

Is Foreign Aid Effective for Health and Environment Related Indicators?

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Abstract

A substantial amount of studies have attempted to find the effectiveness of foreign aid on development Indicators of developing countries. There is an ambiguity in the literature regarding the effectiveness of foreign aid, while there have been specific case studies that suggest a positive impact of foreign aid on projects that are supposed to impact the development Indicators positively. Despite this, there is no significant evidence that suggests that on the macro level, a country that receives aid tends to improve its development indicators. This is popularly known as “Micro-Macro Paradox” in the literature. To narrow down the analysis this study has focused on the 8 health and Environmental Sustainable Development Goals and its associated Indicators. This study has attempted to capture both the random fluctuations in the movement of the development Indicators and the channels that link Foreign Aid to the movement of development Indicators. Using the Monte Carlo Markov Chain Simulations, a set of Baseline Scenario and CounterFactual scenario simulations are generated, we test for the significance of the difference between the scenarios for each Indicator and each country.

Key Words: *foreign aid, development indicators, effectiveness, micro-macro paradox, health, environmental, Sustainable Development Goals, Monte Carlo Markov Chain Simulations, Baseline Scenario, Counterfactual scenario.*

JEL Classification: O11, O20, E10, C15