



THE EFFECTIVENESS OF FOREIGN AID TO POVERTY TRAP IN TERMS OF POOR COUNTRIES – CASE OF AFGHANISTAN

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ABSTRACT *Based on economic theories, foreign aid has a positive impact on poverty reduction in developing countries. Some economists, however, criticize foreign assistance due to poor outcomes of these aid inflow, these critics state that foreign aid increases corruption and bureaucracy significantly. The debate on effectiveness of foreign aid is still ongoing and outcomes of foreign assistances are under question yet. This research investigates the role of foreign aid on poverty alleviation in Afghanistan, using time series analyses covering a period of nine years (2006 to 2015). The study has mainly used secondary data. Households and NPISHs Final consumption expenditure per capita growth (annual %) has been chosen as main variable for measuring poverty.*

The study has found that foreign aid has positively affected poverty reduction via increasing NPISH final consumption expenditure per capita growth in the studied period. Severe poverty still exists mainly due to increase in corruption, misallocation of the aids, donor driven and lack of ownership of the aids by Afghanistan's government. Secondly, empirical evidence suggests that institutional quality, control of corruption and trade openness are vital for aid effectiveness. Economic growth and trade openness have been found to be necessary conditions for poverty reduction.

KEYWORDS- *foreign aid, poverty reduction, country development*

INTRODUCTION AND BACKGROUND

Foreign aid is a potential external capital, which plays an important role in the economic development in developing countries. Foreign aid first started with the Marshall plan as a post-war assistance in the late 1940s. Mainly these cash inflows were donated with the aim of reconstruction in the war-torn economy of Western Europe (Moyo, 2009). A successful outcome of the Marshall plan after the World War II was enough to lead the development of more optimistic ideas about the role of foreign aid and its effects on the developing countries. Foreign assistance became an essential prerequisite for economic advancement of the developing countries, especially while the economy is moving out of “low-level equilibrium traps” (Hjertholm and White, 2000). According to the World Bank, these financial flows are present with two main objectives; poverty reduction and promoting long-term

growth in developing countries and increasing short-term political and strategic interest of donor's countries (World Bank, 1998).

Following the decades of war, Afghanistan as a developing country received huge amount of developing assistance. After 2001, the country continued to be one of major recipients of international aid in the world (World Bank, 2010). Based on Organization for Economic Cooperation and Development - Development Assistance Committee (OECD-DAC) statistics, only United State donated net ODA to Afghanistan amounted to USD 118 Billion, presenting the country as one of the largest aid recipient among the developing countries. according to the world bank database, net ODA as a percentage gross national income (GNI) is still significant and high relative to many developing countries (13.43% on average from 2000-2010 reaching a peak of 19.15 in 2003). Poverty in Afghanistan is in a severe condition. Among the population, 35.8 percent lived under poverty line in 2011, with 20 percent of the population just above the povertyline, where the risk of falling under the poverty line is dominant. The data in hand belongs to the year 2011, due to lack of data in either national or international level for the recent years. The National Risk and Vulnerability Assessment (NRVA) reported that 53.8 percent of Kuchis (Nomadic people in Afghanistan), 37.7 percent of rural population, and 28.9 percent of people living in urban areas are living under the poverty line.¹ Poverty in Afghanistan defines to be a multi-faceted phenomenon, involving low assets (physical, financial and human), a long period of conflict insecurity and drought, poor infrastructure and public services.² Afghanistan is one of the poorest countries in the world. Mostly foreign aid is considered as main external tools to boost economic growth in different countries. It is essential to conduct a scientific research on whether foreign aids have been effective or not in Afghanistan. The main objective of this study is to find the effectiveness of foreign aid on poverty reduction in Afghanistan. What the government allocated the massive foreign assistance, what has been the outcome of the foreign aid for Afghanistan, what are the reasons if it is ineffective, and are that any alternative

¹ Afghanistan living condition, National Risk and Vulnerability Assessment 52. Available at: <http://www.af.undp.org/content/dam/afghanistan/docs/MDGs/NRVA%20REPORT-rev-5%202013.pdf>.

² Human Development Report, United Nations Development Program 2017. Available at: <http://hdr.undp.org/en/countries/profiles/AFG>.

ways to make use the foreign assistance more effectively to diminish the poverty and promote the country's development.

This study fills the literature gap of foreign assistance and economic development especially for Afghanistan. This research will find out the reasons if inefficient of foreign aid in AFG to help the country escape the poverty trap. This study will give policy makers and donors some suggestions to improve the effectiveness of foreign aid with the development goals.

LITERATURE REVIEW

The term 'Aid' commonly refers to the nominal value of direct and indirect financial recourses and cash flows from developed and rich countries to the poor countries or developing countries and can be in the form of military aid, economic aid, humanitarian aid, or emergency aid to the recipient countries. Based on the Tripathi definition, "foreign aid is the expression which mostly used to describe, the flow of financial and technical resources from the developed world to the under developing world" (Tripathi, 1981).

ODA widely well knowns as Official Development Assistance in economic literatures. This kind of aid mostly donates to reduce poverty and to promote economic development. Official Development Assistances (ODA) named as most common type of foreign aids, which mostly donates with the aims of boosting country development and poverty reduction to the non-developed countries (Williamson, 2011).

In the year 2000, international community founded the organization of millennium development goals (MDGs).³ The MDGs created to analyze the aid allocation failure on poverty reduction in recipient countries. Additionally, it agreed that the donors together set up an international action plan by increasing the amount of ODA to 0,7 % of GNI in 2015, towards reducing poverty in eight non-developed areas. (Aid Watch, 2011).

Conferences on Aid Effectiveness

While the economic theories mostly consistent to the pivotal role of foreign aid in spurring growth and development in the recipient countries (big push theory), the outcome of foreign aid from developing countries was not desirable as it was

³ The correspondence data on the eight MDGs can be obtained from appendix.

expected (Easterly, 2005). Therefore, international community joined at the Paris High Level Forum regarding Aid effectiveness, hosted by OECD. The aforementioned declaration consisted of 56 partnership commitments. In order to present a measurable and evidence-based method for tracking the progress of implementation as well as development of aid-based projects, it is based on the 12 indicators. The declaration established five further mutually reinforcing principles that closely secured the effectiveness of aid. In the following subsections, the aforementioned principles are briefly described:

- **Ownership:** In developing countries, taking the lead in development policies and strategies by the governments plays a vital role for maintaining a sustainable development. (OECD, 2008).
- **Alignment:** The donors would allocate their assistances in congruous with the priorities outlined in national development strategies in recipient countries. (OECD, 2008).

- **Harmonization:** to avoid the duplication and transaction cost in developing countries,

It was committed that the donors would properly coordinate their development work amongst themselves (OECD, 2008).

- **Mutual accountability:** In Paris declaration agreed that, mutual accountability; transparency and responsibility by both donors and recipient towards aid allocation, implementation, outcome and the impact of aid were to be made available to the citizens and parliament of both countries. Later, fragmentation in aid allocation negatively affected governmental plan for strengthens the national system. Additionally, based on the evaluations of the some NGOs, the Paris declaration on aid effectiveness was not implemented as planned in the forum (EuroDad, 2008). Therefore, later in the year 2008, Accra meeting was held in Accra city of Ghana. This meeting was continuing to the previous meeting regarding aid effectiveness, which held at Paris and Rome. Mainly the aim of this meeting (HLF-3) was to accelerate the development progress towards the millennium development goals. More than 100 senior minister from the different countries, delegates of aids institutions such as the World Bank, European commission, the head of United Nations, member of non-governmental foundations, was attended the third high level forum. (Accra Agenda for action, 2008).

Accra Agenda for Action (AAA) introduced the main areas which improvement towards reform was not desirable, and need to be speed up for a better outcome of the aids (Accra Agenda for Action, 2008). These areas defined as country ownership, Building effective partnerships for development, gaining development result, country's ownership over development, and building of country's institution.

Poverty

Poverty is a multi-definition phenomenon. According to the World Bank, poverty word refers to the people living without access to the basic and necessary resources for covering their basic needs such as food, drinking water and shelter. Poverty line is the measure of absolute poverty related to the \$1.25 or \$2 a day. The 1.25 poverty headcount ratios defined "the percentage of the population living on less than \$1.25 a day at 2005 international prices" (The World Bank Group, 2012). Based on poverty definition, people at the far down under the poverty line with \$1 or less a day stay more poor with less access to basic needs of normal life, while people close to the poverty line (but still under poverty line) with \$1.5 - \$2 a day satay in a better situation than the first group however still struggling with poverty, and people above the poverty line, as far as they stay above the poverty line, they have better access to the resources and live's standards. Therefore, poverty reduction can easily define as reduction in poverty measurement such as poverty gap index or poverty headcount ratio. Referring to the head count ratio, poverty reduction is quite easy to achieve by simply moving people closest to the poverty line from direct below it to direct above it (OECD, 2011).

Aid-Poverty Relations

Foreign aid is a new phenomenon to the economic lessons, having been formalized in 1947 while the economists began to search and discuses about it as new indicator effecting developing countries and its impact and the relation with the other economic factors in 1950s. Nurske and Lewis as earlier theorists present the foreign aid as external capital can provide efficient resources to boost developing countries into sustainable economic growth and to achieve desirable level of economic growth (Nurske, 1953; Lewis, 1954). While McGillivray mentioned that, there was no imperial studying which proves the impact of foreign aid and its relation with the poverty reduction in 1947, (McGillivray et al, 2006). Therefore, in follow try to justify the importance of the

foreign aid, aid- poverty relation and the effectiveness of the aid to poverty reduction and economic development.

Harrod-Domar and Gap Models

According to Easterly (1997), Harrod-Domer model is widely presented by development economists and aid policy makers to calculate the amount of aid need to be allocated to developing countries with the aims of development and increasing the economic growth rate.

Equation [1] shows the Harrod-Domer equation and relationship to the model.

$$g = S/V \quad (2.1)$$

Where g is growth rate of income in the Economy, S as savings rate of economy (available savings) and V is the capital output ratio. Excess in supply of the labor in economy presented as main assumption of the model, availability and productivity of the capital present as main factors effecting economic growth and level of savings will determine the level on investment to the economy (McGillivray et al, 2006). However, the creators of Harrod-Domar model was not clarifying this as main intention of the model, while development economists to find and specify rate of economic growth was using the Harrod-Domar relationship by estimating the saving-investment rate to the economy. (Clunies-Ross et al, 2009).

Foreign Aid ‘Channels Effecting Poverty

Mosley discuss that, here is three channels which foreign aid can effect on poverty reduction and country development in recipient countries. Firstly, aid can be efficient and have direct effects to the recipient countries while the aid money directly allocate to the projects, which has been targeted before and was originally intended. Secondly, the development outcomes can be affected indirectly by foreign aid via impress the spending of Public-Sector in recipient government. Therefore, Access to the aids and its availability gives the opportunity to the recipient country to reallocate their expenditures regarding their priorities. Lastly, “transfer of aid money raises the prices of some goods, depresses the price of some others, and hence has side-effects on the private sector of the recipient economy through the price system” (Mosley et al., 1987). Furthermore, Guillaumont and

Wagner looking from different angle to the subject and described that here are three microeconomic channels which mainly foreign aid can effect poverty through them. These channels include the effect of foreign aid on poverty through growthchannel, macroeconomic stabilizing effect of aid and social public expenditures(Guillaumont and Wagner, 2014).

RESEARCH METHODOLOGY

In this research,Household and NPISH Final Consumption per Capita Growth is selected to estimate poverty and using time series analysis by calculating the relationship between independent and dependent variables and determining the effect of each independent variable and its impact on the dependent variable. Furthermore, mathematical models were constructed to study the effect of independent variables which are represented in Subsidies and other transfers (current LCU), Debt forgiveness grants (current US\$), Grants and other revenue (% of revenue) , Net ODA received per capita (current US\$), on the dependent variable which is represented in Households and NPISHs Final consumption expenditure per capita growth over a period of time (2006-2015). The model function and study model are formulated as follows:

Dependent variable:

(Y): Households and NPISHs Final consumption expenditure per capita growth (annual %)

Independent variables:

(X_1): Subsidies and other transfers (current LCU)

(X_2): Debt forgiveness grants (current US\$)

(X_3): Grants and other revenue (% of revenue)

(X_4): Net ODA received per capita (current US\$)

(e): Error Termt: time

Study uses quantitative data to describe the independent variable and the dependent variables over a period of time (2006-2015) in form of quarterly data. Thus, the

research has 40 observations of the raw data regarding dependent variable and four independent variables and as motioned above. The data were obtained from the official sources represented by the Afghan national Statistical Center, Organization for Economic Co-operation and Development (OCED) and the World Bank.

Study Model

The present study used the Ordinary Least Square (OLS) to estimate the model. The characteristic of this method is that the total number of squares deviations from the observed values of the dependent variable is low (Attya, 2005). Ordinary Least Square has main assumptions that should be existed in any estimated regression model in order to depend on the results of the estimation and reliability. These assumptions define as random errors (residuals) follow the normal distribution, the mean of the model equals to zero, the error limits are homogeneous, meaning that the error variation is constant, and the error limits are independent of each other meaning that there is no self-correlation within the error limits (Gujarati, 2004). This method used during the estimation of model parameters.

Furthermore, in economics, the dependence of the dependent variable on independent variable values is not always instantaneous. It usually involves a time difference which is called a lag variable. The regression model or lag variables are necessary to deal with time series data. The general formula of the lagged regression model that contains more than one independent variable is written as follow:

$$Y_t = \alpha + \sum_{j=0}^k \beta_{1j} X_{1t-j} + \sum_{j=0}^k \beta_{2j} X_{2t-j} + \sum_{j=0}^k \beta_{3j} X_{3t-j} + \sum_{i=1}^m \gamma_i Y_{t-i} + \varepsilon_t$$

ANALYSIS

Descriptive Analyses of the Variables

The researcher used a set of statistical descriptive methods to describe the variables of the study. This was done by using some dispersion measures and measures of central tendency. The mean and standard deviation of each variable was calculated

As well as the lowest value and the largest value for each variable. Table below shows the most important statistical measures of the variables of the model.

Table4.1:The most important descriptive statistical measures of the study variables

Variables	Currency type	N	Mean	STD.D	Minimum	Maximum
Y	USD dollar	40	507.03	32.77	438.39	553.82
x_1	Local currency (billion)	40	12.52	5.92	3.00	21.49
x_2	USD dollar(million)	40	18.06	32.60	16.01-	115.43
x_3	USD dollar(thousand)	40	86.94	4.51	74.13	93.68
x_4	USD dollar(thousand)	40	181.82	41.54	102.20	232.21

Time Series Statistic Test

The following table 4.2 shows the results of the static tests using Augmented Dickey-Fuller (ADF) and (Phillips Perron -PP) to test the stability of the time series based on the level and on the first difference and the second difference. The study variables were static at significance level of 5% after taking the second differences according to the ADF test. According to the PP test, all the study variables are static at 5% of significance level after taking the first differences. We conclude from this that the time series are still static in the first class ($CI \sim (1)$) because it became stationer after the first differences according to the PP test.

Table 04.2: Unit Root Test results of the study variables

Variables	ADF			PP		
	Level	1 st df	2 ^{ed} df	Level	1 st df	2 ^{ed} df
Y	-2.92	-0.73	-4.97*	-1.88	-3.91*	---
X1	-1.16	-1.40	-6.22*	-1.56	-3.42*	---
X2	-1.60	-2.10	-4.25*	-2.49	-3.96*	---
X3	0.99	-3.73*	---	-2.98*	---	---
X4	-2.13	-1.70	-9.83	-1.67	-3.41*	---

Significant at 5%, according to the table values of Mackinnon (1996).

Co-integration Test of Study Variables

Table 4.3 shows the results of the Johansson tests for the co-integration represented in Trace. The result of the Trace test was that the number of vectors of integration ($r = 0$) and significant at 5% and thus we reject the null hypothesis and we noticed the presence of more 0 ($R > 0$) tend to be integrated, while the result of the null hypothesis test, which assumes that there is a single integration vector at most ($r \leq 1$), is not significant. Thus, this hypothesis is accepted and we noticed the existence of a single integration vector ($r \leq 1$). Therefore, we ensure that there is at least one co-integration vector between the model variables.

Table 4.3: Results of the co Integration Test according to Johansson method

Trace Test				
Trace Statistics	Critical value %5	Hypothesis	Null Hypothesis	
71.93	69.82*	$r > 0$	$r = 0$	
44.78	47.86	$r > 1$	$r \leq 1$	
21.55	29.80	$r > 2$	$r \leq 2$	
9.43	15.49	$r > 3$	$r \leq 3$	

*Trace test indicates 1 co- integrating eqn(s) at the 0.05 level

The Result of the Study Model

The research shows a detailed presentation of the results of the statistical estimation of the study model, which examines the relationship and effect of

independent variables such as Subsidies and other transfers (current LCU), Debt forgiveness grants (current US\$), Grants and other revenue (% of revenue), Net ODA received per capita (current US\$), on the dependent variable which is represented in Households and NPISHs Final consumption expenditure per capita growth. Whereas the largest variable were used to estimates the effect of independent variables in the previous years on the dependent variable in subsequent years. The length of the lag periods was determined by one time backward using the Akaike info criterion (AIC). According to that, the model was estimated by one lag period for the independent variables and the dependent variable, and then the insignificant limits were deleted and the model retained in its best form. Table 4.4 below shows the results of the estimation. The table includes the regression coefficients of the variables included in the model in their raw form and due to the difficulty of being interpreted. The economic elasticity of all the variables was calculated and included in the table below.

Table 04.4: Estimation of the regression model by the inclusion of lagged variables (one lag period)

Independent variables	Coefficients	Elasticity	Std. Error	T	p-Value	VIF
x ₁	1.71*	0.043	0.41	4.165	0.000	5.95
x ₂	0.08**	0.003	0.04	2.240	0.032	1.37
x ₃	-2.34*	-0.401	0.61	-3.806	0.001	6.29
x ₄	0.29*	0.104	0.06	4.994	0.000	5.43
Y _{t-1}	0.85*	0.847	0.04	22.466	0.000	1.59
Constant	205.90*	0.405	43.23	4.763	0.000	---

R-Square = 0.967, Adjusted R-square = 0.962, DW = 1.51
F-statistics = 195.662, Prob(F) = 0.000, Mean (VIF) = 4.13

*significant at 1%, ** Significant at 5%,

It is clear from the results of the previous table that the value of the modified limiting factor of the model was (0.962). This value means that the independent variables included in the model accounted for 96.2% of the change in the dependent variable (Households and NPISHs Final consumption expenditure per capita growth) Or 96.2% of the changes in the dependent variable are due to the independent variables included in the model in the table above. Concerning the effect of subsidies and transfers, the results show a positive and statistically significant at 1% where the regression coefficient is (1.71) and has a positive

economic elasticity (0.043), which means that the per capita response to the final expenditure of household consumption for subsidies and transfers is positive. So if a 100% increase in the size of subsidies and transfers, this will result in a change in the per capita per capita final expenditure of household consumption by 4.3%.

Concerning the effect of the debt forgiveness grant, the results indicate a positive and statistically significant at 5% where the regression coefficient is 0.08 with a positive economic elasticity of 0.003. This means that the final per capita expenditure of household consumption to grant debt forgiveness is a positive response, so if the value of granting debt forgiveness changed by increasing 100%, the size of per capita final expenditure of household consumption would change by this increasing by 0.3%.

Concerning the effect of grants and revenues, the results indicate a negative and statistically significant at 1% where the regression coefficient is (-2.34) with a negative economic elasticity of (-0.401), which means that the per capita response of the final expenditure of household consumption to grants and revenues is an adverse response, So if the value of grants and revenues increased by 100%, this would lead to a change in the size of per capita final expenditure of household consumption decreased by 40.1%.

Regarding the Net ODA received per capita, the results show a positive and statistically significant at 1% where the regression coefficient is 0.29 with a positive economic elasticity of 0.104, which means that Net ODA received per capita has a positive response, so if Net ODA received per capita increased by 100%, this would result in a 10.4% change in per capita final household consumption expenditure

Finally, regarding the effect of per capita final expenditure of household consumption, which is lagged for one period of time (three months), the results showed a positive and statistically significant at 1%. whereas the regression coefficient is 0.85 with positive economic elasticity 0.847 This means that the final per capita expenditure of households' self-consumption after three months is a positive response, so if the per capita value of the final expenditure of household consumption changed by 100%, this would be increased by 10.4% after three months.

The Coefficient of Determination and the Significance of the Model

The Independence of error limits (residuals)

According to the Drabbon Watson test (DW), the test range is between 0 and 4, and the closer it gets to zero there is a positive self-correlation, whereas if it gets closer to 4 there is a negative self-correlation. When it gets closer to 2, there is no a self-correlation (Diebold, 2018). In this model, the value of the measured test (1.51) which is a close value to 2, which supports the acceptance of the research hypothesis that there is no problem of self-correlation in the model residuals (see the results of the model estimate, Table 4.5). This confirms that the result of the (LM) test that reached (1.381) with a probability of (0.266=P-value) and greater than the level of 0.05 and it may confirm that there is no problem of self-correlation in the model residuals. Table 5 shows the results of the LM test of self-correlation.

Table 04.5: LM test results of self-correlation

Test	Test Value	Prob.
LM	1.381	0.266

Autocorrelation test

As one of the main assumption of the OLS model, we need to check the errors and find if the errors are independent to support our model and get sure about the model, which has been selected for the research. The following Figure 4.6 shows Test (Correlogram) for Residual, by drawing up the two attributes (Autocorrelation) & (Partial Autocorrelation), All test coefficients were not significant at level 0.05, This means that there is no Autocorrelation in model's Residual.

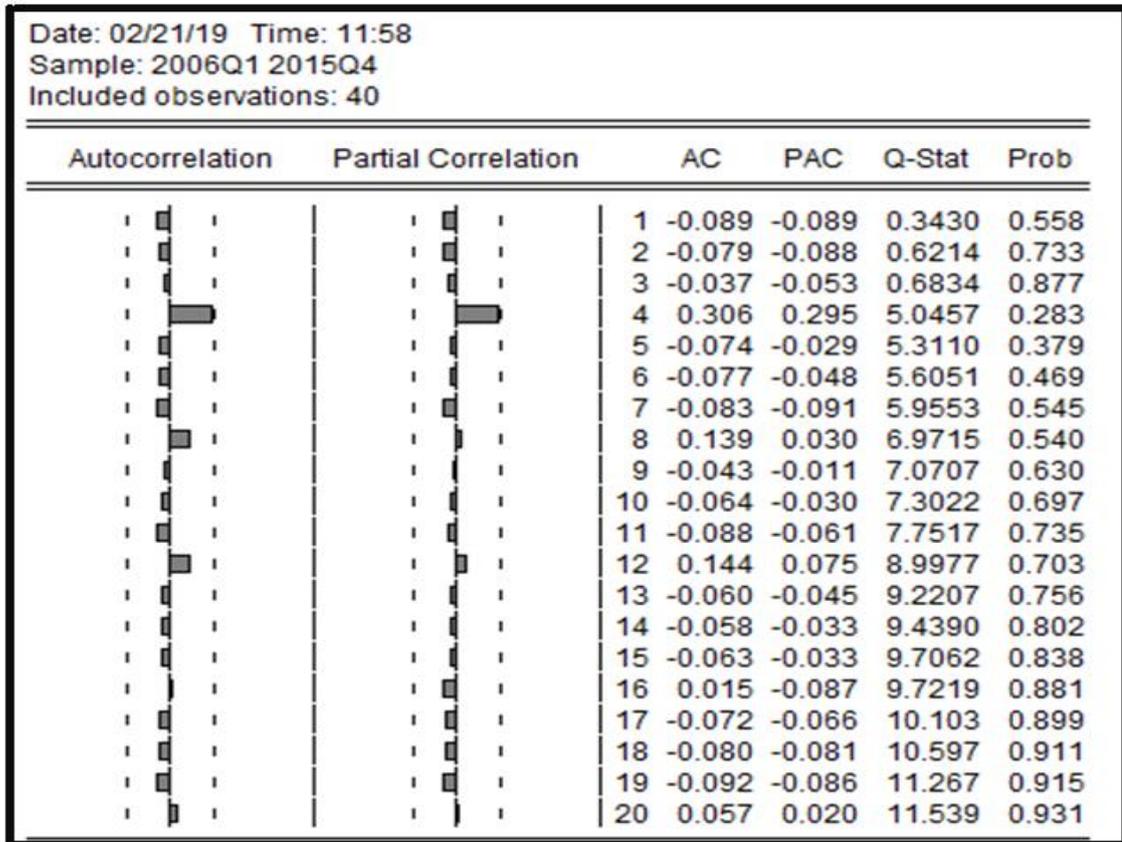


Figure 4.6: Autocorrelation and Partial Autocorrelation result.

Results of the other Test for the StudyModel

Equal average error limits of zero

The mean of the error limits for zero was tested using the One Sample T-test. The results indicated that the test value is equal to (T = 0.000) with a probability of P-value = 1.000 which is greater than 0.05, which supports the acceptance of the null hypothesis that states that the average of the error limits is zero. Table 4.7 shows the test results.

Table 04.6: T-test results of the mean of the error limits of zero

Test	Test Value	Prob.
One Sample T-test	0.000	1.000

Normal distribution of the error:

By using the Jarque-Bera test, the results indicated that the test value was 3.993 with P-value = 0.136, which is greater than 0.05 indicating acceptance of the null hypothesis which states that the random error limits are distributed naturally.

Homogeneity of error limits

The requirement of homogeneity of the error limits is intended to determine the variability of the error limits. This was verified by using the white test. The results indicated that the test value is equal to $F = 0.871$ with a probability of P-value = 0.619, which is greater than 0.05 indicating acceptance of the null hypothesis which states that the error limits are homogeneous. Table (4.9) Shows the results of the Homogeneity of Error Limits test.

Table 4.7: White test results of the homogeneity of error limits.

Test	Test Value	Prob.
White	0.871	0.619

CONCLUSION AND RECOMMENDATIONS

According to the findings of the research, the relationship between variables has been approved as following:

- The impact of Subsidies and other transfers on Households and NPISHs Final consumption expenditure per capita growth is (1.71).
- The impact of Debt forgiveness grants on Households and NPISHs Final consumption expenditure per capita growth is (0.08).
- The impact of Grants and other revenue on Households and NPISHs Final consumption expenditure per capita growth is (-2.34).
- The impact of Net ODA received per capita on Households and NPISHs Final consumption expenditure per capita growth is (0.29).

Research finding shows that subsidies and the other transfer, debt forgiveness grants, grants and other revenue and Net ODA received per capita growth have positively impacted Households and NPISHs Final consumption expenditure per capita growth. The findings state that an increase in the size of aids will cause an increase in amount of consumption in a society, while decrement in the size of aids have negative impact on final consumption per capita in a society. Based on the main finding of study, the hypothesis H_1 , which shows a relationship between foreign aid and poverty reduction, have been accepted, via positive impact of foreign aid on household final consumption per capita growth.

United states, the primary donor to Afghanistan, has donated \$122 billion since 2001.⁴ However, the GDP growth rate was 2.5 percent in 2017 and slightly higher than 2.2 percent in 2016, while unemployment and poverty rate have increased and corruption has risen.⁵ A survey done by (CSO.gov.af, 2016-2017) stated that poverty rates have increased from 36 percent in 2012 to 39 percent in 2014. This means that around 1.3 million fell under the poverty line. Furthermore, the survey shows 1 percent increment in unemployment rate over the last two years, which means the unemployment severe

⁴ Special Inspector General to Afghanistan Reconstruction, Private Sector Development and Economic Growth, April 2018, p. 13, (Accessed) <https://www.sigar.mil/pdf/lessonslearned/SIGAR-18-38-LL.pdf> , 5 July 2018.

⁵ ATR Consulting, Aid Effectiveness in Afghanistan, Swedish Committee for Afghanistan (SCA) Oxfam, 2018, p. 7, (Accessed) https://swedishcommittee.org/sites/default/files/media/aid_effectiveness_in_afghanistan_march_2018_0.pdf , 3 July 2018.

amongst illiterate and low-skilled workers have the greatest risk to be fell under the poverty line as well. The problems have emerged from careless spending of aids, lack of ownership by Afghanistan's government, fragmentations in donor programs and poor donor's adjustment to the country. The provided development assistances through off-budget channels were more fragmented. To avoid these problems, firstly, the donors should focus on development aid through on-budget channels and let the government to prioritize its own needs for sustainable development. Secondly, Afghanistan's government should take a firm stance toward ownership of foreign aids to increase aids effectiveness. As mentioned in previous chapter, the urban areas of Afghanistan are struggling more with poverty. Therefore, a long-term efficient national development strategy should be made by Afghanistan's government to lead both provinces and urban areas for symmetric development. Additionally, Afghanistan must promote anticorruption policies as a key factor to aid's effectiveness, and national development strategy should be thoroughly based on a mechanism where greater engagements of ordinary citizens is encouraged. Finally, this research suggests for Future studies to choose other indicators of poverty rather than consumption that may find out a better aid-poverty relation. Furthermore, future studies should more focus on aid-corruption relation to find out solution for decreasing corruption in Afghanistan.

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