

## The Effect of Foreign Aid on Economic Growth in Developing Countries

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### ABSTRACT

*This paper analyzes the effects of foreign aid on the economic growth of developing countries. The study uses annual data on a large group of developing countries covering Asia, Africa, and Latin America and the Caribbean for the period 1970-2007. We explore the hypothesis that foreign aid can significantly promote growth in developing countries. We test this hypothesis using panel data series for foreign aid, while accounting for regional differences in Asian, African, Latin American, and the Caribbean countries as well as the differences in income levels. Our results indicate that foreign aid has positive and significant effect on economic growth.*

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