

## ABSTRACT

The government of Tanzania has relied on foreign aids as one of the means to achieve economic growth and development and in turn improving the living standards of her people. This **study** intended to examine the effect of Foreign Aids on economic growth of Tanzania for a period of **32** years from 1990 to 2021. Quantitative research approach was adopted in this study, where secondary data were collected from World Bank Development Indicators for all the variables including real GDP (as a measure of economic growth in a country), foreign aids inflows, as well as for control variables (public investment and inflation). The study employed Johansen multivariate test for co-integration to check the existence of long-run relationship among the variables and Vector Error Correction Model (VECM) to check for short-run relationship among the variables. The study found the existence of long-run negative and significant relationship between foreign aids and economic growth in Tanzania, as well as positive and significant relationship between public investment, inflation and economic growth in Tanzania respectively. Despite that, the short-run relationship does not exist between the study variables. The study therefore recommends that, Policy makers should make a clear analysis as to which forms of foreign aids are received and analyse their future consequences before accepting them also more emphasis **should be** considered on public investment as in the long run may boost the economic growth of the country.

**Keywords:** *Foreign Aids, Economic Growth, VECM*