

# **A meta-analysis of development aid allocation: The effects of income level and population size**

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## **Abstract:**

The effect on aid allocation of the income level and population size in the recipient country is analyzed using both meta-analysis and primary data analysis. The data show that both variables have a significant and robust negative effect, but they explain only a small part of the variation.

The main thrust of the paper is a meta-analysis of the large aid allocation literature. This involves meta-analysis of: (a) 124 studies reporting 1,030 comparable estimates of the linear effect of income on the aid share; (b) 97 studies reporting 747 estimates of the linear population effect; (c) 126 estimates from 17 studies reporting estimates of the non-linear effect of income; and (d) 89 estimates from 12 studies reporting estimates of the non-linear population effect.

The results show that for most donors – whether they are bilateral or multilateral – there is indeed an inverse association between aid and GDP. Importantly, this association occurs throughout the observed data range: the accumulated evidence does not support the notion of a middle-income bias. The inverse aid-income relation explains only about 10% of the variation in the data. Thus, even when the income-aid relation is both significant and robust, it is not a very powerful relation – many other factors count for the allocation of aid. The results indicate that countries with larger populations receive larger amounts of aid, but not in proportion to their GDP: Aid as a percentage of GDP falls, the more populous a nation is. The evidence strongly suggests that the population bias is stronger for multilateral organizations, and that it is stronger still for World Bank allocations. Multilateral agencies are, on average, actually less predisposed towards allocating aid on the basis of humanitarian concerns: the income effect is weaker, while the population effect is stronger.

The poverty effect is in accordance with stated policies of all donors, while the population effect appears contrary to the stated policy of all donors. Six main hypotheses are presented to explain the population effect.

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The full version of this paper can be found at:

[http://www.econ.au.dk/vip\\_htm/MPaldam/Papers/Size-to-aid.pdf](http://www.econ.au.dk/vip_htm/MPaldam/Papers/Size-to-aid.pdf)

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