ABSTRACT

This paper attempts to investigate the impact that foreign aid has on the economies of developing countries, taking Kenya as a case study.

There have been arguments about foreign aid and development. This has raised two schools of thoughts:
The first school of thought says that foreign aid is a necessary engine for development and growth. The justification for pro-foreign aid is that some developing countries have been able to reach developed country status with the help of foreign aid.

The second school of thought is that foreign aid hinders growth and development. The basis of this school is that some developing countries especially in sub Saharan Africa have been receiving foreign aid but they still remain underdeveloped.

The study uses OLS regression model and relates growth and foreign aid and shows that foreign aid has a positive effect on the economies of developing countries