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Bilateral and multilateral aid perspectives of economic growth in sub-Saharan Africa

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Abstract

Purpose

The purpose of this study is to determine the impact of disaggregate official development aid (ODA) on economic growth, and ascertain whether bilateral

and multilateral aid played complementary role with private sector, government sector and external sector in driving growth of sub-Saharan African economies.

Design/methodology/approach

The role of bilateral and multilateral aid in economic growth of sub-Saharan Africa (SSA) is investigated in this study. The vector error correction model (VECM) and generalized method of moments (GMM) techniques are employed in estimating the short-run and long-run impacts, over the period 1980–2020.

Findings

The estimation results reveal that the effect of bilateral aid is positive, and more significant than multilateral aid. Their effect on economic growth is, however, less significant than the effects of domestic private investment and government spending. Nonetheless, aid complemented private and government sectors in facilitating growth. External trade is the only exogenous variable in estimation that is insignificant. The results further reveal that economic growth is unable to significantly respond to its own lag. Generally, the estimation results conform to theoretical expectations.

Practical implications

One major implication of the findings is that SSA countries have benefited substantially from development aid. It is, therefore, important for these countries to develop stronger institutions that would attract more inflows of development aid.

Originality/value

The study was motivated by the fact that less attention has been given to the role of disaggregate ODA in economic growth of African countries. Previous research works have tended to focus more on aggregate ODA. Furthermore, adequate research has yet to be done on how ODA complements the private sector, government sector and external sector in facilitating growth of African countries. These issues are investigated in the study.

Keywords

- Development aid
- Development finance

- Economic growth
- Developing countries
- E51
- F65
- F43
- O55

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Ethical compliance

Conflict of interest: No conflict of interest in this work. It is the original work of the authors.

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