ISLAMIC UNIVERSITY JOURNAL OF SOCIAL SCIENCES VOL 3, NO 3, DEC 2024

ISSN: 2709-2429(Print), 2709-2437(Online)-Published 30th Dec 2024

FOREIGN DIRECT INVESTMENT AND FOREIGN AID IN UGANDA

Nabukeera Madinah (PhD)[1*]
[1] Faculty of Management Studies
Department of Public Administration and Politics,
Assoc. Prof, Dr.
nabmadinah@gmail.com
Islamic University in Uganda Females' Campus

[2]Ndaazano Kalimu
Faculty of Managaement Studies
Department of Business Studies
ndaganokarim@gmail.com
Islamic University in Uganda

Abstract

Foreign direct investment (FDI) and foreign Aid play an instrumental role in the growth of the economy of any country globally. The growth of any economy is measured through its gross domestic product. However, GDP is determined by all the output in the country. Further asserts that the Gross Domestic Product is comprised of the total value of all the goods and services produced to be sold in public markets and those which are not for the public market. The purpose of this study was to examine the effect of FDI on GDP growth in Uganda, effect of development assistance and official aid on GDP growth in Uganda, compare Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations, compare Aid disbursements to Uganda from different countries, compare Aid disbursements to Uganda from IFIs, compare Aid disbursements to different sectors of Uganda and compare Aid disbursements to Uganda from multilateral organizations. The study used a descriptive survey design with only quantitative approaches. The study used secondary data sourced from Development Initiatives (DI) and World Bank development indicators. The analysis involved descriptive analysis, normality test, One-way ANOVA, two-sample t-test, and regression analysis. Results indicated that FDI had a negative but non-significant effect on GDP growth in Uganda from 2000 to 2021 (P-value (0.411) >0.05) and that development assistance and official aid received in Uganda had a negative but non-significant effect on GDP growth from 2000 to 2020 (P-value (0.257) >0.05).

Key words:**:** FDI, GDP, Development Assistance, Official Aid, Uganda's growth, Aid Disbursements, Bilateral Donors, International Financial Institutions (IFIs),, and Multilateral Organizations.

1.0 Introduction

Uganda, a landlocked country in East Africa, has strategically positioned itself as a destination for both Foreign Direct Investment (FDI) and Foreign Aid to foster economic growth, reduce poverty, and achieve sustainable development. These external financial inflows play significant roles in Uganda's development trajectory, complementing domestic efforts to address challenges such as infrastructure deficits, poverty alleviation, and industrialization. Foreign direct investment (FDI) in Uganda refers to investments made by foreign entities in Uganda's businesses, industries, or assets to gain lasting interest and influence in the economy. The government of Uganda actively promotes FDI as a tool for; economic growth through introducing capital into critical sectors such as agriculture, energy, telecommunications, and manufacturing, technology transfer: Bringing in modern technology, skills, and expertise to enhance productivity and competitiveness, job creation: Providing employment opportunities for Uganda’s growing population and market expansion: Integrating Uganda into the global economy by establishing international partnerships.

To attract FDI, Uganda has implemented various policies, such as offering tax incentives, strengthening property rights, and improving infrastructure through public-private partnerships (PPPs). The Uganda Investment Authority (UIA) plays a central role in facilitating and regulating these investments. The key FDI sectors in Uganda included oil and gas. The discovery of oil in the Albertine region has been a major attraction for foreign investors. The Energy through hydropower projects like the Karuma and Isimba dams have benefited from significant FDI and Agriculture and Agro-processing through Investment in value addition to agricultural products is crucial for export growth.

Foreign aid in Uganda involves financial assistance, technical expertise, or resources provided by international donors, governments, or organizations to support Uganda's development goals. Uganda has been a significant recipient of foreign aid since its independence in 1962. The main objectives of foreign aid in Uganda; are poverty reduction and supporting programs to improve healthcare, education, and social services, infrastructure development through financing roads, schools, hospitals, and water systems, humanitarian assistance through providing relief during emergencies, including droughts, floods, and refugee crises and institutional strengthening through Enhancing governance, transparency, and capacity building within Uganda’s institutions. The key donors include multilateral organizations such as the; World Bank, International Monetary Fund (IMF), and African Development Bank (AfDB), Bilateral partners like the United States, the European Union, China, and the United Kingdom and Non-Governmental Organizations (NGOs) involved in grassroots development and humanitarian activities.

While FDI and foreign aid have contributed significantly to Uganda’s development, they are not without challenges i.e, dependency on aid: Prolonged reliance on aid may hinder self-reliance and domestic resource mobilization, limited benefits of FDI: Some foreign investments focus on resource extraction with minimal impact on local development, corruption and mismanagement i.e., misuse of aid funds undermines their intended impact, inequitable distribution such as, development spurred by FDI is often concentrated in urban areas, leaving rural regions underdeveloped. The FDI and foreign aid remain indispensable components of Uganda's development strategy. To maximize their benefits, Uganda must adopt policies that ensure transparency, equitable distribution, and alignment with national priorities. A balanced approach that encourages foreign investments while reducing aid dependency will be key to fostering sustainable and inclusive development in the country.

2.0 Background

Foreign direct investment (FDI) and foreign Aid play an instrumental role in the growth of the economy of any country globally. In fact, the growth of any economy is measured through its gross domestic product (Cho 2022). It is a common term that is freely used all over and cited everywhere in newspapers, television, and bank reports from governments, and financial and business entities (Graham 2021). The world economies often use it in times of reference to health and performance of the country while Ssemanda (2021) asserts that if the GDP is growing, all businesses, the welfare of workers become better than when it’s not. Callen (2023) defines GDP as the monetary value of the goods and services in a given economy in a specific period. However, GDP is determined by all the output in the country. Callen (2023) further asserts that the Gross Domestic product is comprises of the total value of all the goods and services produced to be sold in public markets and those which are not for the public market. Regardless of whether goods are produced by foreign producers, they all contribute and are counted on the GDP of the economy where they were produced. For example if the investor is from china and manufactures goods in Uganda, those goods contribute to the GDP of Uganda not China. It should be noted that not all activities are included in GDP. A case in point is domestic work, work done voluntarily work and black-market activities (Adam 2021). This is because these activities can be measured and valued actively. Activities therefore that are valued include doctors and hair dressers. That means, for example, that a baker who produces bread for customers would contribute to GDP, but would not contribute to GDP if he baked the same bread for his family (Osemehn 2020).

Many developing countries are facing a high rate of production difficulties. This is attributed to various vices they encounter in their economies (Ebes 2020). However, Osemehn (2020) attributes this to lack of skilled labor force, low levels of resources, low population, poor technology and poor financial systems in the country. According to World Bank (2022), it was reported that Uganda's GDP is too low below capacity. The value of the products in Uganda is too low. This contributes to the low levels of economic growth in the country where the income per capita is still low (Odiambo and Makebi 2022). The local producers do not produce for the market. The highest population produces for home consumption. However, Graham (2021) asserted that GDP only rises if the local producers are producing goods and these goods are of market because GDP is measured after collecting all market goods and services. Studies by Niwaz (2021), Choi (2019), Adam (2021) and Goboola (2022) show that the problem of low GDP can be solved by implementing foreign direct investment and foreign direct aid.

Niwaz (2021) explained that foreign direct investment is a type of investment made by an individual in a cross boarder economy with the intention of creating a lifelong interest in an enterprise in another country. Many developing countries tend to associate FDI with high economic growth (Adam 2021). FDI mainly occurs in economies with high skilled labor force, economies with developed monetary systems, high trade openness and those with high income per capita(Choi 2019). Goboola (2022) examined the impact of foreign direct investments on the economic growth of Uganda's GDP. However, Osemehn (2020) describes that the increased productivity of foreign direct investment holds only when the host economy has a minimum threshold stock of skilled labor force. Therefore, FDI contributes to the increase on GDP only when there is a sufficient advanced technology in the host country. However, In comparison to recent studies about the increase of GDP in economies, many studies where looking at other factors that facilitate the improvement of the Gross Domestic Product. Little or no research was conducted about the impact of FDI on GDP in Uganda. Also, Despite the significance of FDI and Foreign Aid on Uganda's economy, the increased privatization and neo-liberalization to improve FDI have limited the transformation of FDI into sustainable development (Jones, 2022). The current study assesses the performance of FDI and Foreign Aid.

2.0 Objectives

The study employed both the general and specific objectives

2.1 General objective

To examine the performance of FDI and foreign Aid in Uganda

2.2 Specific objectives

i. To examine the effect of FDI on GDP growth in Uganda.
ii. To examine the effect of development assistance and official aid received on GDP growth in Uganda
iii. To compare Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations.
iv. To compare Aid disbursements to Uganda from different countries.
v. To compare Aid disbursements to Uganda from IFIs.
vi. To compare Aid disbursements to different sectors of Uganda.
vii. To compare Aid disbursements to Uganda from multilateral organizations

2.3 Hypotheses

The objectives were answered using the following alternative hypotheses.

Ha_1: FDI has a significant effect on GDP growth in Uganda

Ha_2: Development assistance and official aid received have a significant effect on GDP growth in Uganda

Ha_3: Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations have a significant difference

Ha_4: Aid disbursements to Uganda from different countries significantly differ

Ha_5: Aid disbursements to Uganda from IFIs significantly differ

Ha_6: Aid disbursements to different sectors of Uganda significantly differ.

Ha_7: Aid disbursements to Uganda from multilateral organizations significantly differ

Literature Review

To Examine The Effect Of FDI On GDP Growth In Uganda

The concept of foreign direct investment has been widely researched. Scholars Niwaz (2021), Adam (2021), Choi (2019), Goboola (2022), Osemehn (2020), Ebes (2020), and others believe that economies implementing foreign direct investment have enjoyed the benefits that accrue such a practice but majorly the impact is felt on the gross domestic product of such economies.

Niwaz (2021) defines FDI (foreign direct investment) as the type of investment made by an individual in a cross boarder economy to create a lifelong interest in an enterprise in another country. Many developing countries tend to associate FDI with high economic growth (Adam 2021). FDI mainly occurs in economies with high skilled labor force, economies with developed monetary systems, high trade openness and those with high income per capita (Choi 2019) which is not the case with Ugandan economy hence the need to discover whether the same is happening in Uganda. However, this argument has been overrun by various researchers (Radmehr, 2022; Sabir et al, 2019) who argue that if the resources of the country are scarce, FDI reduces capital formation and accumulation.

Goboola (2022) examined the impact of foreign direct investments on the economic growth of Uganda. Using cross-section data and OLS regression, the study found that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. However, Osemehn (2020) describes that the increased productivity of foreign direct investment holds only when the host economy has a minimum threshold stock of skilled labor force. Therefore, FDI contributes to economic growth only when there is a sufficient advanced technology in the host country. On the contrary, Ebes (2020) argues that even though FDI contributes to economic growth, its impact is short term economic growth. Using a case study of seven developed countries in order to analyze the relationship between FDI inflow and economic growth, Ebes (2020) argued that FDI's impact on growth is short lived. It therefore developed financial systems that lead to proper resource allocation that increases productivity leading to economic growth. However, there is a need to test the same results using the case of a developing economy like Uganda and compare results to conclude.

Furthermore, a study carried out by Minten & Swinnen (2021) about foreign direct investment and dairy value chain upgrading in Uganda where the study adopted an innovative econometric methodology, the research was carried out on six developing countries. However, the study found out that there was a low link between FDI and diary chain up aggrading. The current study deviates from the methodology used by the previous study as it used descriptive and regression analysis to delive the impact of FDI on GDP increase in Uganda.

According to the findings of Aluko (2020), the relationship between economic growth and FDI runs in opposite directions but points towards growth causing FDI; there exists limited proof that FDI causes host economic growth. Increased economic growth could result in an increase in FDI inflows. By using the Granger causality test, the empirical study indicated that there was a significant relationship between foreign direct investment and economic growth. It should be noted that the findings contrast with those from other previous studies. Reichert and Marwan (2020) explained that even when foreign direct investment was found to be a factor to economic growth and development, it only works when the factors of production like skilled labor, technology and stable financial systems are present

Ha_1: FDI has a significant effect on GDP growth in Uganda

To examine the effect of development assistance and official aid received on GDP growth in Uganda

Mahembe (2019) indicates that the disbursement of Official development assistance (ODA) commonly known as foreign aid, commenced after World War two. Foreign Aid refers to the transfer of resources from one country or organization to another in the form of development on humanitarian assistance. A country that gives out aid is called a donor and the one that receives is called a recipient. Aid can be in form of grants or loans. Grants do not regain a recipient country to pay back while loans have to be repaid with an interest rate by the recipient. Foreign aid can be bilateral or multilaterals (Odhiambo, 2019). However, the scholarly debate on the effects of foreign aid on economic growth and poverty appears unending with economists on opposing sides of the divide.

Fon (2022) indicates that the contributions of external aid, has been argued particularly important to development. This is because increase in household and firm income levels does not need to increase for foreign aid to reduce poverty (Obuin, A. 2020). However, some studies argue against the effect of foreign aid on economic growth and poverty reduction (Adam, M. 2021). Kangu, F. 2021). Barbra, N., & Nawaz, H. 2021). It must be noted that, those who criticize of foreign aid do not totally oppose aid and they do they suggest it to be abandoned (Easterly, 2019), they advocate against over dependence on foreign aid as a means of economic development. This is partly because while aid has been very successful in some countries, it has failed to either improve growth or living conditions in others (World Bank, 1998).

Adam (2021) explains that better policies, high-quality institutions, and an improved financial system, are valuable requirements for aid to have any impact on. External assistance to eliminate poverty is determined by the mode of aid distribution (Oogu, P. 2021). Foreign assistance from organizations has been noted to be the best mode of fighting poverty than bilateral aid (Alvi, 2022). More empirical studies suggested that for foreign aid to increase GDP, it should be invested in ventures such as employment creation, and directly at social expenditure on health, and education (Anetor, Verhoef. 2020). In Uganda there is increased investment in employment of the youth i.e., programs like soft skills for graduated founded by European Union under Enable through private sector foundation has made wonders in pushing youth in employment by closing the gaps in youth training at higher institutions of learning.

Ha2: Development assistance and official aid received have a significant effect on GDP growth in Uganda

To compare Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations.

Karamuriro (2020) carried out a study about how aid contributes to the growth and development of Uganda's economy. He argues that even though a reasonable number of scholars evidenced about the development and growth of countries, not many of them conclusively looked at the sources of revenue (Bird, G., & Choi, Y. 2020). Uganda as a country receives financial assistance from very many sources for example donor countries like USA, Britain Canada, from Briton hood institutions like IMF and world bank and many non-governmental organizations like USAID, AMREEF international, world health organization among other(Ibrahim, L. M., Frank, A., & Gohil, M. S. S. 2022).

Mkombe et al (2021) argues that 80% loans registered are believed to have come from donor countries like USA, Canada Britain among others. According to the study carried by Mohamed & Çelen (2022), the USA was noted to have contributed the largest percentage to Uganda's foreign assistance between 2018 and 2020. Wehncke (2022) noted that the United Kingdom contributed to Uganda's foreign aid. UK donated aid inform of grants and loans at a rate of 24% next to the USA between 2018 and 2019. In some cases, NGOs helped in extending assistance to boost the financial muscles of various countries in need. World Bank (2023) noted that foreign assistance extended to various developing countries is allocated to different sectors that need to be uplifted for development. Adam (2021) explains that Uganda receives aid from both developed countries and Briton hood institutions like IMF and World Bank.

In Uganda, aid is received from various donors including multilateral organizations, bilateral organizations, and international financial institutions to boost growth and development. However, most of these donor channels invest in non-market services contributing less to the GDP increase to the economy (Van Campenhout, B., Minten, B., & Swinnen, J. F. 2021). The current study intended to draw a comparison between foreign direct investment and GDP increase in Uganda which was not well established by the previous studies.

Ha$_3$: Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations have a significant difference

To compare Aid disbursements to Uganda from different countries.

According to Younsi (2021), there was a twist in aid acquisition in that many developing countries that used to receive grants from more developed countries shifted to loans. This has made the international financial institutions perennial sources of aid in Uganda. It should be noted that the rise in loan acquisition in Uganda moved at a rate of 24% between 2019 and 2020. Mkombe et al (2021) argues that 80% loans registered are believed to have come from donor countries like USA, Canada Britain among others.

According to the study carried by Mohamed & Çelen (2022), the USA was noted to have contributed the largest percentage to Uganda's foreign assistance between 2018 and 2020. The rate at which aid flew into the country from USA was recorded at a rate of 40% though it later declined at a rate of 10% between 2019 and 2020. The largest aid contribution as reported by the European union 2022, was allocated to the construction of a road network system. Graham noted that infrastructural development contributes indirectly to production therefore, in relation to Odiambo (2019), Uganda's GDP did not increase because the aid received from the USA was tied to a non-market service. The current study therefore, intends to close this gap by discovering how foreign direct investment can impact on GDP increase in Uganda. Uganda is known for its low GDP over the years and the funding instutions are interested in developing Uganda by increasing the number of domestic products produced within the Country hence a lot of efforts on skilling the youth and closing the gaps in the training through soft and technicial skill training in instituttions of higher learning.

Wehncke (2022) noted that United Kingdom contributed also to Uganda's foreign aid. UK donated aid in form of grants and loans at a rate of 24% next to the USA between 2018 and 2019. The aid inflow was directed to Northern Uganda that was stricken by famine as food relief. (New Vision newspaper 14th December 2020). However, aid from UK drastically declined a rae of 54% because of the effect of covid-19 (Ougu 2021). Based on the arguments of graham 2019, food relief is for home consumption. This bilateral aid does not help on the improvement of the income per capita that develops GDP because it is not valued. Therefore though its aid, it is tied to consumption. The current study contrasts with this argument as it looks at how foreign direct investment impacts on the GDP increase in Uganda. Uganda is focused on becoming a middle-income country through its vision 2040 and this can only be achieved through the increase on the number of domestic produced products in the country hence the need to train technical and soft skills and this is acquired through seeking funding from relevant financial instutions.

Ha$_4$: Aid disbursements to Uganda from different countries significantly differ

To compare Aid disbursements to different sectors of Uganda.

Adam (2021) explains that Uganda receives aid from both developed countries and Briton hood institutions like IMF and World Bank. In some cases, NGOs help in extending assistance in order to boost on the financial muscles of various countries in need. World Bank (2023) noted that foreign assistance extended to various developing countries is allocated to different sectors that need to be uplifted for development.

Goboola (2022) documented that the largest share of bilateral foreign aid of (US$205 million) was received by the health sector during the period of the pandemic. Goboola (2022) further indicates that us$163 million of aid was allocated to the humanitarian sector in 2020 representing a 20% decline from 2019 to 2020, while food security and the agriculture received a total assistance of around us$130 million, increasing at a volume of 34% between 2019 to 2020.

Swinnen (2021) explained that the executive arm and the arm of defense of Uganda's government records aid of about 26 million US dollars. This indicates that much of the aid in Uganda is not allocated to market services but to security and governance. This costs the GDP of the country. The disbursement is followed by that of food security that receives aid of about 120 million US dollars. This is intended to boost the food basket of the country during the period of the pandemic (Khemili 2021). Swinnen (2021) also indicates that most of the aid in Uganda was allocated to facilitate and finance annual budgets and financing various sectors in the economy.

Ha$_5$: Aid disbursements to Uganda from IFIs significantly differ

To compare Aid disbursements to Uganda from multilateral organizations

According to Khemili (2021), various organizations have stipulated many agendas in various economies. It is therefore difficult to get the real statistics of the activities of the multilateral organizations. Ongom (2020) indicated that the clear contributions of these organizations are evidenced in hygiene, medical care, food production and supply and education. Therefore, most of the multilateral organizations have not invested in production but much of the aid is philanthropic. Adam (2021) however explains that an activity channeled to humanity does not contribute to the increase of the GDP of the country.

Obuin (2020) explains that multilateral donors prioritized aid to nonprofit making sectors like the improvement of village livelihood, distribution of mosquito nets and fighting various epidemics. The increase in aid disbursement from the donor organizations was mostly in the health sector at a rate of 5% per annum, aid on humanity however has dropped by 11% since 2019 and agriculture has been facilitated by aid rise of about 24% (IMF report 2022). However, this cannot facilitate the increase of GDP as the allocation does not encourage investment.

Ha$_6$: Aid disbursements to Uganda from multilateral organizations significantly differ

2.0 Methodology

The study was guided by a descriptive survey design with only quantitative approaches. The study used secondary data sourced from Development Initiatives (DI) (https://devinit.org/data/datasets/analysis-aid-flows-uganda-covid-19/) and World Bank development indicators (https://data.worldbank.org/indicator). The analysis involved descriptive analysis, normality test, One-way ANOVA, two-sample t-test, and regression analysis. The variables which were normally distributed involved the use of parametric tests while those that were not normally distributed employed non-parametric tests to answer the study hypotheses.

3.0 Results

The results section presents the summary of statistics, normality test, and regression analysis.

3.1 Descriptive statistics and normality Test

The descriptive statistics and normality test results are presented in table 1.

Table 1: Descriptive Statistics And Normality Test Findings

Variables	N	Minimum	Maximum	Mean	P-value (normality test)
Official development assistance and official aid received by Uganda from 2000 to 2020 (US$)	21	732979980	3082590088	1585645237.51	.410
Foreign direct investment inflows to Uganda from 2000 to 2021 (US$)	22	151496151	1273885586	713212997.01	.174
Uganda GDP growth from 2000 to 2021 (annual %)	22	2.95	10.78	5.97	.812
Donation to Uganda from Multilateral, IFIs, and Bilateral organizations from 2018 to 2020 (US$, millions)	9	196.86	822.11	560.25	.954
Donotions to Uganda from Bilateral countries from 2018 to 2020 (US$, millions)	37	.08	353.05	63.21	.395
Donotions to Uganda from IFIs from 2018 to 2020 (US$, millions)	6	101.14	707.89	263.72	.022
Donotions to Uganda from Multilateral organizations from 2018 to 2020 (US$, millions)	24	.44	260.48	61.86	.132
Donations to sectors of Uganda from Bilateral	33	2.00	239.00	66.79	.051

organizations from 2018 to 2020 (US$, millions)					

Source: World Bank and DI (2023)

Table 1 presents the descriptive and normality test results of the study variables. The variables with a normality P-value above 0.05 were normally distributed while those with a P-value below 0.05 were not normally distributed. Thus all the variables were normally distributed except donations to Uganda from IFIs.

3.2 Examining the effect of FDI on GDP growth in Uganda

The first attempt of the study was to examine the influence of FDI inflows on the GDP growth of Uganda from 2000 to 2020. The findings are presented in table 2 using linear regression.

Table 2: Linear regression findings examining the effect of FDI on GDP growth in Uganda

```
. regress GDP_growth FDI

      Source |       SS           df       MS      Number of obs   =        22
-------------+----------------------------------   F(1, 20)        =      0.71
       Model |  3.50657041         1  3.50657041   Prob > F        =    0.4109
    Residual |   99.406555        20  4.97032775   R-squared       =    0.0341
-------------+----------------------------------   Adj R-squared   =   -0.0142
       Total |  102.913125        21  4.90062502   Root MSE        =    2.2294

------------------------------------------------------------------------------
  GDP_growth |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         FDI |  -1.14e-09   1.36e-09    -0.84   0.411    -3.97e-09    1.69e-09
       _cons |   6.779321   1.077826     6.29   0.000     4.531015    9.027627
------------------------------------------------------------------------------
```

Source: World Bank (2023)

The model findings in table 2 reveal that FDI had a negative but non-significant effect on GDP growth in Uganda from 2000 to 2021 (P-value (0.411) >0.05). This may imply that the GDP growth of Uganda may not be depending FDI inflows.

3.3 Examining the effect of development assistance and official aid received on GDP growth in Uganda

The second attempt of the study was to examine the effect of development assistance and official aid received on GDP growth in Uganda. The findings are presented in table 3 using linear regression.

Table 3: Linear regression findings of the effect of development assistance and official aid received on GDP growth in Uganda

Source	SS	df	MS			
				Number of obs	=	21
				F(1, 19)	=	1.36
Model	6.47838919	1	6.47838919	Prob > F	=	0.2573
Residual	90.2475533	19	4.74987123	R-squared	=	0.0670
				Adj R-squared	=	0.0179
Total	96.7259425	20	4.83629713	Root MSE	=	2.1794

GDP_growth	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Aid_received	-1.10e-09	9.44e-10	-1.17	0.257	-3.08e-09	8.73e-10
_cons	7.830243	1.570264	4.99	0.000	4.543642	11.11684

Source: World Bank (2023)

The model findings in table 3 reveal that development assistance and official aid received in Uganda had a negative but non-significant effect on GDP growth from 2000 to 2020 (P-value (0.257) >0.05). The findings may imply that foreign aid is not a determinant of GDP growth in Uganda.

3.4 Comparing Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations

The study made a comparative analysis to establish the difference in Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations. The findings are presented in table 4 using One-ANOVA at 5% significance level.

Table 4: One-way ANOVA comparing Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations

Analysis of Variance

Source	SS	df	MS	F	Prob > F
Between groups	227645.741	2	113822.87	4.57	0.0623
Within groups	149528.562	6	24921.427		
Total	377174.303	8	47146.7878		

Bartlett's test for equal variances: chi2(2) = 7.1942 Prob>chi2 = 0.027

Source: DI (2023)

The One-way ANOVA findings reveal that there was no significant difference in Aid disbursements to Uganda from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations (P-value (0.0623) >0.05). The results confirm the acceptance of the null hypotheses. The findings may imply that Uganda received equally the same donations from key bilateral donors, International Financial Institutions (IFIs), and multilateral organizations from 2018 to 2020.

3.5 Comparing Aid disbursements to Uganda from different countries

The study made a comparative analysis of the aid received by Uganda from different countries from 2018 to 2020. The countries studied included Australia, Belgium, Canada, Denmark, EC, Fin land, Germany, Netherlands, Norway, Sweden, Switzerland, the UK, and the US. The findings are presented in table 5.

Table 5: One-Way ANOVA comparing Aid disbursements to Uganda from different countries

. oneway Donations_Bilateral Bilatera_Donors

Analysis of Variance

Source	SS	df	MS	F	Prob > F
Between groups	317888.325	12	26490.6938	113.84	0.0000
Within groups	5584.78817	24	232.699507		
Total	323473.113	36	8985.36426		

Bartlett's test for equal variances: chi2(12) = 42.4031 Prob>chi2 = 0.000

Source: DI (2023)

The findings in table 5 reveal that there was a significant difference in Aid disbursements to Uganda from different countries from 2018 to 2020 (P-value (0.000) <0.05). This may imply that Uganda received unequal donations from different countries from 2018 to 2020. It was evident that the United States contributed the highest donations to Uganda from 2018 to 2020.

3.6 Comparing Aid disbursements to Uganda from IFIs

The study compared the financial Aid disbursements to Uganda from IFIs. The IFIs studied included; the African Development Bank Group and World Bank. The findings are presented in table 6 using a two-sample t-test.

Table 6: Two-sample t-test comparing Aid disbursements to Uganda from IFIs

Two-sample t test with equal variances

Group	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
African	3	120.377	9.624806	16.67065	78.96483	161.7892
World Ba	3	407.0709	154.3214	267.2924	-256.9203	1071.062
combined	6	263.724	94.29322	230.9703	21.3355	506.1124
diff		-286.6939	154.6212		-715.9912	142.6034

diff = mean(African) - mean(World Ba) t = -1.8542

Ho: diff = 0 degrees of freedom = 4

Ha: diff < 0	Ha: diff != 0	Ha: diff > 0
Pr(T < t) = 0.0687	Pr(|T| > |t|) = 0.1373	Pr(T > t) = 0.9313

Source: DI (2023)

The findings in table 6 reveal that there was no significant difference between the Aid disbursements to Uganda from World Bank and African Development Bank Group from 2018 to 2020 (Mean diff=286.7 million US Dollars, P-value (0.1373) >0.05). This may imply that there were almost equal Aid disbursements to Uganda from World Bank and African Development Bank Group from 2018 to 2020.

3.7 Comparing Aid disbursements from bilateral donors to different sectors of Uganda

The study made a comparative analysis of the Aid disbursements from bilateral organizations to different sectors of Uganda. The sectors covered included; Environment, Banking and business, Other social services, Water and sanitation, Industry and Trade, Infrastructure, Education, Governance and security, Agriculture and food security, Humanitarian, and Health. The findings are presented in table 7.

Table 7: One-Way ANOVA findings comparing Aid disbursements to different sectors of Uganda

```
. oneway Sector_Donation Sector
```

Source	SS	df	MS	F	Prob > F
Between groups	177186.848	10	17718.6848	87.08	0.0000
Within groups	4476.66667	22	203.484848		
Total	181663.515	32	5676.98485		

Source: DI (2023)

The ANOVA results from table 7 show that there was a significant difference in donations received by different sectors of Uganda from 2018 to 2020 from the bilateral donors (P-value (0.000) <0.05). This may imply that all the sectors received unequal amounts of donations from the bilateral donors from the period 2018 to 2020. The sectors which received a bigger share of the donations included; Health, Humanitarian, Agriculture and food security, and Governance and security.

3.8 Comparing Aid disbursements to Uganda from multilateral organizations

The study also made a comparative analysis of Aid disbursements to Uganda from multilateral organizations. The multilateral organizations studied included; Global Fund, ICRC, IFAD, UNDP, UNICEF, UNIDO, UNOCHA, and WFP. The findings are presented.

Table 8: One-Way ANOVA comparing Aid disbursements to Uganda from multilateral organizations

Source	SS	df	MS	F	Prob > F
Between groups	119995.235	7	17142.1765	27.63	0.0000
Within groups	9927.22867	16	620.451792		
Total	129922.464	23	5648.80278		

Bartlett's test for equal variances: chi2(7) = 49.5208 Prob>chi2 = 0.000

Source: DI (2023)

The ANOVA findings from table 8 reveal that there was a significant difference in the Aid disbursements to Uganda from multilateral organizations ($F(7, 16)=27.63$, P-value (0.000) <0.05). This may imply that there was unbalanced aid disbursed to Uganda from multilateral organizations from 2018 to 2020. The observations from the study indicate that Uganda received more financial aid from Global Fund and WFP from 2018 to 2020.

4.0 Conclusions

The study concludes that there has been increased financial aid to Uganda while FDI inflows have experienced a sine wave trend from 2000 to 2021. The country has recorded improved financial aid from bilateral, multilateral, and IFIs to support the country's sectors and economic growth.

5.0 Recommendations

The study recommends increased financial aid to other Ugandan sectors like environment, water and sanitation, and Industry and trade among others.

References

Adam, M. (2021). The Macroeconomic Determinants of Economic Growth in Uganda (1990–2019). *Available at SSRN 3814184*.

Development Initiative (DI). (2021). *Analysis of aid flows to Uganda before and during Covid-19.* DI. Retrieved from https://devinit.org/data/datasets/analysis-aid-flows-uganda-covid-19/

Jones, H. (2022). *Seeking Independence a Second Time: FDI in Uganda's.* SIT Graduate Institute. Retrieved from https://digitalcollections.sit.edu/cgi/viewcontent.cgi?article=4511&context=isp_collection

World Bank. (2023). *World Bank Development Indicators.* World Bank.

Bird, G., & Choi, Y. (2020). The effects of remittances, foreign direct investment, and foreign aid on economic growth: An empirical analysis. *Review of Development Economics*, *24*(1), 1-30.

Anetor, F. O., Esho, E., & Verhoef, G. (2020). The impact of foreign direct investment, foreign aid and trade on poverty reduction: Evidence from Sub-Saharan African countries. *Cogent Economics & Finance*, *8*(1), 1737347.

Van Campenhout, B., Minten, B., & Swinnen, J. F. (2021). Leading the way–foreign direct investment and dairy value chain upgrading in Uganda. *Agricultural Economics*, *52*(4), 607-631.

Younsi, M., Bechtini, M., & Khemili, H. (2021). The effects of foreign aid, foreign direct investment and domestic investment on economic growth in African countries: Nonlinearities and complementarities. *African Development Review*, *33*(1), 55-66.

Aluko, O. A. (2020). The foreign aid–foreign direct investment relationship in Africa: The mediating role of institutional quality and financial development. *Economic affairs*, *40*(1), 77-84.

Fon, R., & Alon, I. (2022). Governance, foreign aid, and Chinese foreign direct investment. *Thunderbird International Business Review*, *64*(2), 179-201.

Oogu, P. (2021). The Effects of Foreign Direct Investment on Gender Inequality in Uganda.

Edward, S. P., & Karamuriro, H. T. (2020). Effects of foreign aid inflow on economic growth of Uganda: autoregressive distributed lag modelling (ARDL). *International Journal of Sustainability Management and Information Technologies*, *6*(2), 36-49.

Karamuriro, H. T., Ssemanda, E. P., & Bbaale, E. (2020). Foreign Aid Inflow and Domestic Savings in Uganda: Error Correction Modelling. *Journal of World Economic Research*, *9*(1), 51-60.

Mohamed, H., & Çelen, A. (2022). Impact of foreign financial aid on Uganda's economic growth. *International Academic Journal of Economics and Finance*, *3 (7), 429, 446*, 2.

Wehncke, F. C., Marozva, G., & Makoni, P. L. (2022). Economic Growth, Foreign Direct Investments and Official Development Assistance Nexus: Panel ARDL Approach. *Economies*, *11*(1), 4.

Ibrahim, L. M., Frank, A., & Gohil, M. S. S. SECTORIAL ANALYSIS AND IMPACTS OF FOREIGN DIRECT INVESTMENT ON GROSS DOMESTIC PRODUCT GROWTH IN GHANA AND UGANDA.

Mkombe, D., Tufa, A. H., Alene, A. D., Manda, J., Feleke, S., Abdoulaye, T., & Manyong, V. (2021). The effects of foreign direct investment on youth unemployment in the Southern African Development Community. *Development Southern Africa*, *38*(6), 863-878.

Barbra, N., & Nawaz, H. (2021). The Relationship Between Foreign Direct Investment Oriented Economic Growth in Uganda: An Empirical Study Based on VAR Model. *Economics and Business Quarterly Reviews*, *4*(3).

Goboola, M. (2022). *Effects of foreign direct investments on the economic growth of Uganda* (Doctoral dissertation, Makerere University).

Kangu, F. (2021). *Effects of money supply, foreign direct investment, education and exchange rates on the GDP growth for Uganda (1990-2018)* (Doctoral dissertation, Busitema University.).

Obuin, A. (2020). *Factors affecting foreign direct investment in Uganda (1985-2019)* (Doctoral dissertation, Makerere University).

Radmehr, R., Ali, E. B., Shayanmehr, S., Saghaian, S., Darbandi, E., Agbozo, E., & Sarkodie, S. A. (2022). Assessing the global drivers of sustained economic development: the role of trade openness, financial development, and FDI. *Sustainability*, *14*(21), 14023.

Sabir, S., Rafique, A., & Abbas, K. (2019). Institutions and FDI: evidence from developed and developing countries. *Financial Innovation*, *5*(1), 1-20.