

**UNIVERSITY OF REGINA
DEPARTMENT OF ECONOMICS**

SEMINAR

SPEAKER: Tomi P. Ovaska
West Virginia University

DATE: Friday, March 21, 2003

TIME: 3: 45 p.m.

PLACE: CL 420

TOPIC: The Effectiveness of International Development Aid

ABSTRACT

The economic results from development aid in the last 40 years have not been as good as the international community would have wished. This study looks at the effect of development aid on economic growth for the years 1975-1998. The sample covers a maximum of 86 developing countries, uses two alternative datasets for aid, and compared to previous studies of aid effectiveness, a more advanced measure of the quality of governance. Contrary to Hansen & Tarp (2001), the results from the fixed effects model with group dummy variables and period effects indicates a negative relationship between development aid and economic growth. It was found that a 1% increase in aid as a % of GDP decreases annual real GDP per capita growth in the sample by 3.65%. Furthermore, aid given to countries of better quality of governance was not found to improve the effectiveness of aid, as suggested in Burnside & Dollar (2000). It is hypothesized that these results may emanate, among other things, from the harmful incentive aid imposes upon work effort, and from tied aid that may lead to misallocation of recipient countries' scarce resources.

EVERYONE IS WELCOME!!