accumulation. Although further research into the question is necessary, Foreign Aid Allocation, Governance, and Economic Growth suggests that aid targeted to increasing domestic investment might be an effective means of fostering economic growth in less developed countries.

Master's Thesis from the year 2014 in the subject Economics - Other, grade: Frst Grade, Wollega University (Business and Economics), course: Development Economics, language: English, abstract: This study has examined sectoral analysis of the impact of foreign aid on aggregate and sectoral economic growth in Ethiopia over the period 1981 to 2012 using multivariate Vector auto regression analysis. All the necessary time series tests such as stationary test, co-integration test, weak exiguity test, vector error correction, and causality test in vector error correction model and the like are conducted. The empirical result from the growth equation shows that aid has a significant positive impact on educational sector GDP in the long run. On the other hand, foreign aid has positive but insignificant impact on real GDP, agriculture GDP, and health sector GDP of Ethiopia. Foreign aid is effective in enhancing growth at aggregate level of the economy in general and education sector of the economy of Ethiopia in particular. The test result of the study result reveals that there is a bi-directional causal relationship between educational GDP and educational foreign aid in Ethiopia. However, the agricultural and health sector does not show any bi-directional causality with their respective sector aid. This implies that all aid allocated for sectors is ineffective all in all in achieving its objectives of economic development. Therefore, aid recipient country like Ethiopia has to work how to enhance the domestic revenue raising capacity of the country which is at the heart of the mechanism to meet the capital required for the economy in times of short falls and ineffectiveness of external resources.

Published in 1998, this book provides an empirical analysis of the impact of foreign economic aid in 67 developed countries over a 19 year period. The results include the relationships between aid and growth and the implication that methodologies traditionally used have been largely responsible for inconsistent findings in the past.

Examines the impact that foreign aid and its components have had on the growth of GDP in Papua New Guinea from 1971 to 1993. Evaluates emerging questions about the allocation and efficiency of aid, reasoning that the success and failure of aid programs is shared jointly by donors and recipients.

This book compares the rapid development of South Korea over the past 70 years with selected countries in sub-Saharan Africa to assess what factors contributed to the country’s success story, and why it is that countries that were comparable in the past continue to experience challenges in achieving and sustaining economic growth. In the 1950s, South Korea’s GDP per capita was $876, roughly comparable with that of Cote d’Ivoire and somewhat below Ghana’s. The country’s subsequent transformation from a war-ravaged, international aid-dependent economy to the 13th largest economy in the world has been the focus of considerable international admiration and attention. But how was it that South Korea succeeded in multiplying its GDP per capita by a factor of 23, while other Less Developed Countries continue to experience challenges? This book compares South Korea’s politics of development and foreign assistance with that of Ghana, Nigeria, and Zambia, which were also major recipients of the U.S. aid, to investigate the specific contexts that made it possible for South Korea to achieve success. Overall, this book argues that effective state capacity in South Korea’s domestic and international politics provided an anchor for diplomatic engagement with donors and guided domestic political actors in the effective use of aid for economic development. This book will be of interest to researchers and students working on development, comparative political economy, and foreign aid, and to policy makers and practitioners looking for a greater understanding of comparative development trajectories.

This study examines the effect of foreign aid on economic growth and corruption in developing countries. Using panel data from 67 countries from 1986-2005, in two fixed effect models, the study finds that, after controlling for other factors, aid has no positive effect on economic growth. However, it finds that aid is positively related to corruption. That is, the more aid a country gets the better the corruption ranking of the country is. These findings suggest two lessons for policymakers. First, aid should not be used in expectation of increasing economic growth of recipient countries. Second, aid may be effective in improving the quality of governance in these countries.

Introduction: Politics, Institutions, Donor and Recipient Relationships -- South Korea: A Case of Effective Aid -- Ghana: A Case of Aid Success? -- The Politics of U.S. Aid to Nigeria -- Zambia: Aid Dependency and Dependent Development -- Myanmar: A Sub-Saharan African Case in Southeast Asia -- A Comparative Analysis of Foreign Aid and Development in South Korea and African Countries -- Conclusion: Toward Sustainable Donors and Recipients Partnership.

A response to the pressing need to address and clarify the substantial ambiguity within current literature, this edited volume aims to deepen readers’ understanding of the impact of foreign aid on development outcomes based on the latest findings in research over the past decade. Foreign aid has long been seen as one of two extremes: either beneficial or damaging, a blessing or a curse. Consequently, many readers perceive aid’s effectiveness based on the work of scholars who are assessing the impact of aid from one of two antithetical perspectives. This book takes a different approach, shedding light on recent research that can deepen our understanding of the complex relationship between aid and its aftereffects. Drawing from an extensive set of studies that have explored micro and macro impacts of foreign aid for recipient nations, chapter authors highlight more layered and nuanced findings, with a focus on donor characteristics, political motives, and an evaluation of aid projects and their effectiveness, including the differential impact based on type of aid. This volume is the first of its kind to unpack aid as a complex rather than a unitary concept and explore the wide areas of grey that have long enshrouded foreign aid.

Describes the state of postwar development policy in Africa that has channeled billions of dollars in aid but failed to either

reduce poverty or increase growth, offering a hopeful vision of how to address the problem.
Master's Thesis from the year 2019 in the subject Economics - Case Scenarios, University of Lusaka (University of Lusaka UNILUS), course: Economics and Finance, language: English, abstract: This research study has analyzed the effects of foreign aid in promoting economic growth in Zambia. The study used available data in Zambia from 1986 – 2018. The study adopted the ARDL model for investigating the short and long time relationship between foreign aid and Gross Domestic Product GDP. The hypothesis of foreign aid having an effect on economic growth was explored and examined. This study sought to archive the following objectives: To establish whether there is a connection between foreign aid and economic growth in Zambia and determine whether foreign aid significantly contributed to Zambia’s economic growth in the period under review. For policy implications, this study also analyzed the determinant of economic growth in Zambia over the same period. The results clearly revealed a positive relationship between foreign aid and Zambia’s economic growth in a given period that was under investigation. The findings in this study affirm that foreign aid may be important in promoting economic growth. This study also asserts that foreign aid may be effective in improving the quality and lives of people if used effectively. Thus, the outcome of this study recommends that foreign aid be directed towards the promotion of investment because its proper use can promote and boots the country’s economic growth. For policy implications, this study also found that independent variables such as Foreign Direct Investment FDI, Population Growth, Government Expenditure and Consumer Price Index as important and determinants of economic growth in Zambia over the same period. Thus, this study found that important drivers of economic growth included foreign aid inflow, population growth, investment whilst government expenditure and inflation affected GDP negatively, thus their impact was insignificant and negligible. This study furthers found efficiency and effectiveness of programs by government supported by foreign aid being effective to promote growth, hence, the reason why it is important for traditional donors to support government in many sectors.