

AID SELECTIVITY PRACTICE AND AID EFFECTIVENESS IN SUB-SAHARAN AFRICA

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ABSTRACT

Foreign aid strategies have undergone restructuring as donors adopt aid selectivity practice to improve aid effectiveness. This study investigates the impact of aid selectivity practice on aid effectiveness (aid-growth relationship) in Sub-Saharan Africa (SSA) and several groups of countries within SSA from 1980 to 2012. Employing system generalized methods of moments (system GMM) technique; the study produces strong evidence that there is significant improvement in aid effectiveness due to aid selectivity practice.

Keywords: aid effectiveness, aid selectivity practice, Foreign aid, Sub-Saharan Africa