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IMPACT OF FOREIGN AID ON ECONOMIC GROWTH IN KENYA 2006-2020

[1*]Mureithi Everlyne Kabura
Postgraduate student: Strathmore University
Corresponding Author's Email: eveura.ek@gmail.com

Abstract

Purpose: The objective of this study was to examine the impact of foreign aid on economic growth in Kenya.

Methodology: The study used a descriptive research technique and a time series approach to track economic growth in Kenya for 41 years, from the year 1980 to 2020. The study also adopted a census survey to collect secondary data by use of a secondary time series data template from the World Bank and KNBS databases in Kenya for the period 1980 to 2020. The collected data was edited, coded and analyzed using statistical package for social sciences (SPSS).

Findings: The results of the study revealed that ODA, emergency & food aid, debt forgiveness and technical cooperation had a positive and significant relationship with economic growth (GDP). In addition, ODA, emergency & food aid and debt forgiveness have a positive and significant impact on economic growth. However, technical cooperation had a negative and no significant impact on economic growth in Kenya

Unique Contribution to Theory, Practice and Policy: The study recommended that financial policymakers should come up with better strategies on the management of the foreign aid funds so as to ensure they are efficiently utilized. Financial policy makers should also consider foreign donors who can offer debt forgiveness aid since it will help Kenya in managing and reducing its debts.

Keywords: *Foreign Aid, Economic Growth*

INTRODUCTION

Foreign aid is the voluntary transfer of resources from one country to another country. It includes any flow of capital to developing countries from developed countries like USA. Foreign aid can be in the form of a loan or a grant. This loan can either be a soft or hard loan. For the hard loan it means repayment of the aid requires foreign currency while home currency is used for the soft loan. The World Bank lends in hard loans, while the loans of its affiliates are soft loans (Agarwal, 2019).

Foreign aid began in the late 1870s and early 1920s, when the United Kingdom (UK) began the discussion on how to finance the development of poor countries which were then British colonies (Hjertholm & White, 1998). However, the provision of development aid started after World War II (World Bank, 1998). Rich nations began offering cash to more unfortunate nations in the nineteenth century, and by the 1920s and '30s nations like Germany, France and Britain were giving customary guide to their states in Africa, Latin America and Asia. Frontier powers utilized their cash to construct framework ports, streets, rail lines and affluent American industrialists were likewise associated with advancement help through the Ford and Rockefeller Foundations (Philips, 2013).

Even after the state colonies acquired their freedom, unfamiliar help kept on zeroing in on monetary turn of events, says creator and scholarly Rosalind Eyben. According to Ms Eyben, there was the possibility that nations needed to make up for lost time, that Western Europe and nations like Australia, Canada and North America were created hence they were objective that every other person needed to reach (Philips, 2013).

Available statistics showed that there has been surge in Official Development Assistance (ODA) flow into Africa. Specifically, the statistics show that Sub-Saharan Africa has received more ODA than any other region reaching 10 times and 15 times of inflow to transition and developed economies respectively over the years. Despite this flow of ODA, sub-Saharan African economies have always witnessed dwindling economic performance. Experts opined that poor economic policies, diversion of ODA to unproductive consumption and volatility of aid have been responsible for the ineffectiveness of aid to salvage recipient countries (Eregha & Oziegbe, 2016).

In Botswana, foreign aid has played and keeps on assuming a critical positive part. Botswana is recognized for being one of Africa's examples of overcoming adversity as far as great administration described by political strength, human serving and upright pioneers, just as a compelling financial framework (Charity et al., 2008). According to the Corruption Perceptions Index of 2018, Botswana is positioned 34 out of 180 nations on corruption (Corruption and Perceptions Index, 2018). The steady climate in Botswana, empowered improvements drive to flourish and therefore, help reliance began to drop (Deborah & Stephen, 2019).

The help reliance dropped from 100% in 1970 to between 40 to 60 percent in the last part of the 1970s, under 15% in 1992 and in 1997, unfamiliar guide had declined to a simple three percent (Lise, 1996). This consistent decrease in reliance was accomplished through acceptable administration, incorrupt practices, political steadiness and insightful monetary administration (David,1965). Botswana’s development and economic growth after independence would not have been possible without foreign aid, however, Botswana has strong institutions in place to carry out

its development priorities and government policies as enshrined in its National Development Plans promulgated every 5 to 6 years (de Groot et al., 2008).

On the other hand, the large inflow of foreign aid to Somalia reflects both a great variety of forms of economic assistance and an uncommon diversity of donors. Most substantially, about 85 per cent of her total development expenditure up to the end of 1969 has been externally financed. This is a rare case of dependence on foreign financing among the less developed countries, where typically foreign resources account for only about 1 per cent of total investment expenditure. Consequently, Somalia presents a unique opportunity for a case study of the effectiveness of foreign aid to a country at an early stage of development (Mehmet, 1971).

Since independence, Kenya has greatly depended on ODA for social investment, recurrent and capital expenditure. About 78% of Kenya's ODA has been provided by bilateral donors and contributions by multilateral donors improved fairly in 1980s and early 1990s owing to release of aid by World Bank's Structural Adjustment Programme (SAP). According to OECD-DAC (2013) average flow of multilateral donor aid in Kenya recorded a high increase from 1990s to 2000 compared to other periods. Moreover, period ranging from 2001 to 2011 documented considerable increase in foreign aid disbursement from multilateral contributors (Thuita, 2020).

The growth of Kenya's economy has been noted at 4.8% in year 2017, increasing to 6.3% in 2018 and then dropping to 5.4% in 2019 (The World Bank, 2020). According to a report by the Health Poverty Action (2014), foreign aid has to some part contributed to the inconsistent economic growth. This is because as Kenya continue to receive foreign aid for infrastructure development, the foreign debt load continue to increase significantly and burdens the government as they are currently struggling to pay it. The inconsistent economic growth also affects the livelihoods of economic agents such as businesses and households who may experience reduced earnings and inadequate access to government services (World Bank, 2017). Therefore, the question that still remains is why Kenya experiences inconsistent economic growth regardless of the large inflow of foreign aid while other countries like Botswana have developed from the same aid? This is a question that this research paper mainly addressed.

Empirically, studies on the impact of foreign aid on economic growth in Kenya are scarce. Some of these studies include; Thuita (2020) study which assessed the relationship between foreign aid and economic growth in Kenya; Gitaru (2015) who studied the impact of foreign aid on economic growth in Kenya and Ojiambo (2013) that examined the effects of foreign aid predictability on investment and economic growth in Kenya. However, most of the other studies Yiew and Lau (2018); Eregha and Oziegbe (2016) and Reaz (2018) focused on different contexts other than foreign aid and were carried out in other countries not Kenya. This, therefore, presents a contextual gap where more studies are needed in the case of Kenyan economic growth. The objective of this study was to examine the impact of foreign aid on economic growth in Kenya.

Theoretical and Empirical Review

Theoretical Review

Solow Growth Model

Solow growth economic theory was first developed by Robert Solow in the 1950s (Solow, 1956).This theory uses a model that is dynamic in nature and that is recently used in

macroeconomic theory. The model assumes that GDP is produced according to an aggregate production function technology (McQuinn & Whelan, 2007). The model also assumes that the society saves a constant amount of money and the growth in population and labour is steady. The capital intensity which represents capital per employee and is determined by prices of production factor is also said to be regulated.

The Solow growth model explain that in a situation where the technological progress is absent, a constant growth is achieved when output, labour and capital grow at the same rate. This leads us to a conclusion that capital per employee and output per employee are constant (Schiliro, 2017). In addition, the model also effectively illustrates the idea that an increase in the rate of saved incomes cannot lead to a long-term increase in growth rate. Actually, without technological advancement, the pace of growth remains constant (regardless of the amount being saved) and is exclusively dependent on an increase in the labor supply.

Further, several authors have contributed and used the Solow growth model. For instance, Barossi-Filho et al. (2005) reassessed the model using the dynamic panel data approach. They found out that the dynamic fixed effects of the Solow growth model provide a tight theoretical structure within which the stochastic process behind income growth is interpreted. Barroc *et al* (1995) study also made several attempts to construct a growth model for an open economy. The study used production functions that are micro-economic oriented, such as the Cobb Douglas function which is commonly used to explain the Solow Growth model (Cobb & Douglas, 1928). Cobb Douglas function takes the following form:

$$Y_t = A_t K_t^{\alpha} L_t^{1-\alpha} \qquad 0 < \alpha > 1$$

Where, A_t is the measure of production efficiency, K_t is capital input and L_t is labour input. A_t contributes to economic growth even without the inclusion of inputs. It helps in the productiveness of other factors contributing to the growth of the economy. A_t is also known as Total Factor Productivity. The model informs this study through its explanation on variables such as capital and labour and their effect on economic growth in the wake of foreign aid.

Neoclassical Development Theory

The theory was developed from the concept of classical economics in the 18th and 19th centuries with its proponents being Smith (1776). Neoclassical economists as well as the classical economists argued that the market is free from government intervention and is thus controlled by the invisible hand. John Maynard Keynes also comes in as another developer with the General Theory of Employment, Interest, and Money in 1936 (Keynes, 1937; Keynes, 2018). As a result, the idea gradually made economic sense in the late 1970s under the influence of economists like Ronald Reagan in the USA and Margaret Thatcher in the UK. Additionally, the World Bank switched to a neoclassical approach in 1980, abandoning its Basic Needs strategy. Thus, since 1980s, the neoclassical development theory began to gain attention.

The main contention of Keynes' approach is that, the employment level is derived from the rate of aggregate demand rather than the cost of labor as in classical economics. Given the deepening total demand for products at full employment which is less than the total output, then the economy will have to contract until a level of equilibrium is reached (Keynes, 2018). Solow (1956) likewise adds on to the argument by stating that since the economy has the ability to regulate itself to a natural real GDP (grounded on the Say's Law), the supply thus is the creator of its own demand.

The theory is very instrumental in the current study since it offers a ground upon which the policy makers and economists of a country are able to trace the economic development of the country. This thus, enables them to appreciate the importance of proper financial tools and thus plan towards financial aids for better output. It implies that steady state growth rate, capital per capita in neoclassical model with exogenous productivity growth all are equal to growth.

Review of Related Empirical Studies

Yiew and Lau (2018) study investigated the role and the impact of foreign aid (ODA) on economic growth (GDP) using 95 developing countries as the sample. The panel data results indicated that there exists a U-shape relationship between foreign aid and economic growth (Wamboye, 2012; GyimahBrempong & Racine, 2014). This implied that initially, foreign aid negatively impacted the countries' growth but after a period of time, it positively contributed to economic growth. Further, the results strongly supported the view that both foreign direct investment (FDI) and population (POP) are important determinants of GDP, implying that GDP is less likely to depend on ODA. Therefore, the study recommended the strengthening of the legal framework so as to reduce their overdependency on the influx of ODA which has a negative impact on the growth as a whole. This is especially on effective management of foreign aid which would ensure that the Sustainable Development Goals (SDG) are achieved.

A study by Reaz (2018) also analyzed the effect of technical and non-technical aid on the economic growth of Bangladesh and other developing countries. The study analyzed 44 years' data from the period 1971-2014 in Bangladesh and looked at the panel data of 36 developing countries. The study found that in Bangladesh, technical assistance has a negative and significant impact on economic growth while non-technical assistance had a positive and insignificant impact on economic growth. However, the findings on the effect of technical and non-technical aid on the economic growth of the 36 developing countries were inconclusive and without any clear pattern.

A study by Veiderpass and Andersso (2007) examined the effect of foreign aid, economic growth and efficiency development. The data used in this study comprised information on 60 different countries from which they were able to collect consistent data for the period between 1995 and 2000. The results of the study revealed that emergency and humanitarian aid had no effect on growth. The same was true for aid that aimed at long-term growth effects such as aid in support of democracy, the environment, education and health. However, aid with possible short term growth effects, such as budget support and support to productive sectors, was found to have a strong positive effect on growth.

A study by Qayyum and Haider (2012) investigated on the impact of foreign aid on external debt and economic growth of sixty developing countries. The study used annual data for the period between 1984 to 2010. The findings of the study indicated that good governance and foreign aid had a positive impact on economic growth and a negative impact on external debt. The study thus, concluded that developing countries are not only suffering from poor quality governance but also the scarcity of resources which is pushing the economy back into the pool of intricacy and obscurity. The study also concluded that, in order to finance the different development projects as well as the budget deficit, the government of developing nations have to implement better policies that will help in controlling the funds from foreign aid and manage the external debt of those countries. The results point out the hidden actualities of foreign aid and external debt very

magnificently and it might not be wrong to say that external debt is a burden that put an economy into trouble. Foreign aid is playing a constructive job in spurring the economic activity of an economy.

Eregha and Oziegbe (2016) study sought to examine the effectiveness of official development assistance (ODA) on per capita GDP growth for the different regions in Sub-Sahara Africa. The study covered the period 1970-2013 and Thirty-three Sub-Saharan African countries selected and analyzed using the panel data co-integration. ODA was found to have a positive and insignificant effect on countries in West Africa, East Africa and non-oil exporting countries but the effect was positive and significant on countries in South Africa, Central Africa and Oil Exporting countries. On the other hand, the effect became significant on per capita GDP growth of West African countries only when macroeconomic policy environment variables were captured.

Further, Romero-Barrutieta et al. (2015) sought to analyze the incentive effect on economic growth in Uganda. The study employed a dynamic stochastic general equilibrium model, calibrated from 1982–2006 Ugandan data. The findings showed that debt-relief episodes were likely to have only a temporary impact on debt levels but may have a lasting effect over the size of the economy, lowering GDP growth up to twenty percent over time. These results fill a gap in the debt relief literature since, to the best of our knowledge, the quantification of incentive effects is rather scarce.

A study by Thuita (2020) assessed the relationship between foreign aid and economic growth in Kenya by use of a descriptive research design and a secondary annual time series data from 1963 to 2018 in Kenya. The study concluded that foreign aid had significant effects on economic growth through filling domestic savings and foreign exchange traps. Therefore, those who support such conclusions claimed that foreign aid helped the least developed countries to grow economically and improve human development especially countries with sound political and economic policies. However, scholars who were against these conclusions felt that aid created a moral hazard problem whereby the government spent funds without proper budget policy since they were sure that the donors will come in to rescue in case of any financial difficulty.

Ojiambo (2013) study sought to examine the effects of foreign aid predictability on investment and economic growth in Kenya. The study used the Samuelson model and time series data for the period 1966-2010. The data was collected from published sources and the study employed the autoregressive distributed lag estimation technique. The study indicated that there is a long-run relationship between the variables. The study also found that foreign aid had a positive effect on Kenya's economic growth and public investment. The lagged effects of foreign debt positively affected economic growth and public investment after one year and negatively thereafter. The empirical findings also showed that private investment positively affected economic growth and public investment. Therefore, the study concluded that there was a complementary relationship between private investment and public investment.

This study established that the previous studies have contributed significantly on the concept of impact of foreign aid and economic growth in various contexts and in various time series. Some of the studies have found that foreign aid has a significant impact on economic growth while other studies have found that foreign aid has an insignificant impact on economic growth. On the other hand, the study established that there are few studies on foreign aid and economic growth

conducted in Kenya (Thuita, 2020; Ojiambo, 2013). Therefore, given the limited studies carried out in Kenya, the current research is warranted to fill the research gap.

Research Methodology

The study used a descriptive research technique and a time series approach to track economic growth in Kenya for 41 years, from the year 1980 to 2020. This design helped to describe the trends of foreign aid in Kenya and economic growth. The study targeted timeseries data from World Bank and KNBS databases in Kenya for the last 41 years, that is by use of annual data since the year 1980 to 2020 as the unit of analysis of the study. This captured the data on annual basis for the 41 years under study, thus gave rise to 41 lags / timeseries.

Further, the study adopted a census survey to collect secondary data by use of a secondary time series data template from the World Bank and KNBS databases in Kenya for the period 1980 to 2020. Items to be collected included the following: value of official development assistance aid, value of emergency and food aid, value of debt forgiveness, value of technical cooperation aid and the economic growth (GDP) into Kenya. The data obtained was analyzed using descriptive and inferential statistics since the secondary data is in time series. This was aided by the use of SPSS software version 22.0.

Results and Discussion

The results of the study were presented in tables and charts. The analyzed data was also arranged under themes that reflect the research objectives.

Trend Analysis

The following section presented the trend analysis for foreign aid variables and GDP.

Trend in Gross Domestic Product (GDP)

The chart below presents the trend analysis of the value of GDP in USD (million) and time in years.

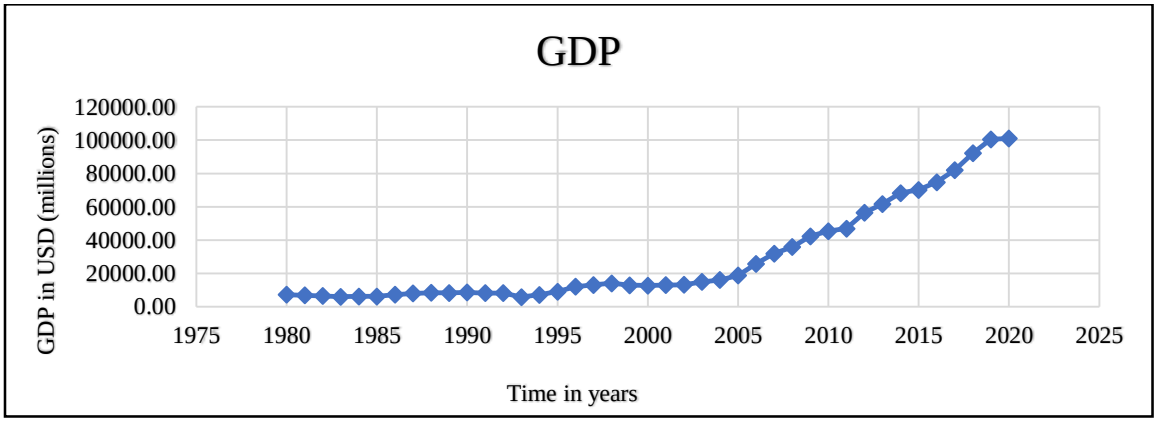

Fig 1: Trend analysis in gross domestic product

The chart of GDP in USD millions and time in years reveal that the value of GDP steadily increased between the years 1980- 1992 & 1993-2020 and a slight drop in the value of GDP between 1992-1993. The highest value of GDP was $101013.73 million in 2020 while the lowest value of GDP was $5751.79 million in 1993.

Trend in Official Development Assistance (ODA)

The chart below presents the trend analysis of value of ODA in USD (million) and time in years.

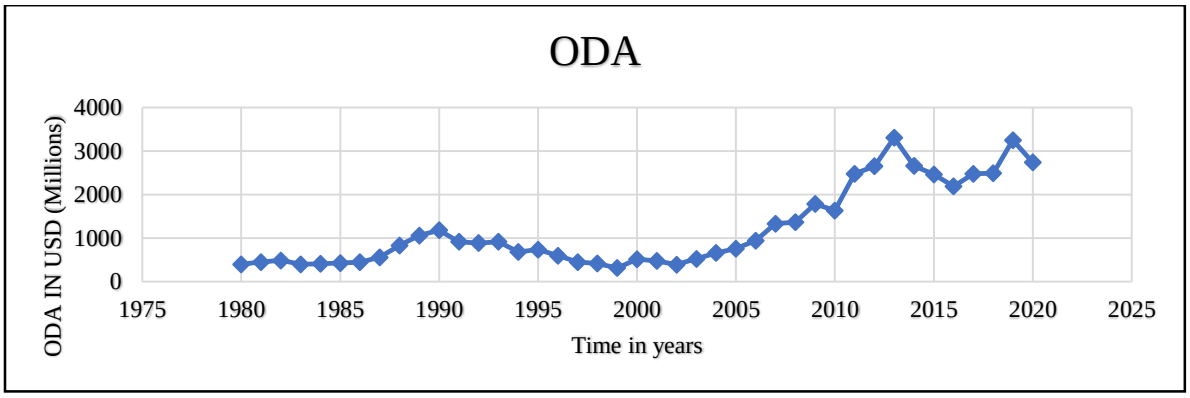

Fig 2: Trend analysis in official development assistance

The graph of ODA in USD (millions) against time in years reveal that the value of ODA increased significantly between the years 1980-1990;1999-2000; 2003-2009;2010-2013; 2016-2019. There was a steady drop in the value of ODA between the years; 1991-1999; 2000-2003; 2009-2010; 2013-2016 and 2019-2020. The highest value of ODA was $ 3306.84 million in 2013 while the lowest value of ODA was 311.25 in 1999.

Trend in Emergency and Food aid

The chart below presents the trend analysis of value of emergency and food aid in USD (million) and time in years.

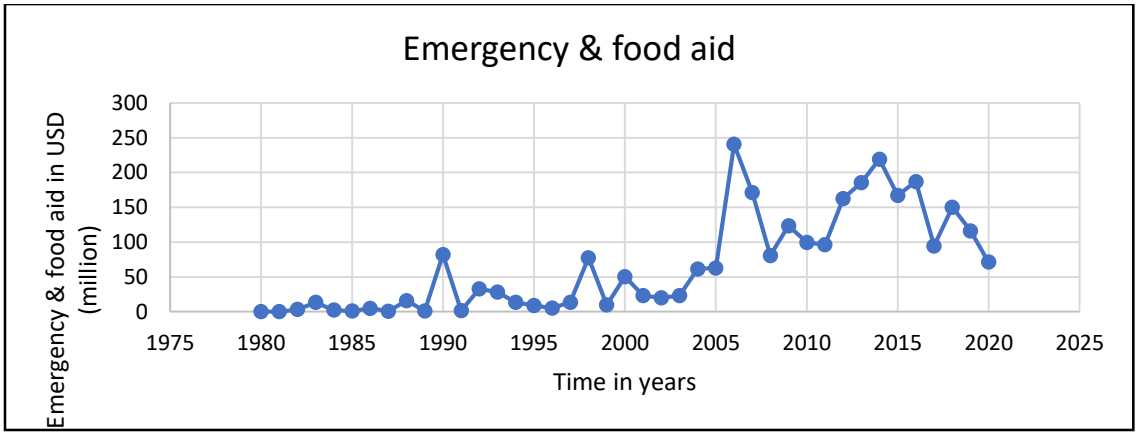

Fig 3: Trend analysis in emergency and food aid

The graph of emergency and food aid in USD (million) against time in years indicate that the value of emergency and food aid increased significantly between the years; 1980-1983; 1989-1990; 1997-1998;1999-2000; 2003-2006; 2011-2014 and the value of emergency and food aid decreased significantly between the years; 1990-1991;1998-1999; 2006-2008 and 2014-2020. The highest value of emergency and food aid was $ 240.51 million in 2006 while the lowest value of emergency and food aid was $ 0 million in 1981.

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Trend in Debt Forgiveness aid

The chart below presents the trend analysis of value of debt forgiveness aid in USD (million) and time in years.

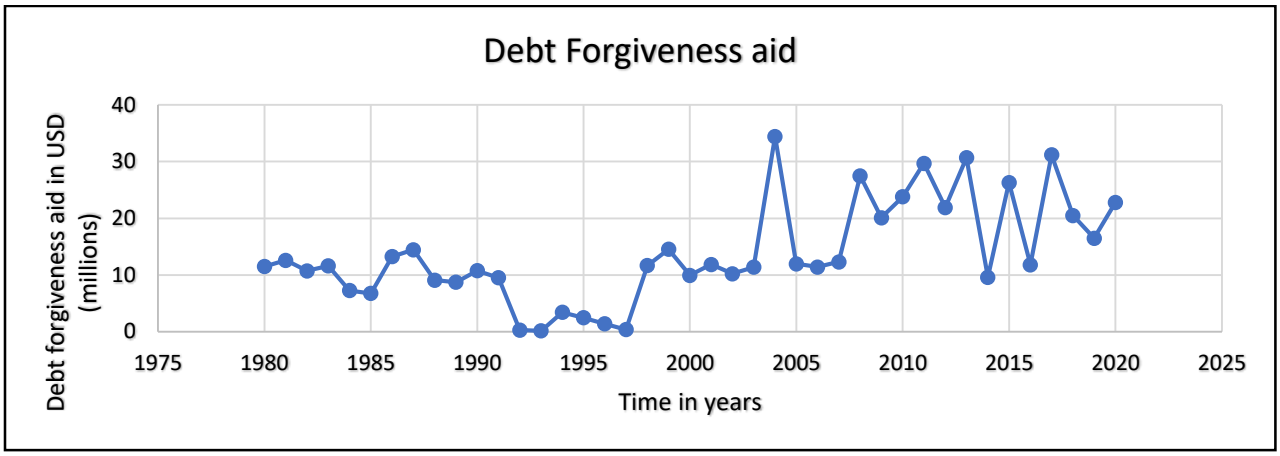

Fig 4: Trend analysis in debt forgiveness aid

The graph of debt forgiveness aid in USD (millions) against time in years reveals that the value of debt forgiveness aid increased significantly between the following periods; 1997-1999; 2003-2004; 2007-2008; 2014-2015 and 2016-2017. The value of debt forgiveness aid decreased significantly between the following periods; 1991-1992; 1994-1997; 2004-2005; 2013-2014; 2015-2016 and 2017-2019. The highest value of debt forgiveness aid was $ 34.45 million in 2004 while the lowest value of debt forgiveness aid was $ 0.14 million in 1993.

Trend in Technical Cooperation Aid

The chart below presents the trend analysis of value of technical cooperation aid in USD (million) and time in years.

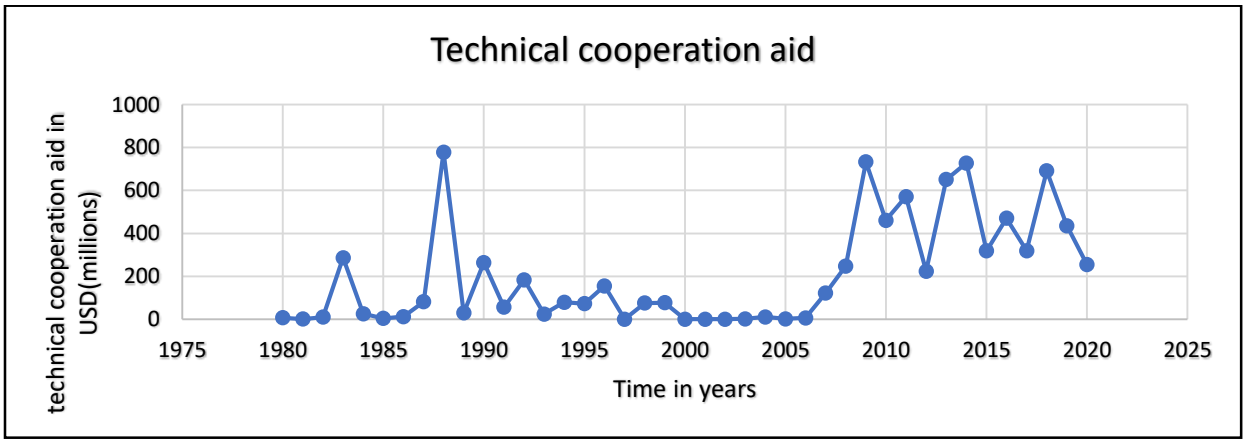

Fig 5: Trend analysis in technical cooperation aid

The graph of technical cooperation aid in USD (millions) against time in years reveal that the value of technical cooperation aid increased significantly in the following periods; 1982-1983; 1987-1988; 2006-2009; 2012-2014 and 2017-2018. The value of technical cooperation aid decreased

significantly in the following periods; 1983-1984; 1988-1989; 1998-2006; 2009-2012; 2014-2015 and 2018-2020. The highest value of technical cooperation aid was $ 778.42 in 1988 while the lowest value was $ 0.01 million in 2000.

Descriptive Data Presentation

Table 1 Descriptive analysis

Variables	Minimum	Maximum	Mean	Std. Deviation
GDP	5751.79	101013.73	29114.92	29529.22
ODA	311.25	3306.84	1209.87	919.87
Emergency &food aid	0	240.51	74.41	79.60
Debt forgiveness aid	0.14	34.45	13.53	8.64
Technical cooperation aid	0.01	778.42	205.40	250.09

The findings from Table 1 found that the average value of GDP in USD (millions) was 29114.92 with a standard deviation of 29529.22. The results also showed that the average value of ODA in USD (millions) was 1209.87 with a standard deviation of 919.87. Further, the findings of this study also revealed that the average value of emergency & food aid in USD (millions) was 74.41 with a standard deviation of 79.60. The results also found that the mean value of debt forgiveness aid in USD (millions) was 13.53 with a standard deviation of 8.64 while the mean value of technical cooperation aid in USD (millions) was 205.40 with a standard deviation of 250.09.

Correlation Analysis

Pearson's Correlation coefficient was used in the data analysis to show the relationship between foreign aid and economic growth in Kenya.

Table 2 Correlation Analysis

		GDP	ODA	Emergency food aid	Debt forgiveness	Technical cooperation
GDP	Pearson Correlation	1	.921**	.788**	.683**	.546**
	Sig. (2-tailed)		0	0	0	0
ODA	Pearson Correlation	.921**	1	.757**	.634**	.657**
	Sig. (2-tailed)	0		0	0	0
Emergency food aid	Pearson Correlation	.788**	.757**	1	.510**	.556**
	Sig. (2-tailed)	0	0		0.001	0
Debt forgiveness	Pearson Correlation	.683**	.634**	.510**	1	.460**
	Sig. (2-tailed)	0	0	0.001		0.002
Technical cooperation	Pearson Correlation	.546**	.657**	.556**	.460**	1
	Sig. (2-tailed)	0	0	0	0.002	

The findings in Table 2 showed that there was a positive and significant relationship between GDP and ODA (r = 0.921, p=000). There was also a positive and significant relationship between GDP

and Emergency & food aid (r= 0.788, p=000). This is an indication that ODA and the emergency & food aid provided by foreign countries to Kenya have contributed to its boosts in economic growth and development. This relates with the results of previous studies by Thuita (2020). On the other hand, the results in the table also reveal that there was a positive and significant relationship between GDP and debt forgiveness (r=0.683. p=000) and technical cooperation (r= 0.546, p=000).

Regression Analysis

The regression analysis was used to determine the influence of the independent variables on the dependent variable.

Table 3 Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.945a	0.893	0.881	10197.49		
		Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	31135404943	4	7783851236	74.853	.000b
	Residual	3743597628	36	103988823		
	Total	34879002570	40			
		Beta	**Std. Error**	**T**	**Sig.**	
	(Constant)		3074.795	-3.243	0.003	
	ODA	0.743	3.225	7.392	0.000	
	Emergencyfoodaid	0.22	31.246	2.615	0.013	
	Debtforgiveness	0.163	24.519	2.304	0.027	
	Technicalcooperation	-0.14	8.636	-1.915	0.064	

a Dependent Variable: GDP

b Predictors: (Constant), Technicalcooperation, Debtforgiveness, Emergencyfoodaid, ODA

The results from the regression analysis in table 4.3 presented the model of fitness, the analysis of variance (ANOVA) and the regression coefficients of the independent and dependent variables. The results of the model of fitness revealed that technical cooperation, debt forgiveness, emergency& food aid and ODA were satisfactory variables in explaining economic growth. This was supported by coefficient of determination also known as the R square of 0.893. This meant that technical cooperation, debt forgiveness, emergency& food aid and ODA explain 89.3% of the variations in economic growth. The findings also indicated that the model applied to link the relationship of the independent and dependent variables was satisfactory.

Furthermore, the results from the ANOVA revealed that the overall model was statistically significant. This was supported by the calculated F statistic of 74.853 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level. The results of the regression of coefficients found that ODA has a positive and significant impact on economic growth (β=0.743, p=0.000). This implies that a unit increase in value of ODA leads to an increase in economic growth by 0.743 units. These results were in agreement with those by Eregha and Oziegbe (2016) which noted that ODA had a positive and significant effect on countries in South Africa, Central Africa and Oil Exporting countries.

The results also showed that emergency& food aid has a positive and significant impact on economic growth (β=0.22, p=0.013). This implies that a unit increase in value of emergency &

food aid leads to an increase in economic growth by 0.22 units. These results concurred with those by Veiderpass and Andersso (2007) that indicated that foreign aid with possible short term growth effects, such as budget support and support to productive sectors, was found to have a strong positive effect on growth.

In addition, the findings also revealed that debt forgiveness has a positive and significant impact on economic growth (β=0.163, p=0.027). This implies that a unit improvement in value of debt forgiveness leads to an increase in economic growth by 0.163 units. These findings were similar to those of Romero-Barrutieta et al. (2015) which revealed that debt-relief episodes were likely to have only a temporary impact on debt levels but may have a lasting effect over the size of the economy, lowering GDP growth up to twenty percent over time.

The findings also showed that technical cooperation and economic growth are negatively and not statistically significant (β=-0.14, p=0.064). This implies that a unit improvement in value of technical cooperation leads to an increase in economic growth by -0.14 units. This also implies that since the p-value is greater than 0.05, technical cooperation was found to have no significant impact on economic growth. These findings were similar to those of Raez (2018) who found that technical assistance has a negative and significant impact on economic growth while non-technical assistance had a positive and insignificant impact on economic growth.

Conclusion

Based on the findings of the study, it was concluded that; ODA, emergency & food aid, debt forgiveness and technical cooperation had a positive and significant relationship with economic growth (GDP). ODA, emergency & food aid and debt forgiveness had a positive and significant impact on economic growth. Technical cooperation had a negative and no significant impact on economic growth in Kenya.

Recommendations

From the findings of the study, it was recommended that; financial policymakers should come up with better strategies on the management of the foreign aid funds so as to ensure they are efficiently utilized. Financial policy makers should consider foreign donors who can offer debt forgiveness aid since it will help Kenya in managing and reducing its debts. The national treasury should streamline the policies under implementation and management of all foreign aid funds they receive from foreign donors.

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