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Foreign Aid-Economic Growth Nexus: A Systematic Literature Review

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ABSTRACT

The purpose of this study is to present a systematic literature review on the relationship between foreign aid and economic growth by examining 113 recent studies published between 2020 and 2025. The aim is to provide an updated, comprehensive understanding of how foreign aid affects economic development in recipient countries. The results classify the relationships into four broad categories: positive, negative, mixed and insignificant effects. The study shows that while a significant proportion of studies find a positive relationship between foreign aid and economic growth, many others report negative or mixed results. The effectiveness of foreign aid is shown to depend on contextual factors such as the quality of governance, institutional capacity and the targeting of aid. Countries with strong governance frameworks and effective aid management tend to have more positive outcomes, while weak institutions and poor aid management can exacerbate dependency and hinder growth. The study also highlights the importance of tailoring aid programmes to the specific needs of recipient countries, with a focus on long-term capacity building and sustainable development. The findings have important policy implications for donor agencies and policymakers, calling for a more strategic, context-specific approach to aid allocation and implementation. This research contributes to the ongoing discourse on the role of foreign aid in promoting economic growth and offers recommendations for improving aid effectiveness in the context of the global development challenges of the 21st century.

Lo scopo di questo studio è quello di presentare una revisione sistematica della letteratura sulla relazione tra aiuti esteri e crescita economica esaminando 113 studi recenti pubblicati tra il 2020 e il 2025. L'obiettivo è quello di fornire una comprensione aggiornata e completa di come gli aiuti esteri influenzino lo sviluppo economico nei paesi beneficiari. I risultati classificano le relazioni in quattro grandi categorie: effetti positivi, negativi, misti e insignificanti. Lo studio mostra che, mentre una percentuale significativa di studi trova una relazione positiva tra aiuti esteri e crescita economica, molti altri riportano risultati negativi o contrastanti. È dimostrato che l'efficacia degli aiuti esteri dipende da fattori contestuali quali la qualità della governance, la capacità istituzionale e l'orientamento degli aiuti. I paesi con quadri di governance solidi e una gestione efficace degli aiuti tendono ad avere risultati più positivi, mentre istituzioni deboli e una cattiva gestione degli aiuti possono esacerbare la dipendenza e ostacolare la crescita. Lo studio sottolinea inoltre l'importanza di adattare i programmi di aiuto alle esigenze specifiche dei paesi beneficiari, con particolare attenzione allo sviluppo di capacità a lungo termine e allo sviluppo sostenibile. I risultati hanno importanti implicazioni politiche per le agenzie donatrici e i responsabili politici, richiedendo un approccio più strategico e specifico al contesto per l'assegnazione e l'attuazione degli aiuti. Questa ricerca contribuisce al dibattito in corso sul ruolo degli aiuti esteri nella promozione della crescita economica e offre raccomandazioni per migliorare l'efficacia degli aiuti nel contesto delle sfide di sviluppo globale del 21° secolo.

Keywords: Foreign Aid, Economic Growth, Governance, Institutional Quality, Aid Effectiveness.

1 – Introduction

Foreign aid, as a financial resource from developed countries or international organisations, aims to address socio-economic challenges in developing countries. It is widely believed to play a critical role in the economic development of nations, particularly in sub-Saharan Africa and other low-income regions. However, despite the influx of foreign aid over the decades, there is an ongoing debate about its effectiveness in promoting long-term sustainable economic growth. Critics argue that foreign aid often fosters dependency and fails to generate substantial economic progress in recipient countries (Gebresilassie *et al.*, 2024; Viau, 2024; Javed *et al.*, 2024; Ogbonna *et al.*, 2021; Offiong *et al.*, 2020). In the case of some countries such as Somalia, for example, despite continuous foreign aid flows since the collapse of the Somali Republic in 1991, there is little evidence of meaningful economic growth as capital formation, physical capital, labour force participation and technological growth have been identified as more influential drivers of development (Mohamed, 2022).

The main purpose of this study was to analyse and evaluate recent studies published in the last five years on the aid-economic growth nexus in order to gain insights and identify gaps that could be researched in the future, so that the comprehensive understanding of the aid-economic growth nexus can be well established and completed, especially in this VUCA (volatility, uncertainty, complexity and ambiguity) environment of the 21st century.

The study fills a critical gap in the literature by synthesising recent research, providing a more nuanced understanding of the relationship between foreign aid and economic growth, and offering actionable policy recommendations. Its significance lies in its ability to bridge the gap between academic discussion and practical implementation, making it a valuable resource for academics, policymakers and donor agencies alike. In addition to advancing the debate on aid effectiveness, the study provides practical insights for improving the design and implementation of aid programmes to ensure that they make a meaningful contribution to sustainable economic development.

2 – Literature Review

The impact of foreign aid on economic growth has been the subject of extensive research and debate among scholars, with different conclusions depending on the context, the type of aid and the development policies of the recipient country. Mohamed (2022) notes that although foreign aid is intended to stimulate socio-economic growth, it has often failed to produce positive long-term outcomes in countries such as Somalia. Similarly, studies of Ethiopia by Kenea (2022) and Mohamed (2022) suggest that while foreign aid has a positive effect on short-term economic progress, its long-term impact is mitigated by issues such as political instability and inadequate infrastructure. For example, Kenea (2022) found that foreign aid had a significant positive impact on economic growth in both the short and long term, but had no impact on gross domestic investment, highlighting a misalignment in aid allocation strategies.

In contrast, other studies argue that foreign aid can be an important determinant of economic growth, especially if it is channelled effectively. Lemlem (2022) found a positive relationship between foreign aid and economic growth in 12 sub-Saharan countries, highlighting the importance of an appropriate policy framework to maximise the benefits of foreign aid. This study emphasised that while factors such as population growth and capital formation play a crucial role in promoting growth, foreign aid can enhance these effects if used strategically. Furthermore, studies by Zeng (2022) and Hossain *et al.* (2022) show that foreign aid can lead to positive economic outcomes if the recipient country has a conducive environment for growth, such as favourable governance and institutional frameworks.

The relationship between foreign aid and economic growth is often complicated by issues such as dependency, quality of governance and misallocation of resources. For example, studies by Ilorah and Ngwakwe (2021) and Ogbonna *et al.* (2021) highlight the role of institutional quality in moderating the impact of foreign aid. In sub-Saharan Africa, where corruption and weak governance are prevalent, foreign aid tends to have a negative or negligible impact on economic growth. However, these negative effects can be reversed by improving governance and strengthening institutional frameworks. This finding is consistent with research on Afghanistan by Çevik and Amanat (2021) and Akbar (2021), which suggests that despite substantial foreign aid flows, the absence of strong institutions has prevented significant economic growth in the country.

On the other hand, countries such as Bangladesh have seen more tangible benefits from foreign aid. Hossain *et al.* (2022) find that foreign aid has had a significant positive impact on Bangladesh's economic growth, especially in the long run. The study emphasises the importance of using aid to finance growth-enhancing sectors and recommends further investment in education, health and infrastructure. Similarly, Golder *et al.* (2021) found that foreign aid had a positive impact on Bangladesh's economic growth, particularly through domestic investment and trade openness, although the long-term effect of trade openness was less significant.

3 – Research Design and Methodology

The methodology used was a systematic review of previous studies on the relationship between foreign aid and economic growth. Semantic Scholar excels in the area of scholarly publications, although Google Scholar has a huge cross-disciplinary index. But it's important to remember that Semantic Scholar and Google Scholar are only the beginning of the research process. They are really good at finding a wealth of possible sources. A systematic literature review (SLR) is a methodical and well-organised approach to locating, evaluating and critically appraising each and every relevant study that has been conducted on a particular topic. A SLR takes research beyond its current state, although Google Scholar and Semantic Scholar are excellent resources for getting started.

According to Tranfield *et al.* (2003), the systematic review is an important tool for promoting discussion and sharing of scientific findings by different researchers. According to Manatos *et al.* (2017), a systematic review is a method for locating, evaluating, and examining previously published contributions while remaining faithful to a specific research question. A review consists of the following steps: planning, conducting, reporting and dissemination.

3.1 – *Planning for Review*

This study carefully examines the relationship between inward investment and economic growth. Numerous studies that have used this methodology have done so by following the strategies and action plans suggested by Tranfield *et al.* (2003). The Tranfield *et al.* (2003) methodology, which includes planning the study, conducting the review, reporting and disseminating the findings, has been used by a number of previous researchers, although their databases and research topics have varied (Yangailo, 2024a, 2024b, 2024c; Chongo *et al.*, 2023; Kigozi *et al.*, 2019; Tarí, 2011; Yangailo *et al.*, 2024; Manatos *et al.*, 2017).

An elaborate search plan was designed to ensure an exhaustive and complete review. The search terms used in both Google Scholar and Semantic Scholar were 'foreign/dependent aid-economic growth nexus', 'impact of foreign/dependent aid on economic growth' and 'foreign/dependent aid on economic growth'. These search terms were chosen to retrieve a wide variety of relevant articles. In addition, the inclusion and exclusion criteria specified that articles had to be published in English, peer-reviewed, published between 2020 and 2025, and focused on the relationship between foreign and economic growth in order to be considered for review. Articles that did not meet these criteria were not considered for review.

3.2 – *Conducting the Review*

The following standards were used in this phase:

I – The paper composed of the following: foreign aid on economic growth.

II – Only English peer-reviewed papers were to be taken into consideration.

Studies that met the initial screening criteria were re-screened to determine if they still met the inclusion criteria after electronic copies of the paper were obtained. Their abstracts and titles were also reviewed and considered for inclusion.

The following factors reduced the number of papers from the two databases (Semantic Scholar and Google Scholar) to 113:

I – Removed due to lack of focus on foreign aid and economic growth despite correct title

II - Appears in another database

III - Exclusion determined by the abstract and title

IV – Lack of critical review of how foreign aid influences/impacts economic growth.

Table 1 presents a summary of the 113 reviewed articles on foreign aid and economic growth from 2020 to February 2025.

Table 1: Summary overview of Aid -Economic Growth Nexus from 2020 to February 2025

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
1.	2025	**Kitole**	Vector Error Correction Model (VECM) and Fully Modified OLS (FMOLS)	Significant long-term positive impact: 1% increase in ODA leads to a 28.01% rise in GDP. Short-term impacts are statistically insignificant. The error correction term confirms a stable long-term equilibrium.	ODA can significantly boost economic growth in the long run but requires effective governance, institutional quality, and strategic integration into development frameworks. Policymakers should establish strong

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
					frameworks to optimize aid's impact.
2.	2025	**Mendez**	Gravity equation and Two-Stage Least Square (2SLS) with instrumental variable approach	U.S. foreign aid serves both economic and political purposes, yielding an $8 return in exports for every $1 spent on aid. Aid fosters goodwill and enhances donor competitiveness in global affairs.	Highlights the dual function of aid in donor strategy. Recommends further scrutiny of how aid is used as a market tool by donor countries.
3.	2025	**Dongue**	Poisson Pseudo-Maximum Likelihood (PPML) estimation of gravity models	Aid for Trade negatively affects exports but increases imports, leading to trade deficits for Sub-Saharan African countries.	Aid for Trade should focus on import substitution strategies rather than maintaining trade imbalances. Development partners should redirect trade aid to enhance domestic production capacity.
4.	2025	**Wu & Bote**	Panel data analysis with fixed effects and threshold analysis	Aid significantly impacts economic growth through various transmission mechanisms like domestic investment, health outcomes, and consumption. Aid is most effective when aligned with economic freedom and stability.	Policymakers should ensure efficient aid allocation by strengthening institutional frameworks, improving domestic investment climates, and enhancing health and social systems.
5.	2025	**Kim *et al.***	Conjoint experiment in seven developing countries	Public attitudes toward aid depend more on donor characteristics and project transparency than aid amounts. Recipients prefer aid from democracies and international organizations over direct donor assistance.	Highlights the importance of multilateral aid agencies in aligning donor and recipient preferences. Transparency and governance quality in aid programs improve recipient acceptance.
6.	2025	**Iannantuoni**	Time-series analysis and predictive modeling of aid disbursements	Aid volatility weakens institutional development in recipient countries. Highly variable and unpredictable aid flows hinder effective resource allocation and coordination with civil society.	Donors should prioritize stability in aid flows to prevent institutional deterioration. More predictable aid disbursements will improve governance and development outcomes.
7.	2024	**Cao and Du**	Analysis of US aid to 128 countries; considers economic and military aid	Economic aid shows a U-shaped relationship with growth; military aid has a positive linear relationship. Institutional quality negatively moderates aid-growth, while absorptive capacity positively	Institutional quality must be considered to maximize aid benefits. Strengthening absorptive capacity enhances the impact of economic aid.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
				moderates economic aid-growth.	
8.	2024	**Firoj *et al.***	ARDL approach on Bangladesh time-series data	Foreign remittances, FDI, exports, and foreign aid positively impact growth; external debt and imports negatively affect growth.	Bangladesh should focus on attracting FDI and remittances while reducing dependency on external debt. Infrastructure and macroeconomic stability are crucial.
9.	2024	**Tefera and Odhiambo**	Dynamic panel causality model	Short-run bidirectional causality for TA and TDA; long-run unidirectional causality from growth to aid for TA and NTDA but not for TDA.	Aid allocation should consider different aid sources and time horizons to maximize effectiveness.
10.	2024	**Wang and Fillat-Castejón**	Structural equation modeling on 42 African countries	Aid has a direct positive effect on FDI, but aid-dependent political powers do not improve economic institutions, potentially reducing FDI attractiveness.	Aid policies should focus on enhancing institutional quality to prevent aid dependency from undermining economic institutions.
11.	2024	**Gounder *et al.***	ARDL approach on Pacific Island economies (Fiji, PNG, Solomon Islands)	Debt reduces growth in short and long term; no significant aid-driven growth enhancement found.	Efficient utilization of aid and debt is necessary to ensure economic benefits for small island economies.
12.	2024	**Gebresilassie *et al.***	ARDL approach on Ethiopian time-series data	Foreign aid negatively impacts growth in both short and long term. Poor institutions contribute to unproductive aid allocation.	Improved institutional frameworks and better monitoring of aid utilization are needed.
13.	2024	**Kamara and Momoh**	Mixed-methods, including econometrics and qualitative analysis	WB and IMF aid promotes growth in Sierra Leone; long-run positive effect on pro-poor growth but no short-run impact on poverty reduction.	Aid should be aligned with domestic politics to enhance long-term development outcomes.
14.	2024	**Fitriani**	Critical literature review	Mixed results: Some studies highlight growth benefits, others emphasize aid dependency and governance failures.	A targeted, context-specific aid approach is needed to maximize positive impacts.
15.	2024	**Samuel**	Review on Ghana's aid experience	Aid supports infrastructure and human capital but leads to dependency, weak governance, and inefficiency.	Diversification of aid sources, good governance, and private sector participation are crucial.
16.	2024	**Hussein**	Case study on Somalia	Aid addressed humanitarian needs but failed to provide sustainable development due to fragmentation and governance issues.	A comprehensive and coordinated aid approach is necessary for long-term benefits.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
17.	2024	**Legass and Akkas**	Panel ARDL model on 15 SSA countries	Institutional quality and unemployment are short-run factors; trade openness, exchange rate, and official development assistance affect long-run growth.	Strengthening institutions, promoting trade openness, and ensuring transparency in aid are recommended.
18.	2024	**Jane and Fabian**	OLS regression on Nigeria's data	Aid positively correlates with GDP, but poverty and unemployment negatively affect growth. Institutional failures limit aid effectiveness.	Stronger policies for efficient aid utilization are needed to maximize benefits.
19.	2024	**Javed *et al.***	Regression and correlation analysis on Pakistan's aid data	Foreign aid negatively affects per capita GDP, suggesting reliance on FDI and exports instead.	Pakistan should shift from aid dependency to sustainable foreign and domestic investments.
20.	2024	**Viau**	ARDL regression on Haiti	Short-term negative association between ODA and GDP growth; no significant long-term impact.	A reassessment of ODA allocation strategies is needed to enhance economic growth.
21.	2024	**De Almeida Pereira and Benitez-Jones**	Conceptual analysis	Aid has not significantly improved living standards; direct cash transfers might be more effective.	Rethinking aid mechanisms, including direct transfers, could be beneficial.
22.	2024	**Essa and Aggarwal**	Granger causality test on Ethiopia	Unidirectional causality from GDP to inflation, exports, and investment.	Economic policies should account for GDP's impact on inflation and exports.
23.	2024	**Sapkota**	Time series regression (lnGDP as dependent variable, ODA & CF as independent variables)	Negative relationship between GDP and ODA; positive relationship between capital formation and GDP.	The study suggests that ODA may not contribute to economic growth, but capital formation does. Recommends addressing data stationarity issues.
24.	2024	**Серікқызы *et al.***	Literature review & descriptive analysis	Effectiveness of aid in Central Asia is mixed; critics argue it fosters dependency, corruption, and inefficiency.	Institutional quality plays a key role in determining aid effectiveness. More focus should be on governance and accountability.
25.	2024	**Edet *et al.***	Historical & descriptive analysis using documentary review	Mixed results: USAID improved healthcare and education, but ODA failed to alleviate poverty due to displacement and crises.	Nigeria must reduce reliance on foreign aid and focus on strengthening internal mechanisms for sustainable development.
26.	2024	**Lamore and Kotze**	Qualitative approach using secondary data	Foreign aid contributes to poverty alleviation in Ethiopia but suffers from inefficiencies due to corruption, low institutional	Recommends policy actions to address institutional weaknesses and improve aid effectiveness.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
				capacity, and donor conditions.	
27.	2024	**Bila *et al.***	Moment of Moments Quantile Regression (MM-QR)	Positive impact of ODA on SSA economic growth, more effective in high-growth nations; institutions and social infrastructure enhance the impact.	ODA should be strategically allocated to maximize impact, particularly in low-income countries.
28.	2024	**Hoxhaj and Qehaja**	Panel data analysis (random-effects, fixed-effects, and pooled OLS)	Foreign aid has no significant impact on Western Balkans' economic growth; trade openness has a positive impact.	Policymakers should focus on trade openness and structural reforms rather than relying on foreign aid.
29.	2024	**Padda *et al.***	ARDL model	Negative impact of foreign aid on Pakistan's development in both short and long run; IMF's long-term role is positive but marginal.	Policy recommendations emphasize reducing dependency on foreign aid and improving internal resource generation.
30.	2024	**Freyer *et al.***	Regression analysis	Positive impact of both international aid and FDI on Ukraine's GDP, but FDI has a stronger effect.	FDI is more beneficial than aid for long-term economic growth. Policy should focus on attracting investment.
31.	2024	**Tioua *et al.***	Systematic literature review	Chinese aid in Cameroon fosters economic growth but also presents debt and dependency risks.	Policymakers should manage debt sustainability while leveraging aid for infrastructure and development.
32.	2024	**Acharya *et al.***	ARDL & Granger causality tests	Foreign aid has a significant long-term role in literacy but GDP per capita is a stronger determinant of school enrollment in Nepal.	Aligning aid strategies with local priorities and improving public spending efficiency are recommended.
33.	2024	**Adugna Chomen *et al.***	ARDL Pool Mean Group (PMG) estimation	Short-run: Negative but insignificant impact of aid/remittances on economic growth. Long-run: Positive but insignificant impact of aid, while remittances have a significant positive effect.	African governments should maximize the effectiveness of foreign aid and remittances through better policies.
34.	2024	**Akram and Anwar**	ARDL model	Negative impact of foreign aid on Pakistan's economic growth in short and long run; grants have a positive effect while loans have a negative effect.	Government should minimize reliance on foreign aid and improve external debt management.
35.	2024	**Madzoke and Wu**	Thematic analysis	Chinese aid supports Africa's socioeconomic development but raises debt sustainability concerns.	Policymakers should ensure aid aligns with sustainable development strategies and governance reforms.

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36.	2024	**Njekwa Ryberg**	Qualitative thematic analysis	Foreign aid in Zambia is mostly undesirable, failing to reach the poorest segments of the population.	Zambia should focus on reducing aid dependency and ensuring aid benefits are evenly distributed.
37.	2024	**Bitzer *et al.***	Difference-in-differences and event-study design	Heterogeneous impact of World Bank aid across countries, sectors, and time.	Policy should account for sectoral and regional variations in aid effectiveness.
38.	2023	**van de Walle**	Descriptive Analysis	Aid dependency has declined in SSA post-1990s, but structural economic constraints persist.	SSA countries need to address structural barriers to integrate better with the global economy.
39.	2023	**Ansari and Qamari**	Time Series Analysis (ADF, PP, Johansen Cointegration, Granger Causality)	Long-run interdependence between ODA and GDP, but no causal relationship.	ODA should be better structured to have a causal impact on GDP growth.
40.	2023	**Bashir *et al.***	ARDL Cointegration	Positive short-term impact; long-term association between aid and growth in Pakistan.	Aid contributes to economic stability but fosters long-term dependency.
41.	2023	**Onwumah and Nayak**	Time Series (ADF, Granger Causality, Johansen Cointegration)	Aid has a significant positive impact on Nigeria's economic growth; exports negatively affect growth.	Macroeconomic policies, governance reforms, and transparency should be improved.
42.	2023	**Hayaloğlu and Tümay**	Dynamic Panel Data Analysis	Negative aid-growth relationship; governance quality improves growth.	Institutional reforms needed for aid effectiveness.
43.	2023	**Kachenje**	ARDL Model	Long-run negative impact of aid on growth in Tanzania; no short-run effect.	Reduce government expenditures to improve macroeconomic indicators.
44.	2023	**Akhtar *et al.***	ARDL Bound Testing	Aid and tax revenue positively impact growth, but capital formation and taxes negatively affect growth.	Strengthening taxation systems can reduce aid dependency.
45.	2023	**Gondwe and Mbonigaba**	Blundell-Bond GMM	Foreign aid negatively impacts infrastructure due to corruption; loans could improve infrastructure if corruption is controlled.	Addressing corruption is key to maximizing infrastructure development.
46.	2023	**Ahmadi**	Time Series Regression (ARDL)	Positive impact on GDP but no impact on HDI in Afghanistan.	Aid should be restructured to improve long-term human development outcomes.
47.	2023	**Taylor and Middleby**	Ethnographic & Auto-ethnographic	Australian aid is politicized, privatized, and contested by Pacific nations.	Reform aid policies to reflect recipient country priorities and reduce donor control.

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48.	2023	**Ahmed**	Descriptive Analysis	Competing foreign influences in South Asia hinder regional economic cooperation.	Foster regional dialogue to unlock economic integration benefits.
49.	2023	**Shah *et al.***	Panel Data Regression	Positive ODA-growth correlation; grants always positive, loans positive in low-corruption countries but negative in high-corruption ones.	Reduce corruption to improve aid effectiveness.
50.	2023	**Saud**	OLS Regression	Positive and significant relationship between GDP, foreign aid, remittances, and FDI in Nepal.	Maintain balanced foreign inflows to sustain economic growth.
51.	2023	**Rao *et al.***	Alternative Empirical Estimations	Aid negatively associated with growth and FDI; FDI positively influences growth.	Increase domestic investment and trade openness for sustainable growth.
52.	2023	**Aja-Eke**	Survey-Based Analysis	Aid effectiveness varies across Nigerian states; end-users perceive different impacts.	Aid should be context-specific and involve end-users in allocation decisions.
53.	2023	**Khan**	Regression Analysis, Cointegration Tests	GDP and aid positively correlated; inflation negatively affects aid.	Stable macroeconomic conditions are necessary for effective aid utilization.
54.	2023	**Musakwa and Odhiambo**	ECM-Based Granger Causality	Bidirectional causality between aid and growth in Kenya; aid drives FDI in the long run.	Target aid towards productive sectors to maximize economic impact.
55.	2023	**Hongli and Vitenu-Sackey**	Generalized Linear Model, Arellano-Bond Dynamic Panel Data Estimations (GMM two-step approach), Granger Causality	Negative: Aid has a statistically significant negative impact on growth. Undermining factors include corruption, poverty, low human development, political instability, and weak institutions.	Policymakers should focus on technical assistance and educational projects to strengthen institutions rather than traditional developmental projects.
56.	2023	**Hayaloğlu**	Empirical analysis across 80 countries in Europe, America, Africa, and Asia	Positive: Foreign aid contributes to economic growth when institutional quality is strong. Aid positively affects institutional structure.	Strengthening institutions enhances the positive impact of aid on economic growth. Policymakers should emphasize institutional development.
57.	2022	**Kamguia *et al.***	Various identification strategies	Aid reduces economic complexity overall but has a positive effect in countries with higher economic complexity. Sectoral differences exist: positive in energy and education, negative in agriculture and	Governments should enhance democracy to maximize aid benefits.

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				humanitarian aid. Democracy mitigates negative effects.	
58.	2022	**Abate**	System GMM and dynamic panel threshold regression	Inverted U-shaped relationship. Optimal aid level is 9.7% of GNI. Negative effect when institutional quality and economic freedom are below certain thresholds. Positive effect above thresholds.	Developing countries should limit aid intake, improve institutions, and enhance economic freedom.
59.	2022	**Tefera and Odhiambo**	System GMM, dynamic panel growth model	Aid from total and traditional donors has a significant negative effect on growth. Non-traditional aid has a positive but insignificant effect.	Traditional aid should target productive sectors to enhance growth.
60.	2022	**Uwizeyimana and Mangwanya**	Qualitative case study (Kenya, Togo, Zimbabwe)	Foreign aid leads to dependency syndrome rather than self-sufficiency.	Need for increased private investment to reduce aid reliance.
61.	2022	**Sabra**	OLS regression and 2SLS model	Aid crowds out domestic savings, negatively impacts growth, and causes Dutch disease effects.	Policies should encourage domestic savings and FDI while targeting aid to productive sectors.
62.	2022	**Liu and Li**	Generalized Method of Moments (GMM)	Aid volatility weakens aid effectiveness. No significant direct impact on growth, but fluctuations affect economic stability.	Donors should provide more predictable aid, especially for aid-dependent countries.
63.	2022	**Abbas *et al.***	Granger causality test, VAR framework	Foreign aid negatively impacts remittance inflows. FDI and political instability also reduce remittances.	Policy should focus on increasing remittances while managing aid inflows effectively.
64.	2022	**Ahmad *et al.***	Johansen Co-integration, Error Correction Model	Both bilateral and multilateral aid negatively impact economic growth (-0.15% and -0.33% per 1% increase in aid). Labor force and capital formation positively impact growth.	Aid should be directed toward productive investments rather than consumption.
65.	2022	**Girma and Tilahun**	Autoregressive Distributed Lag (ARDL)	Foreign aid has a positive effect on long-term growth but no significant short-term effect. Predictability of aid improves growth outcomes.	Aid should be allocated to successful development projects, and transparency in aid management should be improved.
66.	2022	**Adamu *et al.***	Historical analysis, Dependency Theory	Aid has not significantly contributed to Nigeria's development. Economic policies determine whether aid is beneficial or harmful.	Leaders should formulate viable economic policies to maximize aid benefits.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
67.	2022	**Mangwanya**	Qualitative case study (Kenya, Togo, Zimbabwe)	Negative: Aid fosters dependency syndrome rather than economic growth.	Need for private investments to reduce reliance on foreign aid.
68.	2022	**Hussain and Rahman**	OLS regression, Unit Root Tests, Time series analysis	Positive: 1% increase in aid raises GDP by 0.1988%, capital formation by 0.6015%, and education by 0.0652%.	Aid should be allocated effectively with transparency and accountability to maximize growth benefits.
69.	2022	**Azam and Feng**	Fixed effects, robust least squares	Mixed: Positive for lower-middle-income countries, but limited effect for low-income countries.	Aid effectiveness depends on economic structure; foreign direct investment plays a greater role in growth for upper middle-income countries.
70.	2022	**Özyılmaz**	Random effects, fixed effects, pooled least squares	Negative: Foreign aid statistically significant but negatively impacts economic growth.	Aid should be restructured to minimize negative growth effects; governance and policy improvements needed.
71.	2022	**Shah *et al.***	Panel regression (pooled OLS, random, fixed effects)	Negative: Aid and population hinder economic growth; capital formation supports growth.	Donors should focus on governance reforms; recipient countries should prefer grants over loans to reduce debt burden.
72.	2022	**Nnubia *et al.***	Pearson Correlation Matrix	Positive: GDP positively associated with foreign aid but negatively with external debt.	Nigeria should avoid excessive borrowing and use reserves for infrastructure to support economic growth.
73.	2022	**Anyanwu and Wabekwa**	NARDL	Mixed: Multilateral aid has a stronger positive impact on GDP than bilateral aid.	Bilateral aid should be channeled through multilateral institutions like IMF and World Bank for better outcomes.
74.	2022	**Mohamed**	Feasible GLS, vector error correction model	Negative: Aid does not significantly influence economic growth; capital formation and technology are more important.	Somalia should focus on capital formation, labor force development, and technological investments.
75.	2022	**Lemlem**	Panel data (fixed and random effects)	Positive: Aid significantly contributes to economic growth in 12 Sub-Saharan African countries.	Aid should be effectively utilized for sustainable development and economic growth.
76.	2022	**Zeng**	Literature review, qualitative	Mixed: U.S. aid to Egypt has both positive and negative impacts; dependency is a major concern.	Aid effectiveness depends on how donors provide and recipients utilize aid. Policy reforms needed.
77.	2022	**Mohamed**	OLS, cointegration, VAR Granger causality	Mixed: External debt negatively impacts growth; foreign aid has a	Ethiopia should focus on reducing debt reliance and improving aid management.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
				unidirectional causal relationship with growth.	
78.	2022	**Kenea**	VAR, VECM	Positive: Aid significantly boosts economic growth and investment in the long and short run.	Aid should target resource gaps, enhance savings, and focus on poverty reduction.
79.	2022	**Hossain *et al.***	ARDL bounds test, unit root test, diagnostic tests	Positive: 1% increase in aid raises economic growth by 0.24%; population growth negatively affects GDP.	Aid should be efficiently allocated with policy measures to ensure long-term economic benefits.
80.	2021	**Golder *et al.***	ARDL Model	Positive: Foreign aid has a substantial and robust impact on economic growth. Domestic investment also plays a significant role, while trade openness has a positive short-run effect but is immaterial in the long run.	Emphasis should be placed on increasing domestic investment, promoting exports, and ensuring aid allocation aligns with the country's needs.
81.	2021	**Ilorah and Ngwakwe**	OLS & Fixed Effects Panel Regression	Mixed: Foreign aid negatively affects GDP per capita in SSA. However, when moderated by governance variables, aid has a positive impact, with the rule of law boosting growth but corruption and weak governance hindering it.	Strengthening governance institutions and reducing corruption is necessary for foreign aid to be effective. Future research should include more governance variables.
82.	2021	**Mishra and Aithal**	Correlation & Regression Analysis	Positive: 85% of Nepal's real GDP depends on Swiss aid. A 1% increase in total aid raises GDP by 0.35%. Results show no autocorrelation issues.	Aid significantly contributes to Nepal's development. Aid utilization should be optimized for infrastructure projects.
83.	2021	**Çevik and Amanat**	Johansen Cointegration & FMOLS	Positive: ODA has a long-run impact on Afghanistan's GDP, where a 1% increase in ODA leads to a 0.32% GDP growth.	Foreign aid plays a crucial role, but Afghanistan needs to leverage its natural resources for sustainable growth.
84.	2021	**Akbar**	Time Series Analysis (ADF, PP, Johansen Cointegration, Granger Causality)	Mixed: A one-way causality exists from ODA to GDP growth. Despite aid, Afghanistan still faces poverty and unemployment.	Aid alone is insufficient; economic policies must be reformed to enhance aid effectiveness.
85.	2021	**Ogbonna *et al.***	System GMM Estimation	Negative: Foreign aid negatively impacts African growth. However, institutional quality can mitigate this effect.	Africa must improve institutional quality to turn foreign aid into a growth driver.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
86.	2021	**Sharma and Kautish**	Two-Stage Least Squares	Positive: Aid-policy interaction significantly impacts GDP per capita in South & Southeast Asia.	Aid effectiveness depends on strong economic policies in recipient countries.
87.	2021	**Kirikkaleli *et al.***	ARDL, FMOLS, DOLS, Wavelet Coherence	Mixed: Foreign aid and capital formation do not significantly impact Chad's GDP. However, exports and imports have a positive effect.	Macro-economic reforms and economic liberalization are needed to improve aid effectiveness.
88.	2021	**Boateng *et al.***	Panel Data Analysis	Mixed: Aid commitment boosts growth, but aid volatility negatively affects it. Institutional quality does not counteract aid volatility.	Effective institutions are necessary for stabilizing aid flows and ensuring aid commitments translate into economic growth.
89.	2021	**Kalu and Kim**	Comparative Analysis	Positive: South Korea's success contrasts with SSA nations due to effective state capacity and donor engagement strategies.	Developing countries should adopt effective governance and policy strategies used by South Korea.
90.	2021	**Isaie**	VAR, Johansen Cointegration, Granger Causality	Positive: Foreign aid increases GDP, exports, and domestic investment in the long run but has no short-run impact. Exchange rates influence exports in the short run.	Aid should be used to boost domestic investment and manage exchange rate policies for economic stability.
91.	2021	**Hongxing *et al.***	Panel Data Analysis	Positive: Foreign aid, energy consumption, and trade openness enhance economic growth across regional blocs, except for SADC.	A shift toward renewable energy and carbon capture technologies is necessary for sustainable growth.
92.	2021	**Ekici and Özdemir**	Macroeconomic Impact Assessment	Negative: Turkish aid to Northern Cyprus has not contributed to economic growth, and its persistence is due to geopolitical interests.	Aid should be reassessed to ensure economic sustainability rather than political interests.
93.	2021	**Mahembe and Odhiambo**	Dynamic Panel Estimation	Positive: ODA, grants, and multilateral aid reduce poverty. Democracy enhances aid effectiveness.	Aid should be focused on poverty reduction channels and democratic institutions to maximize impact.
94.	2021	**Kharel *et al.***	Historical Data Analysis	Mixed: Foreign aid has uplifted Nepal's economy but has also increased dependency on external funding.	Aid should be mobilized for self-sustaining economic policies and reducing dependency.
95.	2020	**Maruta *et al.***	Sectoral analysis, institutional quality assessment	Positive but conditional: Education aid is most effective, varying across regions. Institutional quality influences impact.	Aid should be directed towards education as institutional quality improves.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
96.	2020	**Duru *et al.***	Autoregressive Distributed Lag Bounds method	Negative: Aid did not contribute to growth in Nigeria due to poor macroeconomic policy.	Nigeria needs better macroeconomic policies, diversification, and anti-corruption measures.
97.	2020	**Dreher and Langlotz**	Excludable instrument, fractionalization analysis	Insignificant: Aid does not affect growth but influences investment and consumption.	Aid increases investment and consumption but does not significantly boost growth.
98.	2020	**Das and Sethi**	Granger causality test, vector error correction model	Mixed: FDI & remittances drive growth in India; foreign aid & remittances help Sri Lanka.	Tailor aid strategies to each country's specific economic needs.
99.	2020	**Adebayo and Beton Kalmaz**	Wavelet coherence technique, Toda-Yamamoto causality test	Positive: Long-run relationship between aid, trade, investment, and growth in Nigeria.	Aid effectiveness depends on economic integration and inflation control.
100.	2020	**Thapa**	Literature review	Mixed: Debate on aid effectiveness, with arguments for and against its role in growth.	More research needed to resolve the aid-growth controversy.
101.	2020	**Gurmu**	Policy & institutional analysis	Conditional: Aid boosts investment but is ineffective in directly enhancing growth.	Aid works best with good policies and institutions.
102.	2020	**Ocran *et al.***	Literature review	Mixed: Aid effectiveness depends on allocation and domestic resource mobilization.	Sustainable development requires self-sufficiency and better aid targeting.
103.	2020	**Rahman and Hossain**	Macroeconomic assessment	Positive: Aid helped stabilize Bangladesh's economy and foster growth.	Aid should focus on infrastructure while reducing dependency.
104.	2020	**Mengesha**	Multivariate regression, fixed/random effects	Positive: Chinese aid enhances savings, investment, and growth.	Identify effective aid components before accepting aid.
105.	2020	**Kambai**	Time series econometric analysis	Positive: Aid affects growth through total factor productivity.	Aid should focus on physical capital accumulation.
106.	2020	**Siavhundu**	OLS regression, time series	Negative: Aid dependency harms Zimbabwe's economy in the short run.	Strong institutions and domestic resource mobilization needed.
107.	2020	**Kakuba**	Complexity theory, document analysis	Negative: Aid perpetuates underdevelopment in Africa.	Reforms needed to ensure aid fosters sustainable development.
108.	2020	**Gengezha**	Case study, comparative analysis	Negative: Corruption and NGO dominance hinder Haiti's development.	Reduce corruption, strengthen government accountability.
109.	2020	**Offiong. *et al.***	ARDL technique	Mixed: Aid negatively impacts Nigeria's growth	Aid should be directed toward productive sectors.

No.	Year	Author	Methodology	Result of Aid -Growth Nexus	Comments/ Recommendations
				long-term but improves human development.	
110.	2020	**Nguyen**	Linear regression, time-series analysis	Positive: FDI, exports, and aid contribute to Vietnam's growth.	Aid should complement FDI and exports for sustainable growth.
111.	2020	**Tonga**	ARDL Model	Positive relationship between foreign aid and economic growth in Zambia. Foreign aid, if effectively used, can improve lives and promote economic growth. However, government expenditure and inflation negatively impact GDP.	Foreign aid should be directed toward investment promotion to boost economic growth. Efficiency and effectiveness of government programs supported by aid are crucial. FDI, population growth, and investment are key growth determinants.
112.	2020	**Munyanyi *et al.***	Sectoral Analysis on Development Targets	Increase in net ODA is linked to a decline in HIV prevalence and child mortality. Sectoral aid is more beneficial for targeted development goals.	Targeted aid allocation is essential for maximizing development benefits. Aid should focus on specific development sectors for greater impact.
113.	2020	**Adams and Elassal**	Panel Data Fixed-Effects Model (Africa & Asia)	No significant relationship between aid and long-term growth or growth divergence. In Africa, governance decline may contribute to growth divergence.	Aid should be directed to countries with macroeconomic stability and sound policies. Donors should ensure aid is allocated to productive sectors and play a supervisory role.

3.3 – *Reporting and Dissemination*

Scholarly interest in the relationship between foreign aid and economic growth is clearly growing, as evidenced by the fact that the previous studies reviewed in the table above cover the years 2020 to 2025.

Table 1 and Figure 1 show the number of studies conducted over a six-year period from 2020 to February 2025. In 2025, there were 6 studies, representing about 5.31% of the total number of studies. The highest number of studies occurred in 2024 with 31 studies, representing about 27.43% of the total. In 2023, 19 studies were completed, representing about 16.81% of the total. In 2022, there were 23 studies, representing 20.35% of the total. In 2021 there were 15 studies, representing about 13.27%, while in 2020 there were 19 studies, representing 16.81%. In total, 113 studies were carried out in these six years, with 2024 contributing the largest share.

Table 1 and Figure 2 present the results of the aid-economic growth nexus, categorising the studies according to their findings. Of the total number of studies, 34 found a positive relationship between aid and economic growth, representing about 42.5% of the studies. Meanwhile, 23 studies reported a negative relationship, representing 28.75% of the total. There were 20 studies with mixed results, accounting for 25% of the studies, and 4 studies found the relationship to be insignificant, accounting for 5% of the studies.

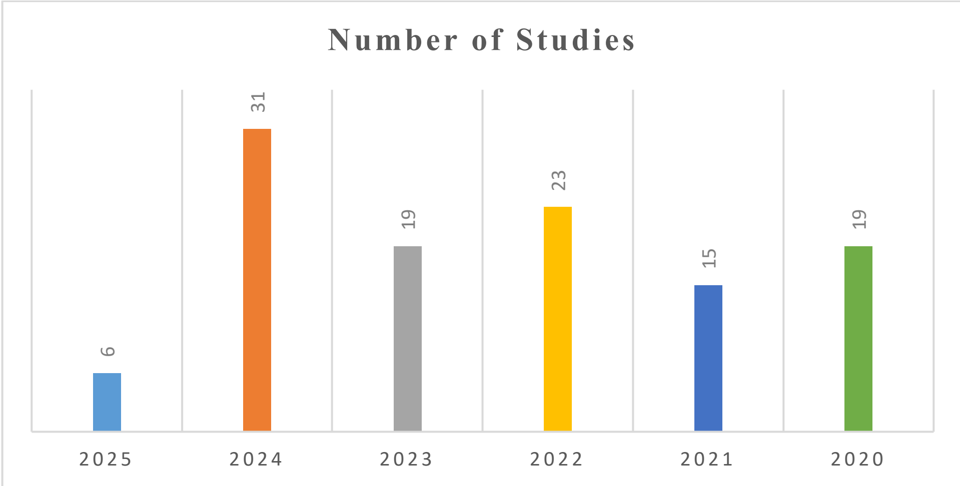

Fig. 1 – Number of studies by year

The Figure 2 summarises the results from Table 1.

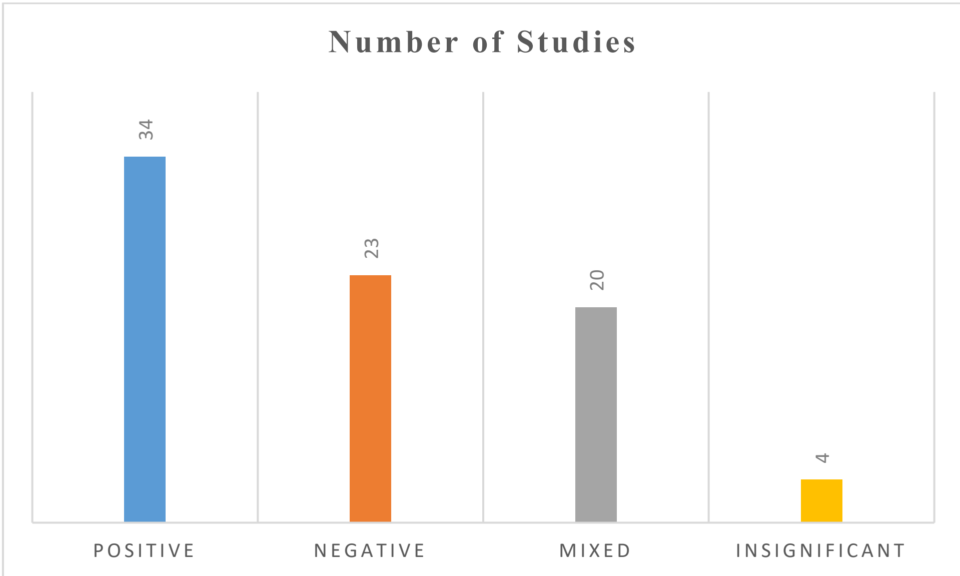

Fig. 2 – Summary of results on aid and economic growth

4 – Discussion

The relationship between foreign aid and economic growth has been the subject of intense academic scrutiny, with scholars offering different perspectives and conclusions. This study aims to contribute to the ongoing discourse by providing a comprehensive analysis of 113 recent studies conducted between 2020 and 2025. The results of this synthesis fall into four broad categories: positive, negative, mixed and insignificant relationships between foreign aid and economic growth. Each of these categories provides valuable insights into the complexities surrounding aid effectiveness.

A significant proportion of the studies reviewed (42.5%) found a positive relationship between foreign aid and economic growth. This is in line with the argument that foreign aid can be a catalyst for development in recipient countries, especially when aid is allocated effectively and targeted at critical sectors such as infrastructure, education and health. Studies in this category suggest that foreign aid plays an important role in bridging resource gaps, promoting capital formation and stimulating economic activity. The positive effects are often seen in the long term, when aid facilitates sustainable economic development, increases investment and promotes technological progress.

These findings are in line with the theoretical framework of aid effectiveness, which suggests that external assistance can be instrumental in stimulating growth in low-income and developing countries. Moreover, the positive relationship between aid and economic growth seems to depend on several factors, including good governance, strong institutional frameworks and efficient use of aid. Countries that manage to align foreign aid with development objectives and integrate it into their broader economic policies tend to achieve better results. This view is supported by studies that emphasise the importance of governance reforms, transparency and accountability in aid management to maximise the benefits of foreign aid.

In contrast, 28.75% of the studies reviewed found a negative relationship between aid and economic growth. These findings are consistent with the 'aid dependency' hypothesis, which suggests that prolonged reliance on foreign aid can undermine the development of self-sustaining economic systems. Aid can crowd out domestic savings, weaken incentives for domestic investment and perpetuate economic stagnation by fostering a culture of dependency. Moreover, studies show that aid flows, if not properly managed, can distort local economies, increase inflation and lead to inefficient public spending. This is particularly true in countries with weak institutions and governance structures, where aid can be misallocated, wasted or subject to corruption.

The negative impact of aid on growth is also linked to the so-called "Dutch Disease", where aid inflows can lead to currency appreciation, making exports less competitive. In addition, the volatility of aid can exacerbate macroeconomic instability, making it more difficult for recipient countries to plan for long-term development. These findings highlight the challenges countries face in integrating foreign aid into their economies, especially when aid is unpredictable, poorly targeted or not accompanied by complementary policy reforms.

A significant proportion of studies (25%) found mixed results, suggesting that the impact of foreign aid on economic growth depends on the context. In some cases, foreign aid had a positive impact on growth, while in others it had a negligible or even detrimental effect. This variability underlines the complexity of the relationship between aid and growth and the need for nuanced policy approaches. The effectiveness of aid depends on factors such as the level of development of the country, the quality of governance, institutional capacity and the sectoral focus of the aid. For example, aid targeted at infrastructure and human capital development tends to yield positive results, while aid targeted at consumption or politically motivated projects may not yield lasting economic benefits.

The mixed results also suggest that the design and implementation of aid programmes play a crucial role in determining their success. Donor-recipient relationships, the alignment of aid objectives with national development strategies, and the degree of local ownership are all critical components in ensuring that aid contributes to long-term growth. This finding calls for more rigorous monitoring and evaluation of aid programmes to ensure that they achieve their intended goals and deliver tangible development results.

Finally, 5% of the studies found that foreign aid had no significant impact on economic growth. These findings challenge prevailing assumptions about the effectiveness of aid in promoting growth and suggest that in certain contexts aid may not be a major driver of economic performance. In these cases, other factors such as political stability, domestic investment and human capital development may be more influential in shaping growth outcomes. This category of studies draws attention to the limitations of foreign aid as a stand-alone tool for economic development and emphasises the need for broader structural reforms that address the root causes of underdevelopment.

4.1 – *Gaps Covered by the study*

This study makes a significant contribution by addressing important gaps in the literature on the relationship between foreign aid and economic growth. One of the most important gaps it fills is the lack of recent comprehensive syntheses of research on foreign aid and economic growth. By reviewing 113 studies published between 2020 and 2025, the study captures the most recent evidence, reflecting evolving trends, policy changes and emerging challenges in foreign aid effectiveness. This ensures that the findings are grounded in the latest academic discourse, making the study highly relevant to contemporary debates on aid effectiveness.

Another important contribution is the study's categorisation of the relationship between foreign aid and economic growth. Previous literature has often presented mixed results, but this study goes a step further by clearly categorising the relationships into four groups: positive, negative, mixed and insignificant. This structured approach provides a clear framework for understanding the different outcomes of foreign aid in different contexts, offering a more nuanced perspective than the traditional broad conclusions. It helps move the discussion forward by identifying specific conditions under which foreign aid may or may not be effective in stimulating economic growth.

The study also highlights the critical role of contextual factors such as governance, institutional quality and aid targeting. While many studies focus primarily on the quantity and type of aid, this study underlines that the effectiveness of foreign aid is not solely determined by the amount of aid, but is strongly influenced by the recipient country's governance structures and the management of aid. This consideration of institutional quality and governance adds depth to the debate on aid effectiveness and reinforces the need for strong institutions to promote sustainable growth through foreign aid.

The study also addresses the gap in the literature on the mixed and insignificant effects of foreign aid on economic growth. While many studies tend to focus on the positive relationships between aid and growth, this study acknowledges the cases where foreign aid has either mixed or negligible effects. In doing so, it challenges the common assumption that foreign aid always contributes to growth and points to the need for more targeted, strategic and efficient approaches to aid delivery. This balanced perspective broadens the scope of the debate and challenges scholars and policymakers to rethink assumptions about the universal effectiveness of aid.

4.2 – *Implications for Policy and Practice*

The findings of this review highlight the complex and context-specific nature of the relationship between aid and growth. Policymakers should recognise that foreign aid is not a panacea for development challenges, but can be a valuable tool when strategically aligned with domestic priorities. Countries should focus on strengthening institutions, improving governance and promoting transparency to ensure that aid contributes to sustainable growth. In addition, aid programmes should be tailored to the specific needs of recipient countries, focusing on sectors with the greatest potential for long-term economic impact, such as education, health and infrastructure.

Donors must also work with recipients to ensure that aid is predictable, well-targeted and effectively monitored. Aid should complement domestic resources and be part of a broader strategy to promote self-sufficiency and reduce dependency over time. As the results of this study suggest, a well-designed aid programme that responds to local needs, builds domestic capacity and promotes inclusive growth can lead to positive results. However, aid that is poorly managed, poorly targeted or subject to political manipulation can undermine economic progress and exacerbate inequalities.

This review of 113 studies on the relationship between foreign aid and economic growth underlines the complex and multifaceted nature of the issue. While a significant proportion of studies found a positive relationship, a significant number also reported negative or mixed results. The mixed results suggest that the impact of aid on growth is not uniform and depends on a number of factors, including governance, institutional quality and the effective targeting of aid. The results highlight the importance of tailored, context-sensitive approaches to foreign aid and underline the need for sound policy frameworks to ensure that aid can contribute to sustainable economic growth.

5 – Conclusion and Future Studies

This study provides a comprehensive analysis of the relationship between foreign aid and economic growth by reviewing 113 recent studies published between 2020 and 2025. The results show that the impact of foreign aid on economic growth is far from uniform, with the relationship falling into four distinct categories: positive, negative, mixed and insignificant. A significant proportion of studies found a positive relationship, highlighting the potential for foreign aid to stimulate economic growth, particularly when effectively targeted at critical sectors such as infrastructure, education and health. In contrast, other studies reported negative or mixed results, pointing to problems such as aid dependency, misallocation of resources, weak governance and insufficient institutional capacity in recipient countries.

The study underlines that aid effectiveness is strongly influenced by contextual factors. Strong governance, sound institutional frameworks and effective aid management are crucial to ensure that foreign aid contributes to long-term sustainable economic growth. Conversely, in countries with weak institutions or inadequate governance structures, the impact of foreign aid can be diminished or even detrimental, exacerbating dependency or stalling growth.

The study also calls for a more nuanced and context-specific approach to aid allocation and implementation. Policymakers and donor agencies need to tailor aid programmes to the specific needs of recipient countries, with a focus on strengthening local capacities, improving institutional quality and promoting inclusive growth. Aid should not be seen as a one-size-fits-all solution, but as a tool to complement domestic development efforts and support long-term self-sufficiency. This requires comprehensive governance reforms, increased transparency and alignment of aid objectives with national development strategies.

The study also emphasizes that the successful realization of economic growth outcomes depends critically on the adoption and effective implementation of key recommendations, including improving governance, better targeting of aid, aligning aid with domestic priorities, and strengthening institutional frameworks. Where these recommendations have been systematically applied, a more consistent positive relationship between aid and economic growth has been observed. Conversely, where such recommendations were ignored or poorly implemented, the impact of aid on growth was either negligible or negative. These findings underscore the importance of translating strategic recommendations into concrete actions to maximize the developmental impact of foreign aid.

While the study identifies important gaps in the literature, it also opens up avenues for future research. Investigating the long-term impact of foreign aid on social outcomes such as poverty reduction and inequality, or exploring new models of aid delivery that incorporate local ownership and accountability, could provide valuable insights into the broader impact of foreign aid. In addition, research into how foreign aid can be better coordinated between donors and recipients to achieve more effective outcomes remains an important area for further investigation.

In conclusion, while foreign aid has the potential to promote economic growth, its success is not guaranteed and depends on several factors, including the quality of governance, institutional strength, and the strategic targeting of aid. The evidence suggests that simply providing aid is not enough; success depends on how well the recommendations for effective aid management are put into practice. Achieving the intended relationship between aid and growth thus requires a firm commitment to institutional reform, policy alignment, and sustained capacity-building efforts. The study underscores the importance of tailoring aid programs to the specific needs of recipient countries and emphasizes that the most sustainable development outcomes come from partnerships that prioritize long-term capacity building and local empowerment. By addressing these key factors, foreign aid can become a more effective tool for promoting sustainable economic development and reducing poverty in low-income countries.

Many studies have focused only on the direct relationship between foreign aid and economic growth, ignoring other contingency variables (moderators and/or mediators). Future research should prioritise contingency variables and use economic models that quantify the causal relationship between foreign aid and growth to allay concerns that the results show only a correlation.

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