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Does foreign aid help or hinder the institutional quality of the recipient country? new evidence from the oic countries

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Abstract:

This study examines the impact of foreign aid on the institutional quality (IQ) of the OIC countries. Using the data of OIC countries for the three-year average period from 1991 to 2016, the system GMM finds that aid in general deteriorates the IQ for the aid recipient countries. However, quantile regression suggests that the negative impact of foreign aid on institutional quality (IQ) is relatively greater in the countries where the existing quality of institution is poor. The findings of the study suggest that improving the existing capacity is essential for reaping the optimum benefit of foreign aid on institutional development.