Tanzania: Foreign Aid and Domestic Savings in the Absence of Expenditure Switching Mechanisms

*G.D. Mjema**

INTRODUCTION

The macroeconomic effects of foreign aid on the development of a recipient, mainly Less Developed Countries, (LDCs) has been analysed in terms of the Harrod-Domar model. According to this model and its subsequent revisions the rate of growth of output (g) is equal to the savings rate (s) divided by the incremental capital-output ratio (k). Thus:

$$g = s/k \quad \text{...(1)}$$

During the 1950s and 1960s when the Harrod-Domar model was in vogue, foreign aid (including grants and soft loans) was expected to have positive and significant effects on the recipient's domestic savings. The rationale behind this thinking was that foreign aid inflows would induce an increase in investments, which would generate subsequent increases in income which, in turn, would raise domestic savings (see for example Chenery and Strout, 1966, Griffin and Enos, 1970, Rahman, 1975; Weiskopf, 1972; Snyder, 1990, Mjema, 1994; Bowles, 1987).

According to this paradigm, a recipient country growing at a rate consistent with marginal propensity to save (s) and a constant incremental capital-output ratio (k) receiving foreign capital inflow whose value, as a proportion of the Gross National Product is equal to ( ) would increase its economic growth rate (g) to:

$$g^* = (s+a)/k \quad \text{...(2)}$$

If the assumptions of the Harrod-Domar model hold, growth of output in equation 2 (i.e. g*) is higher than growth of output in the absence of foreign aid i.e. (g). This is the background on which foreign aid was solicited, disbursed and utilized in recipient countries. Most of this conventional wisdom on foreign aid prevailed and remained the unchallenged philosophy and was used as the rationale for foreign aid programmes throughout the 1950s and 1960s. However, during the early 1970s the Harrod-Dommar model, its assumptions and implications on the macro-economic effects of foreign aid to recipients' economies were seriously challenged (see for example, Griffin and Enos, 1970, Weiskopf, 1972). Griffin and Enos (1970), in particular pointed out that the empirical correlation between foreign aid and domestic saving across countries was negative and not positive. To explain this, researchers advanced what has been termed as the "revisionist" hypothesis that "foreign aid actually discourages domestic savings. The rationale for this was that aid-receiving countries were seen as engaging in "aid switching" activities. These (aid switching activities) included, among other things, the tendency of recipient governments to increase (government) consumption expenditures and reducing their efforts to collect taxes in anticipation of foreign aid flows. Several authors (including Weiskopf, 1972 and Rahman, 1975) tended to support this view.

In some recipient countries however, foreign aid is negatively correlated to domestic saving and yet there is no direct evidence of these countries engaging in aid switching activities. This suggests, in turn, that there could be other causes of the negative correlation between the two variables.

This paper revisits the foreign aid savings debate in the light of omitted variables like per capita income which could explain the (negative) relationship between aid and savings.

* Senior Research Fellow and Director, Economic Research Bureau, UDSM.

Beside per capita income this paper discusses other possible causes of this negative correlation between the two variables for the case of Tanzania. These are: paucity of data, the nature and volume of aid and the weak aid coordination machinery. A specific analysis is directed to the fact that in Tanzania foreign aid could possibly have more positive impact on domestic savings if it was directed to programmes that promote Small and Medium Enterprises (SMEs). The Foreign aid programmes targeted at promotion of SMEs could have encouraged more savings from these establishments and, through the multiplier process have a significant impact on income.

Apart from the introduction, the paper has three other parts. In part two, the theoretical underpinnings of the foreign aid-domestic savings debate are explored with a particular focus on causality. In part three the paper deals with the Tanzanian situation with a view to analysing the efforts by the government aimed at increasing (not relaxing) its tax and investment efforts. This section explores alternative causes of the negative relationship between aid and savings which are plausible for the Tanzanian situation. Finally in part four some concluding remarks and policy reflections are made.

THE FOREIGN AID-SAVINGS DEBATE

Following the Harrod-Domar tradition it is possible to identify either the foreign exchange or savings gap which limit the attainment of potential growth in LDCs as is often assumed in the so called "gap" theory. The role of foreign aid under these conditions is to relax the existing constraints and allow the recipient country to attain its potential growth (Chenery and Strout, 1966). Critics of the gap theory posit however that most LDC's growth is hampered by more than just two constraints. The other bottlenecks to growth include lack of skills, low levels of technology, low level of business skills and low promotion of small and medium enterprises (SMEs).

The revisionist school of thought is criticised especially on the hypothesis that there is a negative relationship between foreign aid and domestic savings. The main concern has been the lack of data and omitted variables. This has led critics to seriously question not only the econometric results obtained amid the data paucity but also their implications for foreign aid policy (Snyder, 1990). Where data is concerned it is argued that there are problems of determining domestic savings as this is calculated as a residual after consumption and other variables are deducted from total output (i.e. $Y-C-G- X+M = S$). In most recipient countries including Tanzania however, there is no simple and direct way of calculating domestic savings. In the case of omitted variables it is claimed (see for example Snyder, 1990) that previous models tended to neglect or down play the importance of per capita income in the savings equation.

In recognition of the importance of this (per capita income) variable it has been claimed that high per capita income countries tend to have higher savings ratios and smaller current account deficits (implying smaller aid inflows) than low per capita income countries (Bowles, 1987). Thus, it is argued that if foreign aid was distributed according to need and per capita income were used by donors as an index of need, aid and savings would have a "spurious negative correlation" because low per capita income countries simultaneously experience low saving rates and large aid inflows based on need.

Papanek (1972) has added other possible variables which could cause a negative correlation between aid and savings. These include existence of wars and political disturbances, sudden terms-of-trade changes and natural calamities like drought, earthquakes, and floods. Any of these factors could lower domestic savings and raise foreign aid receipts at the same time. Synder (1990) argues that all these factors might or might not be correlated with per capita income.

Apart from the omitted variables, Bowles (1987) has further suggested that the availability of low interest loans may reduce the incentive to save in the private sector. The result of this is that the savings rate fall as foreign aid inflows increase. However, there is a limit to which this argument can apply for a country like Tanzania where, for a long time there has virtually been no significant allocations of loans to the private sector from public or public guaranteed loans.

Furthermore, the argument that the availability of low interest loans reduce the incentive to save may apply to corporate savings. In the case of Tanzania, the availability of low interest loans could significantly increase savings from Small and Medium Enterprises. Infact this is the government medium and long term goal to provide low interest loans to SMEs.

The foreign aid-savings debate has been dominated by the causality aspect (Granger, 1969; Bowles, 1987). The Granger definition of causality is associated with prediction errors. Accordingly, if after extracting all the information from the past values of a variable the addition of another variable as a regressor would further reduce the prediction error variance, the latter variable is said to be causal. Thus, a variable is said to be causal if it explains the residuals of another variable which cannot be explained by the history of the explained variable (see Bowles, 1987).

Following Bowles (1987) and adopting Granger's definition of causality it is possible to set up a simple bivariate model to test the causal relationship between foreign aid (A/Y) and domestic savings (S/Y) in recipient countries like Tanzania as follows:

$$S/Y \sum_{i=1}^{M} aj\,(A/Y)t\text{-}j + \sum_{i=1}^{m} Bj\,(S/Y)\,t\text{-}j + \epsilon_t \ldots\ldots\ldots\ldots(3)$$

$$A/Y \quad \sum_{i=1}^{M} kj\,(S/Y)t\text{-}j + \sum_{i=1}^{m} Zj\,(A/Y)\,t\text{-}j + \mu_t \ldots\ldots\ldots\ldots(4)$$

Where:

S/Y = Savings as a proportion of Gross National Product.

A/Y = Aid as a proportion of Gross National Product. The error terms $\hat{I}_t$ and m_t are not correlated and aj, Bj, kj and Zj are coefficients.

Given these equations, it is possible to perform a time series data analysis for only one country (Tanzania). Appropriate equations for this purpose become:

$$S/Y = a10 + a11\,(Y/N) + a12\,(A/Y) + \mu_1 \ldots\ldots\ldots\ldots(5)$$

$$A/Y = a20 + a21\,(Y/N) + a22\,(A/Y)_{t-1} + \mu_2 \ldots\ldots\ldots\ldots(6)$$

Where μ_1 and μ_2 are uncorrelated error terms, other variables and coefficients are as discussed earlier.

According to the revisionist pundits coefficients a12 and a22 are both zero. Following this theory, causation runs from aid to domestic savings. In this case, aid flows are exogenously determined, the criteria being political preferences and self-interest of donors (Snyder, 1990). Under these circumstances there is no regard to recipient needs and aid is substituted for domestic savings. This is the basis of the claim that aid sometimes substitutes for the available domestic savings.

In the case of the critics of the revisionist theory coefficient a12 is zero, a21 is negative and coefficient a22 is either negative or zero. Here, there is no causation from foreign aid to domestic savings. Aid is given according to recipient's needs (as measured for example by the low per capita income or low savings). Notice however that if coefficient a22 is zero we encounter a situation whereby foreign aid and savings are causally unrelated but both depend on per capita income. Table 1 shows the results from international panel data for 50 LDCs during the 1960, 1970s and 1980s

The following section deals specifically with the Tanzanian situation. It highlights the country's investment and taxation efforts made since its independence in 1961 and links thesedevelopments to the aid-saving debate.

As stated earlier the section contain a discussion of how foreign aid could have significantly improved income in Tanzania if it was more focused on promotion of micro and medium scale enterprises.

Table 1: *Aid, Savings and Per Capita Income Estimates in Selected LDCs*

Dependent Variable	Independent Variable(s)	R^2	N	Method
(a) S/Y =	-0.40 (A/Y) (-5.37)***	0.16	150	OLS
(b) S/Y =	0.43 (Y/N) - 0.11 (A/Y) (4.41)*** (-1.16)	0.27	1.50	OLS
(c) A/Y =	-0.64 (Y/N) - 0.08 (S/Y) (-9.22)*** (-1.16)	0.46	150	OLS
(d) S/Y =	1.44 (Y/N) - 0.17 (A/Y) (5.94)** (-1.42)	0.69	150	FE
(e) A/Y =	-0.67 (Y/N) - 0.12 (S/Y) (-2.61)*** (-1.43)	0.78	150	FE

Source: Bowles, (1987).

Notes:

OLS represents Ordinary Least Squares regression technique.
FE represents fixed effects regression technique.
N = sample size.
*** = significant at 5% level of text.
Figures (in brackets) below each coefficient are t-ratios.

INVESTMENT, TAXATION TRENDS AND THE FOREIGN AID-SAVING DEBATE

Causal Factors of Negative Relationship Between Aid and Savings

A number of studies have found a negative correlation between foreign aid and domestic savings in Tanzania (Danielson *et al*, 1994; Mjema, 1994). Few studies have however gone to the extent of identifying the causal links between foreign aid and domestic savings for the case of Tanzania. Studies which have undertaken to find explanations for the negative relationship between these variables have identified several causes including; existence of wars, sudden decline in the terms of trade, relaxation of government efforts and indulgency in aid switching manoeuvres (Weiskopf, 1972; Snyder, 1990; Rahman, 1975). The purpose of this section is to analyse these factors and show how they help to explain or are unrelated to the negative relationship between foreign aid and domestic savings in the case of Tanzania.

Tanzania received a substantial amount of foreign aid from bilateral and multilateral sources especially during the 1970s and 1980s (Bagachwa *et al*, 1987). In 1985, for example, the aid per capita in Tanzania was US $17 and rose significantly to US $31 in 1992 before stagnating at US $26 in 1998 and 1999. Over the 1980-92 period the average per capita Official Development Assistance (ODA) for Tanzania was US $27 and was lower than the per capita ODA for countries including Somalia (US $51) and Botswana (US $83) (Bagachwa *et al*, 1997). Even the borrowing conditions on loans to Tanzania (e.g. grant element, average grace periods) were 'softer' compared to loans conditions on loans to other SSA countries (Mjema, 1994).

Tanzania has been, to a large extent, a politically stable and peaceful country. The exception is a brief period from 1978 to 1979 when Uganda (then under dictator Idd Amin) invaded Tanzania and the country was forced to wage a war with the invading forces. This fact which is almost unique to the politically unstable Great Lakes region has accounted for the relatively high aid flows to Tanzania. In the late 1960s and most of the 1970s some donors (including Scandinavians, Netherlands, etc) were attracted by Tanzania's socialist and egalitarian leaning policies. During the mid 1980s to the current period international financial institutions (IFIs) appear to have been attracted to Tanzania by its political stability and its remarkable progress toward the economic restructuring process especially the adoption of economic liberalization policies.

There is no evidence that Tanzania has utilized aid resources for more consumption than investment purposes. During the 1960s, 1970s and early 1989 most of the aid resources were used to expand the social services delivery capacity (education, health and water services). This is corroborated by the fact that Tanzania made an impressive record in primary school enrolment rates, adult education and in the expansion of health care centres to the rural areas during that time. Tanzania's egalitarian policies of that era dictated that foreign aid resources be used to improve the living standards of people all people especially those living in the rural areas. The composition of Tanzania's imports (Table 2) does not suggest that there is priority being given to consumer over capital imports.

Table 2: *Tanzania's Imports by Major Category (% of Total)*

	Category	1995	1996	1997	1998	1999	2000
A	*Capital Goods of which:*	*0.36*	*0.359*	*0.428*	*0.485*	*0.443*	*0.422*
	Transport Equipment	0.136	0.145	0.193	0.154	0.149	0.151
	Building and Constructor	0.032	0.030	0.065	0.084	0.078	0.085
	Machinery	0.189	0.184	0.170	0.248	0.216	0.186
B	*Intermediate Goods of which:*	*0.39*	*0.381*	*0.289*	*0.171*	*0.20*	*0.211*
	Petroleum Oil	0.12	0.114	0.131	0.065	0.093	0.09
	Fertilizers	0.007	0.016	0.017	0.007	0.044	0.011
	Industrial Raw Material	0.26	0.25	0.141	0.098	0.101	0.10
C	*Consumer Goods of which:*	*0.25*	*0.25*	*0.282*	*0.341*	*0.355*	*0.36*
	Foods and Food Stuffs	0.05	0.25	0.282	0.243	0.146	0.12
	All others	0.20	0.00	0.00	0.098	0.209	0.24

Source: TRA, Customs Department, 2000.

Although a substantial amount of resources have been used to expand the social sector, Tanzania also used aid resources to expand investments (for example in industrial and mining activities). During the early 1980s for example, the share of investment (measured by the gross fixed capital formation) in the country's GDP as estimated at 30% (Maliyamkono and Bagachwa, 1990). The weakness of this expansion was however that the efficiency of the investment was extremely low (Mjema and Anders, 1998).

The trend shown in Table 2 is one which capital goods imports have been significantly higher than consumer goods imports. During the 1995-2000 period for example, capital imports averaged 41% of total import compared to imports of consumer goods which averaged 30% of total imports. Given this trend it is not plausible to posit that there has been a deliberate government policy that gives priority of consumer over capital goods imports.

Tax Trends

There is similarly no evidence to suggest that the Tanzanian government has relaxed its tax effort, at least for the 1986 period - to the current (2000) period (see for example, Osoro, 1997, URT, 2000). To the contrary, the government has made efforts (Table 3) to collect tax revenues and other taxes.

Table 3: *Trends in Tanzania's Budget Performance - 1994/95-1999/01* (%)

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
1. TOTAL REVENUE	100.0	100.0	100.0	100.0	100.0	100.0
(a) Tax Revenue	76.9	77.5	77.3	76.7	71.7	64.8
Customs and Excise Duties	30.4	34.2	33.4	32.3	27.9	26.0
Income Taxes	28.9	27.1	24.9	26.5	26.5	30.6
Sales taxes/VAT	24.2	22.0	24.4	24.4	33.8	32.5
Other taxes	16.5	16.7	17.3	16.8	11.9	11.0
(b) Grants	15.0	9.5	12.5	16.2	19.8	26.6
2. TOTAL EXPENDITURE	100.0	100.0	100.0	100.0	100.0	100.0
Recurrent expenditure	92.8	98.9	95.3	78.2	85.3	69.2
Current payments	77.5	75.6	64.3	66.1	74.5	84.2
Debt service incl. Redemption	22.5	24.4	35.7	33.9	1.8	15.8
3. TOTAL FINANCING	100.0	100.0	100.0	100.0	100.0	100.0
Foreign loans	65.6	72.9	63.6	200.9	76.5	165.8

Source: BOT (2000).

It has introduced the Value Added Tax (VAT) to simplify the taxation procedure. The government has introduced several measures to enforce tax pay compliance. While in the past there were concern over leakages in tax revenues through tax exemptions and tax evasion, the government of Tanzania has taken measures to plug off the leakages. Table 3 shows trends in budgetary performance in Tanzania for the 1994/95-1999/00 period.

In 1994/95 income tax contributed about 28.9 per cent of total tax revenue. By 1999/00 this share had increased to 30.6 per cent. Although tax revenue has declined from 76.9 percent of total revenue in 1994/95 to 64.8 percent in 1999/00 overall it has remained over 60 percent. The government has made concerted efforts towards increased tax collection.

In a move aimed at increasing tax payer compliance currently the government and its agencies are paying taxes. All this suggest, in turn, that the negative relationship between foreign aid and domestic savings for the 1985 to 2000 period observed in the following equation (7) is not caused by relaxation of tax effort in Tanzania.

$$S/Y = 2.5 + 0.34(Y/N) - 0.16\,(A/Y) \quad \text{(7)}$$
$$(1.5) \quad (3.2)^{***} \quad - \quad (1.8) \qquad R2 = 0.54$$
$$DW = 1.7$$

Note: Figures in brackets below each coefficient are t-ratios.

Although the coefficient on aid (A/Y) is not significant at 5% level of confidence, the sign is still negative. As the causes of the negative correlation between domestic savings and foreign aid do not appear to provide a comprehensive explanation in the case of Tanzania an attempt is made in the following section to search for alternative causes of this relationship.

Small and Medium Enterprises

Akin to the case of private sector development in general, there has not been a deliberate effort to channel foreign aid to promote micro, small and medium-sized enterprises. This is unfortunate because a number of studies including those by Nyoni (2002) have indicated that one of the key constraints which hinder SME development is lack of capital. The other way of promoting SMEs could have been to channel aid towards the promotion of training programmes and capacity building measures to ensure that these organizations are sensitised on the importance of savings for the future development of their enterprises. This could have been a plausible way of developing a sense of self-reliance and eventually promotion of sustainability after the phasing out of aid programmes. Various studies including those by Maliyamkoni and Bagachwa (1990) have pointed out that if SMEs are assisted they could have significant impact on employment generation, income generation as well as on business skills promotion.

ALTERNATIVE SOURCES OF THE NEGATIVE CORRELATION BETWEEN AID AND DOMESTIC SAVINGS

One of the sources of the negative correlation between aid and domestic savings is the method of calculating domestic savings and the nature of data in Tanzania. As explained earlier, in most LDCs (including Tanzania) domestic savings are calculated as a residual from the national income identity. The resulting saving figure could differ from the one derived from calculating actual savings. This is linked to data problems in LDCs. As pointed out by Yeats (1990) statistics in most African countries are known to be deficient and could as well be a plausible source of the negative correlation between aid and savings.

Secondly, some form of aid (e.g. military assistance, food aid, etc) is actually meant to be used for direct consumption and not for saving purposes. The type of aid received in the early 1970s and early 1980s when Tanzania was faced with drought and hence acute food shortages could not possibly have been aimed at increasing domestic savings. The same can be said of the foreign aid received during the *El-Nino* related floods which disrupted food production.

Thirdly, for aid to have any significant positive impact on domestic savings, it must have first a strong positive impact on per capita income. One way in which aid could have a significant impact on income is to ensure that it is channelled and directed to people who need it most. In the Tanzanian case one group which needs it most are SMEs operators. The absolute amount of foreign aid directed to Tanzania so far has not succeeded to have any significant impact on per capita incomes especially to people living in rural areas.

Fourthly, the designing, implementation and monitoring of aid programmes in Tanzania has left much to be desired (Helleiner, 1996). Until recently over-dependency on aid funds and donor driven programmes were a common phenomenon in Tanzania. In addition, for a long period since the 1970s there has been no concerted efforts by the government to co-ordinate foreign aid resources. Realising this, and eager to correct this weakness the government has formulated the Tanzanian Assistance Strategy (TAS) with a view to effectively coordinate foreign aid resources.

These factors could supplement those cited by Rahman (1975), Weiskopf (1972), Snyder (1990) and Bowles (1987) in explaining the negative correlation between foreign aid and domestic savings in Tanzania. Future analytical work could be focussed more on this area.

CONCLUSION

The paper has tried to shed some light on the sources of the negative correlation between domestic savings and foreign aid globally and specifically in Tanzania. As argued, this cannot be explained by the existence of war although the sudden decrease in terms of trade could partly explain this negative correlation. Moreover, there is no evidence that aid inflows to Tanzania have increased imports of consumption goods more than imports of capital goods. Available data suggests that in that period considerable efforts were made towards increasing investment.

The paper also rejects the hypothesis that the Tanzanian government has substituted foreign aid with relaxed tax efforts. Instead, it is argued that the government has increased its tax efforts during the past 10 years. In oredr to explain the negative correlation between domestic savings and foreign aid the paper tries to look beyond these factors that are traditionally highlighted in economic theory, and which for this task have apparently limited value in explaining the said casuality.

The following factors seems more well-fitted in the Tanzania context. The first factor is the recurrent problem of insufficient or reliable data on both foreign aid flows and domestic savings. This is a source of distortion in the analysis. Secondly, some foreign aid is delivered in the form of goods or directed towards consumption and not for increasing savings. Foreign aid has not had significant impact on the growth of per capita incomes in Tanzania which is a precondition for increased domestic savings. This stresses once again the importance of efficient design, monitoring and implementation of foreign aid programmes. Channelling of aid flows and focussing it to promote SME development could have produced the positive correlation between aid and domestic savings in Tanzania.

REFERENCES

Bagachwa, M. G Mjema, J. Shitundu and S. Wangwe (1997)
"A Study of Aid Effectiveness: The Case of Danish Aid in Tanzania." ERB and ESRF in Collaboration with CDR, Copenhagen.

Bank of Tanzania, (Various)
"Economic and Operations Report. Dar es Salaam: BOT.

Berlage, L. and O. Stokke (1992)
Evaluating Development Assistance: Approaches and Methods. London: Frank Cass/EADI.

Boesen, J., M. Stogard and T. Moody (1977)
Ujamaa: Socialism From Above. Uppsala: Scandinavian Institute of African Studies.

Bol, D. (1995)
"The Effectiveness of Aid Intentions." Paper presented at Conference on Aid Effectiveness in Tanzania, Dar es Salaam, Tanzania.

Bowles, P. (1987)
"Foreign Aid and Domestic Savings in Less Developed Countries: Some Tests for Causality." *World Development* Vol. 15. No. 6.

Chenery, H.B. and A.M. Stout, (1966)
"Foreign Assistance and Economic Development", *American Economic Review*, Vol. 56 , pp. 679-733.

DANIDA (1985)
Agreed Minutes of Denmark-Tanzania Aid Consultations, Dar es Salaam, Tanzania.

Doriye, J., H. White and M. Wuyts (1993).
"Fungibility and Sustainability: Import Support Aid to Tanzania." Stockholm: SIDA.

Granger, C.J., (1969)
"Investigating Causal Relationships by Econometric Models and Cross Spectral Methods." *Econometrica*, Vol. 37 .

Griffin, K. and J. Enos, (1970)
"Foreign Assistance Objectives and Consequences." *Economic Development and Cultural Change*, Vol. 18 (1970).

Griffin, K., (1970)
"Foreign Capital, Domestic Savings and Econometric Development." *Oxford Bulletin of Economics and Statistics*, Vol. 32 .

Jepma, C.J. (1991)
The Tying of Aid. Paris. OECD Development.

Kennedy, C. and A.P. Thirwall, (1970)
"Comment on Griffin." *Oxford Bulletin of Economics and Statistics*, Vol. 33 (1971).

Maizels, a. and M. Nissanke, (1984)
"Motivations for Aid to Developing Countries." *World Development*, Vol. 12, No. 9.

Maliyamkono, T.L. and M.S.D. Bagachwa (1990)
The Second Economy in Tanzania. London and Athens: James Currey.

Mosley, P., (1980)
"Aid, Savings and Growth Revisited." *Oxford Bulletin of Economics and Statistics*, Vol. 42 .

Nyoni, T.S.S. (2002)
"Enterpreneurship and the Nyerere Legacy: Towards Self-Reliance and Poverty Free Tanzania" in A. Mbelle, G. Mjema and A. Kilindo (Eds). *The Nyerere Legacy and Economic Policy Making in Tanzania.* Dar es Salaam, (DUP Limited).

Papanek, G., "Aid, Foreign Private Investment, Savings and Growth in Less Developed Countries", Journal of Political Economy, Vol. 81 (1973).

Papanek, G., (1972)
"The Effect of Aid and Other Resource Transfers on Savings and Growth in Less Developed Countries." *Economic Journal*, Vol. 82 .

Snyder, D., (1990)
"Foreign Aid and Domestic Savings: A Spurious Correlation". *Economic Development and Cultural Change.* Vol. 39 (1).

Stewart, F., (1971)
"Comment on Griffin." *Oxford Bulletin of Economics and Statistics*, Vol. 33.

Weisskopf, T., (1972)
"The Impact of Foreign Capital Inflows on Domestic Savings in Underdeveloped Countries." *Journal of International Economics*, Vol. 5 .