

Foreign Aid and the Public Sector Budget Process in a Developing Country: the case of Cameroon

Tabi Atemnkeng Johannes

**Faculty of Economics and Management
P.O. BOX 110 Dschang
University of Dschang, Cameroon
jtabiatem@yahoo.com**

Paper presented at the First International Conference on the State of Affairs of Africa (ICSAA), to be held from October 26 - 28th, 2006 at the Boston Quincy Marriot Hotel in

Quincy, MA, to address the crippling development crisis in Africa, Conference organized by the International Institute for Justice and DevelopmentSM (IIJD), Inc.

Foreign Aid and the Public Sector Budget Process in a Developing Country: The case of Cameroon

Abstract

Foreign aid is an important source of finance to a majority of developing countries since it supports the budgetary process and therefore enhances the development of these countries. In this paper, a welfare utility maximization function is used to determine how government spending and tax revenue respond to aid flows. The empirical evidence supports the hypotheses that in Cameroon, during 1965-2002, foreign aid had a positive effect on total government expenditure, government investment expenditure and recurrent spending on education, agriculture and communication. The study also provides evidence that, aid flow leads to greater tax efforts.

I. INTRODUCTION

For many years, the standard model used to justify aid was the “two-gap” model of Chenery and Strout (1966). In this model, the first gap is between the amount of investment necessary to attain a certain rate of growth and the available domestic saving, while the second gap is the one between import requirements for a given level of production and foreign exchange earnings. At any moment in time, one gap is binding and foreign aid fills that gap. Critics of this model have argued that foreign aid substitutes domestic resources through declined savings, reduced government tax revenue and increased government consumption. With the renewal of the debate, the question remains as to whether external assistance complements or substitutes available domestic resources.

There is need to analyze the impact of aid flows on the budget process by establishing the link between aid and public expenditure. A stronger association of aid with higher government consumption rather than with public investment would

suggest both a “flypaper effect” and fungibility. This may imply that aid recipient governments view foreign aid like any other source of revenue and consequently use it for increased consumption, tax reductions or reduced fiscal deficits (future tax obligations). An interesting question would be what proportion of increased spending resulting from increased donor funds goes to either recurrent or development expenditures. The answer can shed some light on the implications of an aid freeze to recipient countries, and highlight how governments in developing countries respond to resultant fiscal deficits.

A study of this sort has been done in Kenya based on aggregated data, e.g. total public expenditure and public investment expenditure (Njeru, 2004). However, a more detailed breakdown of the sources of expenditure use by the public sector at the sectoral level, e.g. education, health, agriculture, communication, public works and transport, roads equipments, defence, etc would shed more light on the understanding of how policy makers in aid recipient country make their public sector decisions.

In light of the recent re-thinking of foreign aid, brought on by “aid fatigue” in donor nations and questions of aid’s effectiveness, this paper examines the extent of aid fungibility in Cameroon. The question is what does aid ultimately finances or what form of public expenditure is supported by donor funds? This is very important because some public spending have direct link with some macroeconomic variables like productivity and growth than others. The debate on aid effectiveness has focused on evaluating the impact of aid on growth. Despite the increasing emphasis on poverty reduction as an objective of foreign aid, the empirical literature seeking to evaluate the direct impact of aid on poverty and human well-being is sparse and weak (Feni, 2003).

Growth is often viewed as the primary driver of poverty reduction and therefore inferences of the impact of aid on poverty are commonly drawn from the impact of aid on growth. However, foreign aid can reduce poverty via other channels than growth. For example, foreign aid can finance projects which directly benefit the poor. Alternatively, aid can have an indirect effect by financing areas of government spending which are likely to benefit the poor. Kosack (2003) finds that aid can directly increase welfare but only in democracies. However, there is strong evidence that

foreign aid has an indirect impact on poverty and well-being through its impact on pro-poor expenditures of recipient countries (Mosley and Hudson, 2001, Verschoor and Kalwili, 2002, Gomanee and Morrissey, 2002, and Gomanee and others, 2003). Since foreign aid therefore supplements government revenue, it is very hard to isolate the effects of aid from the impact of other government expenditures. The general perception is that it had little impact on growth and poverty reduction since successive governments directed little expenditure towards the social sectors. Foreign aid can boost development and growth by funding the expansion of crucial investments, such as in education, health or infrastructure (Roberts, 2003). Aid can even fund expanded consumption, which again, under the right circumstances such as wages/salaries for teachers and health workers can foster economic progress. A number of other studies have come up with findings that aid leads to larger increases in investment than consumption, and arguing with evidence that aid does support growth through supporting government investment (Maipose, 2004).

As reviewed in Njeru (2004), studies on the literature of the impact of foreign aid on government expenditure are inconclusive. A few studies have supported the theoretical proposition that developing countries have been rendering foreign aid fungible by transferring resources from the donor-aided sectors to non-donor aided sectors. Studies using time series data in individual countries have also found no significant diversion and all agree that countries spend foreign aid funds on the designated purposes (Njeru, 2004). Feyzioglu et al. (1998) using cross country data from 14 developing countries found that aid is not fungible at aggregate levels in smaller samples, but that increasing the number of countries makes aid fungible. At sectoral levels, the study found that aid is fungible on earmarked concessional loans for agriculture, education and energy, but not for transport and communication sectors. Aid money increased government expenditures on a roughly one to one basis for the smaller samples. Increasing the sample to 37 countries changed the results; a dollar's worth of aid led to significantly less than a dollar's worth of government expenditure (a weaker flypaper effect). Devarajan et al. (1998), in the study "What does aid to Africa finance?" found that most aid (90%) boosted government expenditure. About half the

aid was used to finance external debt service payments; one quarter financed investments and the other quarter offset current account deficits. At sectoral level, aid was highly fungible in health, industry and agriculture. Aid to the energy, transport and communication sectors was partially fungible, while that to education was the least fungible. Njeru (2004) in his empirical results indicate that the flow of foreign aid does influence government spending patterns. On average, an increase in foreign aid stimulates development spending by a higher proportion than does an increase in domestic resources. The finding concurs with most studies on aid fungibility, which argue that foreign aid finances general government spending and not the targeted development activities (see among others Pack and Pack, 1993; Feyzioglu et al., 1998; Devarajan et al., 1998). On the issue of aid fungibility, it is increasingly acknowledged that there is nothing basically wrong if aid is integrated into recipient budgets and such monies are put to good use - a situation that depends on the quality of policy and institutional environment (Maipose, 2004).

However, aid when it is large and continuous, can have unintended negative development impacts such as undermining institutional capacity in African countries. The widely known “knock-on effect” that serve to retard development in the economy-possibly on a permanent basis are: the effects of the “Dutch disease” (which retard export competitiveness and diversification of exports); the possibility of depressing taxes (“fiscal Dutch disease”), and savings: and the crowding-out of private investment (Maipose, 2004). This paper finds out whether overdependence on foreign aid can lead to these “knock-on effects” by concentrating on the tax side. Research findings have been contradictory on these issues. Some studies of aid and tax effort, such as the work of White (1994), found that foreign aid tends to be associated with reduced tax effort, while a study covering 18 African countries by Devarajan et al. (1998) found that aid did not reduce tax effort. Interestingly, the policy implications on the aid-growth nexus also tends to differ, hence the need for more research in this area. On the expenditure side of the budget, we posit here that aid can be absorbed without suffering from diminishing returns if it highly correlates with public expenditure.

Thus, my study is like assessing whether aid is well managed or whether it is really integrated in the national budget, and also checking out if it retards the development of other sources of recipient's government revenue. An econometric technique with data from 1965 to 2002 is used in the analysis. The controversies surrounding 50 years of empirical research on the Aid-Growth nexus may stem from the fact that aid flow is not well utilized .i.e. does not go into the appropriate budgetary head or results to fiscal disincentive effects. As reviewed in McGillivray et al. (2005), some studies concluded that the aid-growth nexus was negative, others concluded it was positive, and others found no relationship at all. Aid either worked, or it didn't, it seemed. The failure of aid flow to support growth may be due to poor and wrong use of such financial flows as well as the freezing of other revenue sources. Finally, it would be also interesting to look at what happens to the economy in periods of declines in the flow of aid. Official flow volatility in Cameroon is relatively high than the average for Sub-Saharan Africa (Kahn and Amia, 2004). Bulir and Lane (2002) show that aid is significantly more volatile than domestic fiscal revenues and thus poses challenges for short-term fiscal management.

II. BACKGROUND ISSUES

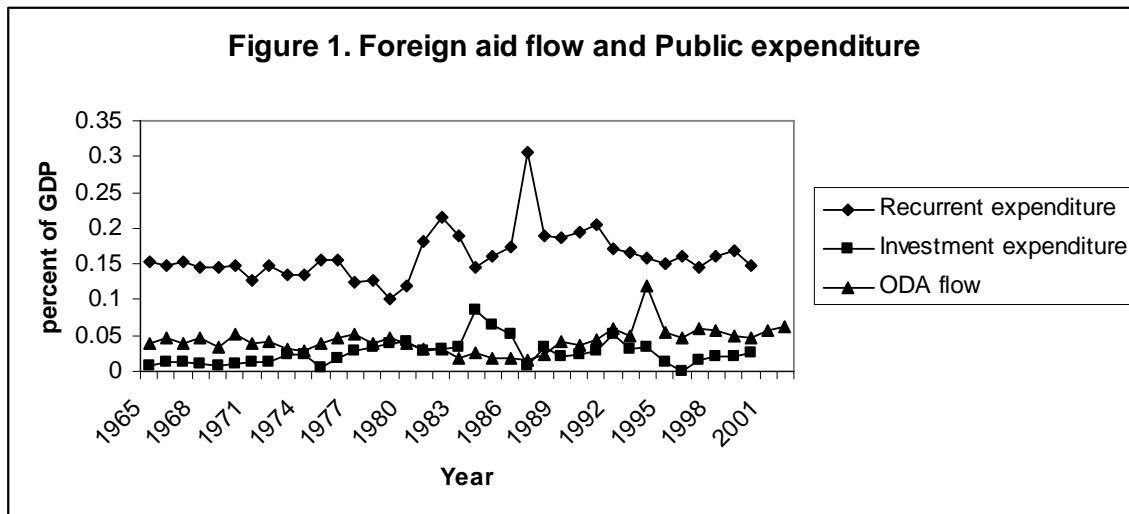
The budget, specifically its taxation and public spending aspects, is a vital instrument in the provision of public goods and services and the alleviation of poverty. The budgetary revenue or situation of a country is conditioned by the economic performance of that country.

Economic development in Cameroon has passed through three main phases. From independence in 1960 until 1985, the economy experienced impressive growth performance thanks to oil exploration and a sustained agricultural production backed up by strong world market prices. Alongside, the government was able to meet its revenue needs while simultaneously providing social services to the population, following a sustainable and consolidated public finances. After 1985, (i.e. as from 1986) much of the progress of the previous two decades was undone due to lower export earnings that came as a result of a fall in oil and other export prices. The major weaknesses of the economy of Cameroon were exposed, as budget deficit increased

despite many steps to reduce public expenditures with the hope of increasing revenue and reducing deficits. In response to these structural problems, Cameroon signed a stand-by arrangement with the IMF in September 1988 and a structural adjustment loan in June 1989. The Structural adjustment programme (SAP) was to address the country's structural problems and external shocks. The economy did not greatly improve despite reduction in public expenditure, restructuring and liquidation of some public companies and institutional reforms (Amin, 1998).

A look at the evolution of the government's current and investment expenditures provide some interesting features. First, from the 1960s both expenditures increased, with the current expenditures reaching their peak in 1987 (about 31 percent of GDP) and investment expenditures reaching their peak in 1984 (about 9 percent of GDP). Second, investment expenditures were much lower than current expenditures. Third, the first drastic cuts fell on investment expenditure, bringing it to about 2 percent of GDP in 1987. The current expenditures were cut much later in the 1990s (see figure1), the government has been reluctant to curb current expenditures and reform non-productive state enterprises, thus, making the investment component of expenditures bear the brunt of adjustment. This reflects the political strength of those who stood to lose and who therefore attempted to block the adjustment process. So it was easier to first cut the investment expenditure (see figure1). Thus, Cameroon's experience seems to be similar to those of other developing countries as government finds it easier to reduce capital or investment spending than to reduce current spending. For decision makers, cutting investment expenditures is a 'softer' option than reducing current spending during periods of fiscal austerity.

However, government expenditures and budgetary revenues experienced increasing trends as from the mid 1990s with an improvement of the economic situation. Thus, the period 1985/1986 to 1993/1994 has been a decade of deep social and economic crisis for urban and rural Cameroonians as opposed to the period 1995-2001 considered as years of hope. The monetary adjustment that took place in January 1994 and achieved through the devaluation of the CFAF, coupled with other economic policy measures may have contributed to reverse the trend Tabi et al. (2006).



On the evolution of aid flow, since independence in 1960, foreign aid, measured in terms of official development assistance (ODA) as defined by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), appear to have been an integral part of the budgeting process in Cameroon. A number of stylized observations can be made from the evidence regarding aid flow as shown in figure 1 above. It is clear from the graph that the flow of aid to Cameroon has been very stable at about 5 percent of GDP but leveling a low of 1.8 percent in 1987 and a peak of 11 percent in 1994 and subsequently leveling again to 5 percent.. In general, the trend has been volatile, generally declining since the mid 1990s. However, there is the tendency that there is an increasing share of aid to Cameroon beyond 2001. This trend tallies with the new increasing trend for overall aid flows, plus the an increasing share of aid to Africa in recent years as indicated in the latest OECD publications (Maipose, 2004).

II. THE MODEL

We present a simple model for analyzing how a government responses to aid flow in the process of executing its budgetary plans. This approach follows Heller's (1975) utility model, which is used to determine the impact of foreign aid on government expenditure and tax revenue. The methodology is adopted from the

extension of Njeru (2004) and the model incorporates the essential element of aid fungibility, namely, a difference in the objective functions of the recipient and donor¹.

It is assumed that the government's objective is to maximize the welfare utility function subject to the prevailing budget constraint. Consider, therefore, an aid recipient with an objective function over two types of expenditure, g_1 and g_2 , and R is total domestic resources from both taxation and domestic borrowing. Supposing the welfare utility function is multiplicative and is specified as:

$$\text{Maximize } U = (g_1, g_2) = g_1^\alpha g_2^{1-\alpha} \text{ subject to } R + ODA = p_1 g_1 + p_2 g_2 \quad (1)$$

Where α 's are the respective elasticities. Maximizing the function (1) gives rise to the standard optimal solutions, g_1^* and g_2^* . The notion of aid fungibility which is not considered here comes in when the donor has a different objective function over the recipient's expenditure on g_1 and g_2 .

This gives a new utility function of the form $U = (g_1, g_2) = g_1^\beta g_2^{1-\beta}$ with $\beta > \alpha > 0$. Thus, the donor would like the recipient to spend more on good 1 than the recipient would otherwise. For example, good 1 could be education, which the donor has targeted as a priority sector. The donor's aid policy, then, is to give the recipient $(\beta - \alpha) R$ to spend on g_1 . By maximizing equation (1) with respect to the resource constraint, generates a system of linear expenditure equations that enables us to specify the estimable equations, linking foreign aid and government expenditures as follows:

$$g_j = \delta_0 + \delta_1 R + \delta_2 ODA + \varepsilon \quad (2)$$

where j is a subscript that takes various sectoral government expenditures, including total government expenditure, recurrent expenditure, development or investment expenditure, and spending on education, health, agriculture communication and roads. Given that the government always factors donor funds into annual budgets on committal basis, aid volatility will pose short-term challenges as concerns fiscal management. We applied the Lensink and Morrissey

¹ In this paper the notion of aid fungibility is dropped as we are unable to separate programme aid and earmarked aid.

(2001) which is used by Kahn and Amia (2004) to compute aid volatility in Cameroon². We also consider dummies for the crisis period, D86, structural adjustment, D88 as well as that for the devaluation period, D94 which we are included equation (2).

Lastly, as concerns assessing the “fiscal Dutch disease”, it is assumed that the recipient has the same incentive to divert aid toward tax reduction as towards other expenditures and the amount of diversion depends on the productivity of expenditures and the costs of taxation (Devarajan et al., 1998). According to some existing empirical research results in the literature, (see for instance Easterly and Rebelo (1993), a positive correlation is expected between GDP per capita, YCAP and fiscal revenue (Wagner’s law), as well as between the structural adjustment and fiscal revenue. As for the crisis or devaluation dummies, their effects are theoretical uncertain, although one can expect a negative or positive effect respectively. This gives us another estimable equation as follows:

$$TRv = \lambda_0 + \lambda_1 YCAP + \lambda_2 ODA + \lambda_3 V_{ODA} + \lambda_4 D86 + \lambda_5 D94 + \lambda_6 D88 + \mu \quad (3)$$

where TRv is tax revenue, ODA is foreign aid, V_{ODA} is aid volatility, while D86 and D94 are respective dummies as defined above.

IV. EMPIRICAL RESULTS

Before presenting the results, it should however be noted that data on the variables described in the methodology above for the period 1965-2002 are obtained from the following sources: the Directorate of Central Statistics and National Accounts, Ministry of Economy and Finance, and in Amin(1998); OECD publications on Geographical Distribution of Financial Flows to Developing Countries; World Bank Reports.

Since most times series on macroeconomic variables are non stationary in their levels but stationary in first differences (i.e. in the order of 1(1)), we tested the data in

² It is obtained by first estimating an autoregressive equation of the form $y_t = a_0 + a_1 T + a_2 y_{t-1} + a_3 y_{t-2} + a_4 y_{t-3} + e_t$, where y is foreign aid or ODA, T the trend, and e_t the error term. The equation is estimated by OLS, and using two lags, we obtain volatility as the standard deviation of residuals.

order to eliminate any possibility of spurious regressions in the estimation. The Augmented Dickey Fuller (ADF) unit root test was used and Table 1 shows the results. This involves determining the order of integration of the time series.

The test indicates that all the series are integrated of order one, except government spending on communication and volatility of aid flows which is stationary.

Table 1: Results of unit root***

Variable	ADF- Levels	ADF-Differences
Unit root test results		
Total government expenditure	-1.843	-5.181*
Recurrent expenditure	-3.036	-5.364*
Investment expenditure	-2.573	-4.260*
Tax revenue	-2.305	-5.488*
Education spending	-2.682	-4.137*
Health spending	-1.824	-3.727**
Communication	-4.132**	
Agriculture	-3896	-5.873*
Total domestic resources	-1.756	-3.942*
Roads	-2.677	-4.939*
ODA	-2.357	-5.972*
V _{oda}	-4.718*	
D86	-2.086	-4.117**
D88	-2.095	-4.133**
D94	-1.718	-4.283*
YCAP	-1.418	-3.352*

* Variables stationary at 1%, ** stationary at 5%, *** the unit root includes a constant and a trend.

The above results imply that it is reasonable to proceed with tests for co-integrating relationships amongst combinations of nonstationary series. Co integration among integrated variables of order one, implies the existence of a linear combination that yields a stationary series. We test for the existence of long run relationships using the Engle-Granger two step procedures (See Engle and Granger, 1987). The equations are first estimated by ordinary least squares and unit root test are performed on the residuals in the second stage. If the residuals are stationary we conclude for the co-integrations of the variables in the regressions. The ADF test is still used for the co-integrations investigation.

Therefore, all the results presented in table 2 to table 5 below are the co-integrating regressions analyses on the long run economic relationship among the variables. The unit root tests on the residuals or the error correction term indicates stationarity and rejects the null hypothesis of a unit root at 1% level in all specifications.

The results

The results assess how a change in the aid flow affects the budget process. It shows the linkage between total government expenditure and foreign aid flow. Government expenditure is decomposed into recurrent and development or investment expenditures and recurrent expenditure is further disaggregated into spending on education, health, agriculture communication and roads. Finally, in order to complete the budget-aid nexus, the impact on foreign aid on tax revenue is also determined (i.e. assessing the “Dutch fiscal disease”

Table 2, shows a strong and positive significant relationship amongst total government expenditure, recurrent expenditure, investment expenditure and foreign aid. Furthermore, there are indications that, any increase in official development

assistance leads to increase government spending on education, agriculture, and communication (Table 3 and Table 4).

Domestic resources also affected the level of government expenditure in the above domains but less so than foreign aid. This is an indication that, though domestic resources are important, policy makers rely more on external resources to finance their expenditures. For instance, a unit increase in foreign aid leads to a more than proportionate increase in government expenditure than a unit increase in domestic resources. However, aid does not affect spending on health nor road infrastructures. This is a serious problem giving the fact that appropriate physical and social infrastructure play a formidable role in development.

In most of the regressions, the 1994 devaluation is seen to have adversely influenced government expenditure patterns. This may be because devaluation resulted in strong substitution effects with an increase in ‘informal’ manufacturing prices attributed to compression in real incomes and substitution in favour of lower-cost products.

As concerns the “Dutch fiscal effect” there is a strong indication that foreign aid flow did not result to tax reduction or tax relief in Cameroon (Table 4). This may be due to the fact that from the mid 1990, the government carried out tax reforms to increase its tax revenue e.g. broadening the tax base and improving tax administration (see Amin, 1998; Tabi, 2003). The auto-regressive [AR (1)] process included in the regressions (Table 3 and Table 4), are to help mimic the effects of serial correlation.

Table 2: Co integrating regression results: Government expenditure on foreign aid flows

Dependent variable	Total government exp	Recurrent	Investments exp
Constant	0.048 ^b (2.208)	0.095 ^a (3.696)	-0.047 ^b (-2.305)
ODA	1.266 ^a	0.625 ^c	0.639 ^b

	(4.243)	(1.776)	(2.29)
V _{ODA}	-1.38 (-0.827)	3.31 ^c (-1.67)	1.92 (1.225)
Domestic resources	0.712 ^a (7.906)	0.401 ^a (3.771)	0.311 ^a (3.686)
D86	0.020 (1.226)	0.001 (0.069)	0.019 (1.222)
D88	0.022 (1.250)	0.037 ^c (1.767)	-0.149 (-0.894)
D94	-0.047 ^a (-4.990)	-0.029 ^b (-2.618)	-0.018 ^b (-2.025)
Unit root test on ECT(ADF)	-3.48 ^b	-4.55 ^a	-4.86 ^a
R ² Adjusted	0.77	0.50	0.36
F-STAT	17.79	6.04	3.91
D-W	1.63	1.5	1.61

Note: a, b and c indicates levels of significance at 1%, 5% and 10% respectively and t-ratios are in the parenthesis

Table 3: Cointegrating regression results: Government expenditure on foreign aid flow

Dependent variable	Education	Health	Agriculture
Constant	0.012 ^c (1.765)	0.007 ^a (3.27)	0.0002 (0.081)
ODA	0.100 ^c (1.901)	0.022 (1.221)	0.067 ^b (1.999)
V _{ODA}	-0.324	-0.068	0.012

	(-1.228)	(-0.794)	(0.067)
Domestic resources	0.019 (0.676)	-0.006 (-0.592)	0.018 ^c (1.836)
D86			-0.001 (-0.331)
D88	0.015 ^b (2.583)	-0.009 (-1.568)	0.001 (0.002)
D94	-0.010 ^b (-2.649)	-0.002 ^a (-2.105)	0.003 ^b (-2.712)
AR(1)	0.786 ^a (6.37)	0.761 ^a (5.43)	
Unit root test on ECT(ADF)	-3.64 ^a	-2.94 ^a	-3.97 ^b
R ² Ajusted	0.84	0.78	0.12
F-STAT	23.68	19.97	1.67
D-W	2.2	2.4	1.69

Note: a, b and c indicates levels of significance at 1%, 5% and 10% respectively and t-ratios are in the parenthesis

Table 4: Co integrating regression results: Government expenditure and fiscal revenue on foreign aid flow

Dependent variable	Communication	Roads	Tax revenue
Constant	-0.0395 ^a (-3.021)	0.002 (0.327)	-0.895 ^a (-2.801)
ODA	1.09 ^a (6.04)	-0.011 (-0.292)	0.418 ^b (1.745)
V _{ODA}	-1.562	0.243	

	(-1.551)	(1.27)	
Domestic resources	0.10 ^c (1.853)	-0.002 (-0.088)	
YCAP			0.084 ^a (3.187)
D86	0.008 (0.851)	0.004 ^b (2.238)	
D88	-0.016 (-1.57)		-0.036 ^a (-3.371)
D94	-0.003 (-0.569)		
AR(1)		0.929 ^a (9.109)	0.377 ^b (2.174)
Unit root test on ECT(ADF)	-2.914 ^a	-3.71 ^a	-3.59 ^a
R ² Ajusted	0.66	0.47	.55
F-STAT	10.47	5.4	11.99
D-W	1.82	2.1	2.1

Note: a, b and c indicates levels of significance at 1%, 5% and 10% respectively and t-ratios are in the parenthesis

V. CONCLUSION

The main objective of this note was to investigate the relationship among government expenditure, tax revenue and foreign aid flow. We have shown that the findings of the unit root test on the co integrating regressions reveal that in Cameroon during 1965-2002, foreign aid and domestic resources have contributed in financing government expenditures particularly in the domain of education, agriculture, communication, and development activities. Secondly, aid flow has not affected the tax or revenue efforts of the government nor retarded government revenue growth. Thus,

foreign aid appears to be complementary with the budget process in Cameroon. Perhaps, the policy makers in Cameroon can use foreign aid as a means to raise economic growth. However, it may be interesting to assess further whether a distinction between bilateral and multilateral aid influences the budgetary process. Lastly, there is need to analyze the impact of aid flow on the productivities of government expenditure and revenue respectively. This will effectively tell us whether the growth process can really be reinforced (for instance, increasing public spending may not necessarily lead to increase growth).

REFERENCES

Amin A. A. (1998) "Cameroon's Fiscal Policy and Economic Growth" AERC Research paper no. 85, AERC Nairobi.

Chenery. H. and A.M. Strout. 1966. "Foreign assistance and economic growth". *American Economic Review*, LVI (September), Vol 56:679-733.

Devarajan S. A.S. Rajkumar and V. Swaroop. 1998. "What does aid to Africa finance?" AERC/ODC project on Managing a Smooth Transition from Aid Dependence in Africa, Washington, D.C.

Easterly, W. and S Rebelo. 1993. "Fiscal policy and economic growth: An Empirical investigation". Working paper no. 4499, National Bureau of Economic Research, (October)

Engle, R.F and C.W.J. Granger. 1987. "Cointegration and error correction: Representation, estimation and testing". *Econometrica*, vol. 55: 251-76.

Fenny Simon. 2003. "The impact of foreign aid on poverty and human wellbeing in Papua New Guinea". *Asian-Pacific Development Journal*, Vol. 10, n0.2 (December).

Feyzioglu, T., V. Swaroop and Min Zhu.1998. "A panel data analysis of the fungibility of foreign aid". *World Bank Economic Review*, vol. 65: 429-45.

Gomanee, K. and O. Morrissey, 2002. "Evaluating aid effectiveness against a poverty reduction criterion", DESG Conference Paper, Nottingham, April 2002.

Gomanee, K., S. Girma, and O. Morrissey, 2003. "Searching for aid threshold effects: aid, growth and the welfare of the poor", paper presented at a seminar at CASE, Oxford, 28 January 2003.

Heller, S.P. 1975. "A model of public fiscal behavior in developing countries: Aid, investment and taxation". *American Economic Review*, vol. 65, no. 3 (June): 429-45.

Kahn Sunday A. and Amia G. 2004. "Volatility of resource inflows and Domestic Investment in Cameroon", Final Report presented at the African Economic Research Consortium, AERC, Nairobi (June)

Kosack, S., 2003. "Effective aid: how democracy allows development aid to improve the quality of life", *World Development*, vol. 31, No. 1, pp. 1-22.

Lensik, R. and O.Morrissey .2000. "Aid instability as a measure of uncertainty and the positive on growth". *Journal of Development Studies*, 36(3):31-49

Maipose Gervase S. 2004. "Foreign aid, Economic growth and poverty reduction", (ed) in financing pro-poor growth in Africa: African Economic Research Consortium Senior Policy Seminar VI. Kampala, Uganda 2-4 March 2004. AERC, Nairobi.

McGillivray Mark, Simon Feeny, Niels Hermen and Robert Lensink . IT works; It Doesn't It Can, But That Depends: 50 Years of Controversy over the Macroeconomic Impact of Development Aid. UNU-Wider Research Paper No. 2005/54.

Mosley, P. and J. Hudson, 2001. "Aid, poverty reduction and the new conditionality", mimeo.

Njeru, James. 2004. "The impact of foreign aid on public expenditure: The case of Kenya". African Economic Research Consortium, Research paper no. 135 (March),

Pack, H. and J.R. Pack. 1990. "Is foreign aid fungible? The case of Indonesia". *Economic Journal*, vol. 100 no. 3: 188-94.

Roberts, J. 2003. "Poverty reduction outcomes in education and health, public expenditure and aid". ODI working papers no 210, Overseas Development Institute, London (March).

Tabi Atemnkeng, J., Akwi T. and Etoh-Anzah, A. P.2006. "The distributive impact of fiscal policy in Cameroon: tax and benefit incidence". Poverty and Economic Research Network-PMMA working paper no.16, Universite Laval, Canada.

Tabi A. J. 2003. "Evaluating the incidence of indirect tax reforms in Cameroon". *African Journal of Economic Policy*, Vol. 10, No. 2 (December).

Verschoor, A. and A. Kalwij, 2002. "Aid, social policies and pro-poor growth", Department of Economics, University of Sheffield, Research Programme on Risk, Labour Markets and Pro-poor Growth, Occasional Paper 4.

White, H. 1994. "The Macroeconomic impact of Development aid: A critical survey". *Journal of Development Studies*, 21(2).163-240.