

**FOREIGN AID INTERVENTION AND ECONOMIC DEVELOPMENT IN UGANDA: A  
QUALITATIVE STUDY OF KAMPALA CITY COUNCIL AUTHORITY**

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## DECLARATION

I **Joy Wanjiku** of Kampala International University and a student of the Bachelor of International Relations do hereby solemnly declare that the undertakings of this research project right from the conceptualization of the research proposal are a true reflection of my work.

Signature: .....  .....

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Date: ..... 15/3/2019 .....


### APPROVAL

I certify that **Joy Wanjiku** carried out this study and wrote this dissertation under my supervision. The dissertation has been submitted for the award of Bachelor of International Relations of Kampala International University.

Supervisor



Date.....

  
22/03/2019

## DEDICATION

I fully dedicate this research work to my beloved parents Jane Maina and Ezekiel Maina who have struggled a lot for my future and prosperity with tireless support for the entire period of my studies.

I also want to dedicate this work to all my course mates, colleges and lecturers.

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## ACRONYMS

<b>CHOGM</b>	Commonwealth Heads of Government Meeting
<b>DAC</b>	Development Assistance Cooperation
<b>GAVI</b>	Global Alliance for Vaccine and Immunisation
<b>IDIs</b>	In-depth Interviews
<b>KCCA</b>	Kampala Capital City Authority
<b>KIIs</b>	Key Informant Interviews
<b>LDCs</b>	Least Developed Countries
<b>NGO</b>	Non governmental Organisations
<b>NSSF</b>	National Social Security Fund
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PPP</b>	Public Private Partnership
<b>UN</b>	United Nations
<b>UPE</b>	Universal Primary Education

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## ABSTRACT

Development is a theme that encapsulates the totality of the outlook of every country in the world. Global concerns to eradicate poverty and many other indicators of the downside of development have been described as the basic need for foreign aid intervention. This study essentially seeks to understand the role foreign aid intervention has played in development, challenges confronting the success of foreign aid intervention and more effective approaches that can make foreign aid intervention a success. The study engaged both modernization and dependency theories in advancing understanding on the subject matter. The study, which was conducted in Kampala Capital City Authority (KCCA) employed qualitative method of data collection using key informant interview and in-depth interview as instruments. Data were analyzed using content analysis. Findings from this study revealed that foreign aid has contributed to the development of the communities studied and among other recommendations, strongly recommended that foreign aid intervention should be carried out more in rural communities especially in the area of critical infrastructure.

## CHAPTER ONE

### INTRODUCTION

#### 1.0 Introduction

This section is the introduction that includes the background of the study, the problem statement, specific objectives, and research questions, scope of the study, significance and conceptual framework.

#### 1.1 Background to the Study

This section highlights the historical, theoretical, conceptual and contextual background of foreign aid and economic development in Uganda.

##### 1.1.1 Historical Background

Foreign aid is less than one hundred years concept in development literature (Edwards, 2014).

The United Kingdom passed a statute in 1929 and 1945 dealing with modalities of aid to its colonies (Bhagwati, 1978; Bourguignon & Sundberg, 2007). The period of the 1940s and 1950s aid was considered a temporary strategy by the United States government (Burnside & Dollar 2004). However in the 1960s the US and other countries, at the height of the Cold War, initiated the Development Assistance Cooperation (DAC) under the Organisation for Economic Cooperation and Development (OECD). The main objective of the DAC was – and continues to be – to coordinate aid to the poorest countries (Collier, 2007).

Foreign Aid has gone through models such as Harrod–Domar growth model and by W. Arthur Lewis’ unlimited supplies of labour model in the 1970s (Edwards, 2014). This changed in the late 1960s and 1970s with the ascendance of Solow’s neoclassical model of growth, and the development of the ‘basic needs’ approach to welfare economics (Edwards, 2014). During the 1980s and 1990s, international assistance became increasingly conditioned on the recipient countries liberalising their economies through the elimination of quantitative import restrictions

and the lowering of import tariffs. The business of foreign aid has remained contestable to date due to mixed results in its effectiveness (Yiew & Lau, 2018). The focus of foreign aid has been most to do with economic growth and development in recipient countries (Edwards, 2014).

In developing Countries such as Uganda, foreign aid has been utilised since the country's independence in 1962. It became most pronounced since 1981 (Stein, 2009) and to date Uganda services its annual budget from foreign aid at a tune of 40 % (CSBAG, 2018).

Foreign aid is not an end in itself but a means to growth and development of the recipients.

Economic development originated in the post-war period of reconstruction initiated by the United States. In 1949, during his inaugural speech, President Harry Truman identified the development of undeveloped areas as a priority for the west. There have been several major phases of development theory since 1945. From the 1940s to the 1960s the state played a large role in promoting industrialization in developing countries, following the idea of modernization theory. This period was followed by a brief period of basic needs development focusing on human capital development and redistribution in the 1970s. Neoliberalism emerged in the 1980s pushing an agenda of free trade and removal of import substitution industrialization policies.

In economics, the study of economic development was borne out of an extension to traditional economics that focused entirely on national product, or the aggregate output of goods and services. Economic development was concerned with the expansion of people's entitlements and their corresponding capabilities, morbidity, nourishment, literacy, education, and other socio-economic indicators (Todaro and Smith, 2011). Borne out of the backdrop of Keynesian economics (advocating government intervention), and neoclassical economics (stressing reduced intervention), with the rise of high-growth countries (Singapore, South Korea, Hong Kong) and planned governments (Argentina, Chile, Sudan, Uganda), economic development and more

generally development economics emerged amidst these mid-20th century theoretical interpretations of how economies prosper (Sen, 1983). Also, economist Albert O. Hirschman, a major contributor to development economics, asserted that economic development grew to concentrate on the poor regions of the world, primarily in Africa, Asia and Latin America yet on the outpouring of fundamental ideas and models (Hirschman, 1981). It has also been argued, notably by Asian and European proponents of infrastructure-based development, that systematic, long-term government investments in transportation, housing, education, and healthcare are necessary to ensure sustainable economic growth in emerging countries.

Uganda's economy has moved through leaps and bounds with a prosperous economy between 1962 and 1971, economic downturn from 1971-80, stabilization strategy 1981-87 and structural adjustment from 1987-1995 (Sejjaaka, 2004).

The link between foreign aid and economic development has been postulated to be both positive and negative depending on country, timeframe, and objective of the analysts ((Edwards, 2014).

### **1.1.2 Theoretical Background**

Several theories that combine foreign aid and economic development have been in play for decades. Some of these include the Modernization theory, Dependency Theory, Basic Needs theory, Neo-classical/liberalist theory, post development theory, sustainable development, human theory of development, ecological modernization and the world systems theory. From the foregoing theories, with all their strengths and limitations, the sustainable and the capability approach will be utilised.

- **Sustainable development theory**

Be it as it may that aid is unavoidable, it should be sustainable. Sustainable development is one that provides a solution in meeting of meaning basic human needs, integrating environmental

development and protection, achieving equality, ensuring social self-determination and cultural diversity, and maintaining ecological integrity (Klarin, 2018). Sustainable development theory is considered a vital approach to global development as used in the Agenda 2030. The sustainable development theory has been critiqued for being too human centred and broadly ambiguous (Newman, 2006). However despite its broadness, it is still “alive” and its agenda broadening. This study will employ the tenants of sustainable development in design, analysis and interpretation of findings.

- **Capability Approach and Human Development**

The capability approach is a theoretical framework that entails two core normative claims: first, the claim that the freedom to achieve wellbeing is of primary moral importance (Stanford Encyclopaedia of Philosophy, 2016). second, that freedom to achieve wellbeing is to be understood in terms of people’s capabilities, that is, their real opportunities to do and be what they have reason to value. According to IEP (2018), the capability approach suffers from illiberalism, under theorisation, individualism and information gaps. This will be addressed by merging it with the sustainable development approach.

### **1.1.3 Conceptual Background**

Lancaster (2007) defines *foreign aid* as "a voluntary transfer of public resources, from a government to another independent government, to an NGO, or to an international organization (such as the World Bank or the UN Development Program) with at least a 25 percent grant element, one goal of which is to better the human condition in the country receiving the aid." Lancaster also states that for much of the period of her study (World War II to the present) 'foreign aid was used for four main purposes: diplomatic [including military/security and political interests abroad], developmental, humanitarian relief and commercial." The types of

foreign aid include: disbursements vs. aid received; bilateral aid; military aid; multilateral Aid; and humanitarian assistance (ref). Foreign Aid is complex a topic but encompasses three schools of thought: One believes that official assistance is ineffective, and has harmed poor countries throughout the years; another camp believes that aid levels have been too low, and that large increases would help reduce poverty; The third camp is less vocal, and includes authors such as Collier (2007), who has emphasised the role of a number of ‘traps’ in perpetuating destitution, and Banerjee and Duflo (2011) who argue that the use of ‘randomised control trials’ may help devise effective and specific aid programmes in the war against poverty and underdevelopment.

Economic Development has been understood since the World War II to involve economic growth, namely the increases in per capita income, and (if currently absent) the attainment of a standard of living equivalent to that of industrialized countries (Mansell and Wehn, 1998). Economic development can also be considered as a static theory that documents the state of an economy at a certain time. According to Schumpeter and Backhaus (2003), the changes in this equilibrium state to document in economic theory can only be caused by intervening factors coming from the outside. Economic development usually refers to the adoption of new technologies, transition from agriculture-based to an industry-based economy, and general improvement in living standards.

#### **1.1.4 Contextual Background**

Edwards (2014b) discusses the aid-economic development intersection from a historical perspective, and he argues that international aid affects recipient economies in extremely complex ways and through multiple and changing channels. Moreover, this is a two-way relationship – aid agencies influence policies, and the reality in the recipient country affects the

actions of aid agencies. This relationship is so intricate and time-dependent that it is not amenable to being captured by cross-country or panel regressions; in fact, even sophisticated specifications with multiple breakpoints and nonlinearities are unlikely to explain the inner workings of the aid–performance connection. Bourguignon and Sundberg (2007) have pointed out that there is a need to go beyond econometrics, and to break open the ‘black box’ of development aid.

Uganda has been amongst the world’s top aid recipients for several decades. Between 2003 and 2012 the country received more than \$16 billion in official development assistance (ODA), ranking them as the 13th largest recipient worldwide (Bergo, 2015). The ratio of aid-to-GDP peaked at 19% in 1992, and has remained around 10% over the last two decades. The government has for years relied on Official Development Assistance (ODA) for large parts of its budget, with international donors accounting for an astonishing 42% of the budget in 2006 (Bergo, 2015). Although this ratio has decreased to 25% in recent years, the government still relies heavily on donations to fund their bills. In contrast to their status as a major aid recipient, Uganda has consistently shown strong economic growth over the last decades. GDP has increased an average of 7% annually since 1990, reducing poverty levels from 56% in 1992 to 20% in 2012. The country is rich in mineral deposits, enjoys fertile soils with adequate rainfall, and has huge amounts of undeveloped oil reserves (Bergo, 2015). Despite impressive progress on reaching many of the Sustainable Development Goals on HIV, school enrolment, and infant mortality, Uganda still suffers from many of the common problems for developing countries.

Uganda’s global competitiveness is low and decreasing. Business conditions remains unfavourable to private companies, with weak infrastructure, lack of relevant education and poor



financial services, and sky-high corruption rates at all levels of governance (Bergo, 2015). Although conditions have improved slightly in recent years, Uganda has also witnessed modest setbacks on key human development factors. The strong economic performance has also been very unevenly distributed geographically, as the northern and eastern regions largely remain impoverished. With foreign aid accounting for over 20% of government revenues, it is easy to assume that aid would have a negative effect on fiscal behaviour — for instance, by eroding government incentives to raise capital through better tax collection. Yet, according to a UN-WIDER (2013), the opposite has occurred in Uganda. Foreign aid has not been used to balance budgets and has rather increased efforts at raising tax revenues (which are already very low) as aid donors regularly attach certain conditions on fiscal behaviour.

Uganda was also the first aid-recipient country that commissioned an independent evaluation of how foreign aid had contributed to its development progress, in particular the reduction of poverty. The UN-WIDER (2013) concluded that international aid had contributed to a significant overall reduction of poverty — although this had not occurred in the north and the east of the country.

Just as the country is a donor recipient, so is the capital city of Kampala. Kampala City Council Authority (KCCA) is made of five divisions namely Lubaga, Makindye, Central, Kawempe and Nakawa. It is home to several development projects such as Kampala Institutional and Infrastructure project 2 (KIIDP), climate change, road constructions, water and sanitation forum, Kampala waste management PPP, Kampala Faecal Sludge management, ongoing drainage works that are donor and government funded by KCCA (KCCA, 2018). The extent to which these foreign aid funded programmes has led to economic development is not documented.

## 1.2 Statement of the Problem

The role of foreign aid in the development process of developing countries has been a topic of intense debate. Foreign aid is an important topic given its implications for poverty reduction in developing countries. Previous empirical studies on foreign aid and economic development generate mixed results. Four strands of literature exist about foreign aid and economic development: a positive relationship; the negative relationship; that there is no impact; and that it may depend on the quality of the recipient country's institutions and economic policies (Alemu and Lee, 2015). Uganda generally is a high recipient country of aid and the aid-GDP share, which was about 1 per cent in 1980 rose significantly to about 5 per cent in 1986 reaching a peak of about 19 per cent in 1992, and averaged about 11 percent between 1990 and 2006 (Egesa, 2011; Mugume, 2008). This is the case with local authorities such as Kampala which is heavily funded by the World Bank (IBRD), Japan International Cooperation Agency, French Development Agency (AFD), European Union, Bill and Melinda Gates Foundation, African Development Bank and the Kingdom of Netherlands among other (KCCA, 2018). Despite this aid, those living below the poverty line in Kampala were 4% and 20% by UBOS (2010) and UN-Habitat (2007) respectively. The city is has congested slums, street children, heavy traffic jam and improper health and sanitation (Dimanin, 2012). There seem to be factors hindering effective aid intervention to achieve intended outcomes in such settings and these have to be examined if aid is to be a panacea to development (Olawale et al, 2016). It should also be noted that there are several studies assessing the impact of foreign aid on economic development in Uganda (Munaabi, 2012; Bwire et al, 2013; Babyenda, 2014) however these studies are mainly quantitative/econometric models that often don't capture recipient's perceptions. There is a rarity of studies involving a qualitative lens and from study participants in Uganda and in KCCA specifically.

### **1.3 Purpose of the study**

This study essentially seeks to understand the role foreign aid intervention has played in development, challenges confronting the success of foreign aid intervention and more effective approaches that can make foreign aid intervention a success in Uganda with a focus on Kampala City Council Authority.

### **1.4 Specific Objectives**

1. To examine the role of foreign aid intervention as it affects development in Kampala City Council Authority
2. To establish and assess the factors hindering the success of foreign aid intervention from achieving developmental purpose in Kampala City Council Authority
3. To identify ways in which foreign aid intervention could be more effective in bringing about development.

### **1.5 Research Questions**

1. What is the role of foreign aid intervention as it affects development in Kampala City Council Authority?
2. What are the factors hindering the success of foreign aid intervention from achieving developmental purpose in Kampala City Council Authority?
3. In what ways can foreign aid intervention be more effective in bringing about development?

### **1.6 Scope of the study**

This will include the time, geographical and content scope:

#### **1.6.1 Time Scope**

The study will consider the period of 2011 to-date when KCCA became an authority.

### **1.6.2 Geographical Scope**

The study will be carried out in the 5 divisions of Kampala that include Lubaga, Makindye, Central, Kawempe and Nakawa and from the population, a sample will be chosen.

### **1.6.3 Content Scope**

The study shall focus on the role of foreign aid in development, the factors hindering aid efficacy and aid effectiveness.

## **1.7 Significance of the study**

### **1.7.1 Policy Makers and Development Planners**

Policy makers at planners at national, county and district level will appreciate a qualitative of view of foreign aid and economic development so that they prioritise sustainably.

### **1.7.2 Academicians**

There is currently a paucity of literature on foreign aid and economic development from a majorly qualitative view. This study will update the literature in that area.

## **1.8 Conceptual Framework**

Study postulates that foreign aid is the independent variable that leads to economic development, the dependent variable. Foreign aid interventions will include the role in relation with development outcomes, factors hindering aid efficacy and aid effectiveness. Economic development will include basic human needs, integrating environmental development and protection, achieving equality, ensuring social self-determination and cultural diversity, and maintaining ecological integrity as well as capabilities (their real opportunities to do and be what they have reason to value).

## **1.9 Conclusion**

The introductory section of the study opened up lines of inquiry and established a problem that exists about foreign aid globally, nationally and in KCCA. The thematic issues include foreign

aid interventions in relation with development outcomes, factors hindering aid efficacy and aid effectiveness. In the next section a review of extant literature is undertaken.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This section delves deep into the existing and related studies about truancy and associated factors. The review is based on information from journals, magazines and books culled from hard copies and online sites. Specifically sources such as Google Scholar are used. It is sectioned accordingly, 2.1 role of foreign aid intervention as it affects development, 2.2 factors hindering the success of foreign aid intervention, 2.3 Aid effectiveness and 2.4 conclusion and gaps in the study.

#### **2.1 Role of foreign aid intervention as it affects development**

A considerable amount of literature has examined the effect of foreign aid on economic growth. Previous researchers found positive impacts of foreign aid on economic growth (Papanek, 1973; Singh, 1985; Levy, 1988; Burnside and Dollar, 2000; Dalgaard et al., 2004; Gomanee et al., 2005; Karras, 2006; Ndambendia and Njoupouognigni, 2010). Papanek (1973) used a cross country regression to examine the impact of foreign aid on economic growth and found a positive relationship between foreign aid and economic growth. Singh (1985) applied an ordinary least squares (OLS) model to investigate the impact of foreign aid on economic growth. He found that foreign aid contributed to economic growth between 1970 and 1980 in LDC. Levy (1988) investigated the impact of aid on economic growth in Sub-Saharan African and concluded that a positive relationship exists between aid and economic growth. Burnside and Dollar (2000) suggested that good fiscal, monetary and trade policies had a positive impact on aid and economic growth in developing countries. Using nine years observations, Cungu and Swinnen (2003) applied POLS and fixed effect to examine the impact of aid on economic

growth. They found that positive impact between aid and economic growth. Dalgaard et al. (2004) concluded that foreign aid had a positive impact on economic growth, while the magnitude depended on the climate conditions. Analyzing Sub-Saharan African countries, Gomanee et al. (2005) found the same result as Levy (1988). Karras (2006) also found a positive impact of foreign aid on economic growth using data from 1960 through 1997 for 71 developing countries. Using a pooled mean group estimator (PMG), Ndambendia and Njoupouognigni (2010) found a positive impact of foreign aid on economic growth in Sub-Saharan Africa.

Some researchers found that a negative relationship existed between foreign aid and economic growth (Gong and Zou, 2001; Mallik, 2008; Mitra and Hossain, 2013; Mitra et al., 2015). Gong and Zou (2001) found that foreign aid reduced capital accumulation and the labour supply. They suggested that foreign aid would increase the spending of citizens, while foreign aid may create more leisure time for citizens, thus reducing the labor supply. Nevertheless, Mallik (2008) concluded that foreign aid had a negative impact on economic growth in the long run. This results in a “long-term deleterious effect of international aid on living standards”. Using the Philippines, Mitra and Hossain (2013) found that increased of 1% in the foreign aid led to an economic growth decreased of 0.51%. In addition, Mitra et al. (2015) found the negative relationship between foreign aid on economic in short run and long run for 13 Asian economies. They concluded that increased of 1% in foreign aid led to an economic growth decreased of 0.18% in Asian economies.

Other researchers found that a relationship between aid and economic growth was insignificant. Mosley et al. (1987) concluded that aid had no impact on economic growth. The results of Boone’s (1996) study concurred with that of Mosley et al. (1987). Lensink and Morrissey (2000) found that an insignificant relationship between foreign aid and economic growth existed.

Liew et al. (2012) applied the pooled ordinary least squares, random effect, and fixed effect models to examine the impact of foreign aid on economic growth in East African countries between 1985 and 2010. They found that a negative relationship existed between foreign aid and economic growth. Dreher and Langlotz (2015) examined the impact of aid and growth using an excludable instrument for 96 countries from 1974 through 2009. They concluded that there was no impact of aid on growth. On the other hand, Galiani et al. (2016) investigated the effect of aid on growth using a quasi-experiment for 35 countries from 1987 through 2010. They found a positive relationship between aid and economic growth. From the literature survey above, one could notice that the impact of foreign aid on economic growth is inconclusive with differences empirical results in terms of data, econometric technique and geographical countries applications.

In Uganda, several studies on the relationship between aid and development have equally mixed results. Babyenda (2014) finds that foreign aid has no significant impact on Uganda's economic Growth. Sanchez (2016) notes that International aid to Uganda and other poor countries in Africa can be both, part of the problem or part of the solution for the issues of poverty reduction and achieving economic growth. Munabi (2012) argues that foreign aid is negatively correlated to economic development but can be positive if other policy and institutional factors are considered.

## **2.2 Factors hindering the success of foreign aid intervention from achieving developmental purpose**

Arising out of the argument above, there is the need to understand the factors hindering success of foreign aid intervention in Uganda. These factors range from corruption, weak policies and fragile institutions in the recipient countries, on the one hand, and the intended goals of the donors, and lack of domestic knowledge of foreigner experts working in donor organizations in order to make a change in the recipient countries, on the other (Monkam, 2008; Lancaster, 2007).



### **2.2.1 Corruption**

Since 1986, several institutions, whose specific goal was to improve governance in Uganda, were established. At the highest level, there was the establishment of the Inspector General of Government (IGG – now called Inspectorate of Government (IG)) and the Human Rights Commission (UNHCR), and at the local level was the Resistance Committees and Councils (RCs). Subsequently, Uganda showed signs of readiness to undertake reform. It was from this aspect that certain donor countries became eager to fund the above anti-corruption efforts and, in doing so, played an important role in having them fully established and maintained (Flanary and Watt, 1999). However, despite all these attempts, the vice of corruption flourished until today, moreover at a massive and intolerable scale. The various corruption scandals that have occurred since then involving the theft of colossal sums of public money by different personalities, some of whom close to those in power (Overview of Corruption in Uganda, 2018), range from the Global Alliance for Vaccine and Immunisation (GAVI) and Global Fund embezzlements, to the Commonwealth Heads of Government Meeting (CHOGM) swindle, the Junk helicopter scandal, ghost soldiers, National Identity cards, National Social Security Fund (NSSF) and Pension scandal, Uganda Primary Education (UPE) scandal and most recently, the Office of the Prime Minister (OPM) scandal to mention but a few. All these grand thefts involve top government officials, many of whom still occupy public offices. In 2012, about 12 million pounds of donor aid from the Scandinavian and Ireland had been swindled that year alone (Poverty and Development, 2012).

### **2.2.2 Weak policies and fragile institutions in recipient countries**

In Uganda there are strong policies to foreign aid with the Police, Inspectorate of government, Auditor general and Parliament of Uganda monitoring donor funds. However, all these

institutions have been found to be wanting given that a few cases are successfully prosecuted (Human Rights Watch, 2013). Also, donor contradictions of whether to ensure stringent systems prior to releasing more donor funds has sent mixed messages to embezzlers hastening impunity.

### **2.2.3 Donor goals**

Sometimes the goals of donors seem unclear to the recipient governments in that they fund projects but also second expensive staff that spend the money. They sometimes continue to fund projects that are non-accountable. This begs the question: is aid for development or for control of recipients? Donor states provide foreign aid to alleviate poverty and foster development in the neediest underdeveloped countries. However, the European Union countries do not wish to optimize their foreign aid because they have economic and political purposes other than poverty reduction when they allocate aid (Apodaca, 2017).

### **2.2.4 Lack of domestic knowledge of foreign experts working in donor organizations**

Donors need to satisfy the interests, values and incentives of the home country, whilst also providing them with expected results in order to maintain the cash flow. This has resulted in donors either bypassing and therefore destabilising government service provision processes to establish donor projects, a strategy often favoured by United States Agency for International Development and the World Bank (Bräutigam and Knack, 2004), or intervening directly in policy-making and implementation (Bräutigam, 2000). The involvement of donors, either foreign governments or international agencies, in recipient country political processes has been shown to reduce the quality of governance (Knack, 2001). It reduces leader accountability; the government is “playing to two audiences simultaneously”- the donors and the public (Hayman, 2008). This means the direction of accountability is between government and donor rather than the public, risking government legitimacy and delaying the progress of political reform and development

(Bräutigam, 2000). This is particularly damaging in countries where the need for aid stems from political upheaval or civil unrest such as the Democratic Republic of Congo or Zimbabwe, which have a lengthy history of aid dependence (Moss et al., 2006). The risk here is that donors have political leverage, thus decisions and planning become reliant on donor involvement whose motivation and values may not necessarily align with those of the public or government.

### **2.3 Aid Effectiveness**

Aid agencies are always looking for new ways to improve aid effectiveness, including conditionality, capacity building and support for improved governance (Aid Effectiveness and Governance, 2009). In response to the failed aid interventions, the Paris Declaration on aid effectiveness was mooted. The Paris Declaration embodied a new, broad consensus on what needs to be done to produce better development results (Working Party on aid effectiveness, 2010). Its principles lay open the possible ways to undertake, which can be interpreted also as the major objectives of good aid: fostering recipient countries' ownership of development policies and strategies, maximizing donors' coordination and harmonization, improving aid transparency and mutual accountability of donors and recipients, just to name a few (OECD, 2005).

The Accra Agenda for Action states that transparency and accountability are essential elements for development results, as well as drivers of progress (OECD, 2008). Mutual accountability and transparency is one of the five partnership commitments of the Paris Declaration (OECD, 2005). Through 'transparency', donors and recipients can be held accountable for what they spend and aid can be made more effective by knowing the three Ws of transparency: Who gives money to which recipient? What project is being funded and for what purpose? and Where? (Kharas, 2011).

## **2.4 Conclusion and gaps in the study**

Arising out of the review, it is noted that the relationship between foreign aid and development yields mixed results depending on country and method used. There are institutional and political factors that affect success of foreign aid intervention, and that aid can be effective if certain questions are raised at the onset. What are not available in the literature are qualitative studies from various stakeholders, as most data elicited from existing econometric data that is modelled. There is also a lack of ministry, department or agency (MDAs) specific study on the research variables. In the next section highlights the methodology to be used.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This section presents the research methods utilised for the study. It is sectioned accordingly, the research design, measurement of variables, unit of analysis, study population, sample size and selection, data collection methods, data quality control, data analysis, research procedure and ethical considerations.

#### **3.1 Research Design**

The research design used in this study was cross-sectional, descriptive in orientation and qualitative in nature.

#### **3.2 Measurement of variables**

Being a qualitative study, generic variables were considered rather than specific ones.

##### **3.2.1 Independent Variables**

The independent variables included Foreign Aid Intervention and specifically the role of foreign aid intervention relation with development outcomes, factors hindering aid efficacy and aid effectiveness.

##### **3.2.1 Dependent Variables**

The dependent variables included Economic development which considered basic human needs, integrating environmental development and protection, achieving equality, ensuring social self-determination and cultural diversity, and maintaining ecological integrity as well as capabilities (their real opportunities to do and be what they have reason to value).

#### **3.3 Unit of analysis**

The Unit of analysis were the individual participants in the study.

### 3.4 Study population

The study populations included political leaders, administrative staff and Key informants of all the five divisions.

### 3.5 Sampling

#### 3.5.1 Sample

The sample consisted of 43 study participants purposively selected as indicated in table 3.1 below:

**Table 3.1: Sample Size**

	Location					
Category	Nakawa	Makindye	Lubaga	Kawempe	Central	Sub total
Politicians	2	2	2	2	2	10
Administrators	2	2	2	2	2	10
Businesses	2	2	2	2	2	10
Civil society	2	2	2	2	2	10
Key Informants						3
Total	8	8	8	8	8	43

#### 3.5.2 Sampling Technique

Being a qualitative study, purposive and quota sampling was employed. In purposive sampling, the researcher consciously decides who to include in the sample (Onen and Oso, 2005). It is used to collect focussed information and selects typical and useful cases only. In this case, study participants were purposively selected based on their knowledge of aid and economic development.

Quota sampling is a non-probability technique used to identify sub-groups in the population and their proportions and select from each sub-group. It applies to homogenous subsets.

### **3.6 Data collection methods**

Qualitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports detailed interviews with informants and conducts the study in a natural setting. It is therefore important that the researcher or research team understand the socio-contextual aspects of the subject under study (Dahlgren *et al.*, 2004). The inquiry methods employed included KIIs and IDIs.

#### ***Key informant interviews (KIIs)***

KIIs are used in qualitative research to explore the subjective meanings and interpretations which individuals give to their experiences. KIIs are a way to obtain information from people who are in a position to know not only what individuals or the community do but why they do it. Key informants are normally chosen on the basis that they have special assets that make them knowledgeable about the topic of interest (Marshall and Rossman, 2006). The study utilised KIIs basing on knowledgeable persons in the area.

#### ***In-depth interviews (IDIs)***

An IDI is a qualitative research method which proceeds as a confidential and secure conversation between an interviewer and a respondent. The method allows the researcher to get the inside views, opinions, beliefs or other social contextual issues related to the topic of study in the respondents' own environment. The method can thus produce exhaustive and varied knowledge from the interviewee experiences, opinions, beliefs or motives, which group interviews would

not elicit. It is a suitable method if the subject of research is very sensitive or controversial. IDIs give the respondent time in peace to develop and give reasons or perceived meanings without being influenced by the opinions of others (Gretchen R Webber et al., 2010). About 40 IDIs were conducted.

### **3.7 Data analysis**

Data were analysed using content analysis. The units of analysis were the individual interviews and FGDs. Content analysis can be manifest or latent; however, there is no clear line dividing the two since both deals with interpretation of findings, the only difference being a variation in the level of abstraction. While manifest content analysis refers to the analysis of visible obvious components (Kondracki *et al.*, 2002), latent analysis refers to the interpretation of the underlying meaning of the text (Downe-Wamboldt, 1992). Indeed, some authors prefer to describe the analysis as being close or not close to the text (Graneheim and Lundman, 2004). The content analysis used for these studies involved reading and reviewing texts of the entire interview back and forth to identify meaningful units in relation to the study aims (Morse and Field., 1995). The meaningful units were condensed into codes, categories and themes.

### **3.8 Research procedure**

This proposal was given to the research supervisor for approval prior to data collection. After approval, an authorization letter was sought from the HOD granting permission to for fieldwork.

### **3.9 Ethical considerations**

While conducting this research, ethical issues were given due attention. The purpose of the study was explained to all individual participants and the relevancy of the information to the researcher was explained prior to conducting the study in order to seek the respondents' consent. Further, all participants in the study and the information they provide are treated confidentiality and



anonymously as a condition for their participation in the research. To ensure this, no provision for respondents' name was (instead pseudo names were used) indicated on the consent form and the information given will not be used to identify the participant as an individual. The honest response of the respondent is appreciated. Participation is also voluntary; no respondents were forced to answer the interview.

## CHAPTER FOUR

### PRESENTATION AND DISCUSSION OF FINDINGS

#### 4.0 Introduction

This section highlights the results of the findings. It is based on the study objectives and the analysis is interpretivist.

#### 4.1 The Role of foreign aid intervention as it affects development in KCCA

Deducing from the findings in the study areas, it was revealed by the interviewees that foreign aid is an essential ingredients to the process of development in their locality and an interviewee who was also one of the community leaders stated thus:

*“Since the projects were completed, things have changed very well here. We now have barbers, welders, many shops and retail outlets, increasing population, and many more. Our road is now accessible and the poor economic and social status of our community has changed for the better.... In fact, the community has witnessed socioeconomic development. Foreign aid intervention has contributed to the development of our community (IDI, male, 56 years, and community project chairman, Kisugu-Namuwongo, Makindye Division, 2019)”.*

Another interviewee also corroborated the above interviewee thus:

*“Electrification, construction of Culverts and Grading of roads were the projects carried out in our community.... Immediately there was power supply and our roads became accessible, more people moved to the area, the population increased, more shops were opened for improved economic activities, standard of living improved and there is economic development (IDI, Male, 42 years, resident, Kyambogo Parish, Nakawa Division, 2019)”*

From the findings above, foreign aid intervention has contributed to the development of the communities visited especially in the areas of essential infrastructure. This is in consonance with the view of Burnside and Dollar (2004), who agreed that foreign aid, has contributed to development. The electrification project in Lubaga division shows one of these important projects that have contributed meaningfully to the development of the host community. The testimonies from the community residents show an improvement in the standard of living and the economy of the community. Relating this phenomenon to the situation of the larger Ugandan social space where power failure remains one of the major clogs to the country's wheel of development, addressing the challenge of power failure will throw the country's economy to a speeding trajectory of development as demonstrated in the examples of the communities of study.

#### **4.2 Factors hindering the success of foreign aid intervention from achieving developmental purpose in KCCA**

The statement below was obtained from a government official in the Ministry of Finance, Planning and Economic Development. This statement revealed some of the major challenges confronting foreign aid intervention in developing countries:

*...going around, many of the projects are short-lived, they do not last. Sometimes, some foreign donors just come and execute projects without consulting stakeholders and as such, they replicate projects that have been done by others in the past. In addition, most of the projects they have done in the past are moribund. Basically, there is no maintenance system in place in the country like they do overseas (developed countries). In addition, nonconformity to standards is also another problem" ... (KII, male, 39 years, physical planning officer, KCCA, Nakawa Division, 2019).*

Another interviewee also shed more light on some of these challenges thus:

*The contractors mismanaged the funds for the project donated by the European Union. We are not also happy that the project was not completed and not properly handed over to the community. They only came to take pictures of the physical structures when many important works were left undone. We had to gather individual contributions from the community members before the project could be concluded... (IDI, Male 55 years, Local Council leader, Ggaba, Makindye Division, 2019).*

The views above are corroborated by the researcher's observation in one of the communities visited where a hand pump borehole that was constructed in the community via foreign aid has stopped working in less than a year after construction according to the community residents. This finding supports the findings of Shua, as quoted by Oshewolo (2011), who submitted that embezzlement of aid's funds may amount to aid failing to help the vulnerable. An important deduction from this finding is the fact that, the bane of development aid in developing countries is not limited to corruption and misplacement of priorities, but an exclusion or limited role of the direct beneficiaries of aid's proceeds.

#### **4.3 Foreign Aid Effectiveness**

*...The major area they can do it is through involvement of the community in evaluation and monitoring of the project...They should also try to hand over projects properly to the community after execution so that maintenance responsibility could be assumed by the community (IDI, Female 59 years, Kabusu, Lubaga Division, 2019).*

According to this view, ensuring a more inclusive community participation in programs and projects from foreign donors as well as proper identification of ownership of aid proceeds especially when it's a project) will help overcome cases of use of sub-standard materials,

incompletion of projects before abandonment, poor maintenance etc. With these in place, a number of the challenges facing development aid will be overcome. This is corroborated by Odusanya, Logile and Akanni (2011), that foreign aid and government expenditure should be channelled towards provision of critical and vital socio-economic infrastructure such as adequate power, roads etc. that are essential to engineer economic growth and development in Uganda. Similarly, another interviewee accentuated further that:

*....the community should be allowed to participate more in the monitoring and execution of projects. There should be proper handing over of projects and a well-designed maintenance structure that will ensure viability and sustainability of projects to bring about more sustainable socioeconomic development” (IDI, male, 58, LC II chairman, Kazo-Angola, Nakawa Division, 2019).*

#### **4.4 Conclusion**

In this section, the study considered the findings from the three objectives. Next, a conclusion and recommendation is made based on the findings in this chapter.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This section includes the conclusion, recommendations, study limitations and areas of further study.

#### 5.1 Conclusion

While many scholars have condemned foreign aid intervention and discouraged its further administration, owing partially to the poor outcome of foreign aid interventions over the decades, and partly due to the numerous challenges (such as corruption, poor maintenance, short project lifespan, non-prioritization of needs before delivering aid, poor monitoring and evaluation aids, etc.) confronting foreign aid intervention, two major reservations can be advanced against this position. First, foreign aid intervention has contributed to development and will further contribute if certain measures (some of which are recommended below) are put in place, and secondly, a critical appraisal of the awkward poverty level and hopeless situation of many starkly impoverished people in the underdeveloped regions of the world will be another convincing *raison d'être* for more foreign aid intervention.

As the current phase of global efforts to foster development in developing regions of the world has been defined with the adoption of the Sustainable Development Goals, one can only prophesy that more light of hope has been beamed on the prospects of global development.

However, from the experience of the past, better approaches must be engaged in order to ensure effectiveness with a critical restructuring with respect to the processes surrounding foreign aid delivery.

## 5.2 Recommendations

In the light of the aforesaid, the following recommendations will help improve on previous results of foreign aid:

- 1) Assessment of needs should be carried out as a major precursor to granting aids in order to ensure that projects or programs to be executed are not jamborees, but essentials, and vital to the enhancement of the well-being and development of both the people and the benefitting communities. This will also ensure that aids administered are of utmost priority to beneficiaries. A feedback mechanism that will involve interaction with members and leaders of benefitting communities should also be engaged by donors to assess the level of impact of projects on the benefitting communities.
- 2) Added to this, benefitting communities should be carried along and accorded more responsibility as a major stakeholder. This mechanism should also permit access of benefitting communities to donors in order to ensure accountability among the various stakeholders.
- 3) Importantly, Governments at all levels should also ensure that anticorruption institutions are strengthened to tackle the menace of corruption to ensure the success of foreign aid intervention towards fast tracking development. Furthermore, donors should make zero tolerance for corruption as well as anti-corruption war in recipient countries a major prerequisite to granting foreign aid.
- 4) More foreign aid should be channelled to developing countries and directed towards assistance in the development of critical social infrastructures and amenities especially in the rural areas. This will further contribute to national development by discouraging rural-urban migration thereby reducing overpopulation, unemployment and strain on social and infrastructural facilities in urban centres.

### **5.3 Study limitations and Areas of further study**

Limitations refer to restrictions in the study over which researchers have no control over. The major limitations of this study need to be cited that may affect generalization of findings:

The study being purely qualitative, it is thus recommended that a similar study be done based on a mixed research approach that is both quantitative and qualitative approach to enable triangulation of the results.

The study used a cross sectional design, therefore results may change with time. It is therefore recommended that future studies should consider testing this model from longitudinal point of view.

The study limited itself to Kampala Capital City Authorities projects, it's therefore possible that the findings of the study are limited to sample studied, therefore it is recommended that a similar study be undertaken but on a sample larger than that of KCCA or a wider scope within the same area.



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## APPENDIX I: Research Instruments

### Thematic Interview guide with suggestions to questions

*Foreign Aid Intervention and Economic Development in Uganda: A Qualitative Study of Kampala City Council Authority*

### IDs (For administrators, politicians, business person and civil society)

#### Introduction and Warm Up

- The researcher introduces him/herself and explains purpose of the study.
- The researcher explains that the discussion is open, not an exam and there is no wrong or right answer. Explain that the information given by each participant is confidential.
- Encourage the respondent to give honest opinions.

#### A. General Information

- Age.....
- Sex.....
- Occupation.....
- Education.....
- Division.....

#### B. Experience on foreign aid intervention and economic development

##### Probes

- ✓ What type of development projects has KCCA undertaken since 2011 as supported by donors?
- ✓ What is the purpose of the development assistance?
- ✓ Does the kind of development assistance improve the economic situation of locals the division? And How?

#### C. Factors hindering successful foreign aid intervention from achieving developmental purpose in Kampala City Council Authority

- ✓ Do you think the development assistance rendered has achieved its development purpose?
- ✓ If not, what are some of the factors hindering successful development assistance?
- ✓ Which of the hindrances above is the most pronounced?

D. Aid effectiveness

- ✓ Do you think KCCA is in charge of the development assistance given to it? Do you think KCCA has the capacity to manage the development assistance rendered to it?
- ✓ Is the development assistance rendered to KCCA in line with its priorities and needs?
- ✓ Does KCCA directly manage the development assistance given to it?
- ✓ Has KCCA achieved results from the development assistance rendered to it? Is there evidence to show?
- ✓ Does KCCA account for development assistance to donors, parliament and the community?

Thank you

**Key informant interview**

**Technocrats in the Ministry, UNDP and European Union**

- The researcher introduces him/herself and explains purpose of the study.
- The researcher explains that the discussion is open, not an exam and there is no wrong or right answer. Explain that the information given by each participant is confidential.
- Encourage the respondent to give honest opinions.

I. General Information

- Age.....
- Sex.....
- Occupation.....
- Education.....

II. Experience on foreign aid intervention and economic development

Probes

- ✓ What types of development assistance does KCCA receive?
- ✓ What is the purpose of the development assistance?
- ✓ Does the kind of development assistance improve the economic situation of locals the division? And How?

III. Factors hindering successful foreign aid intervention from achieving developmental purpose in  
Kampala City Council Authority

- ✓ Do you think the development assistance rendered has achieved its development purpose?
- ✓ If not, what are some of the factors hindering successful development assistance?
- ✓ Which of the hindrances above is the most pronounced?

IV. Aid effectiveness

- ✓ Do you think KCCA is in charge of the development assistance given to it? Do you think KCCA has the capacity to manage the development assistance rendered to it?
- ✓ Is the development assistance rendered to KCCA in line with its priorities and needs?



- ✓ Does KCCA directly manage the development assistance given to it?
- ✓ Has KCCA achieved results from the development assistance rendered to it? Is there evidence to show?
- ✓ Does KCCA account for development assistance to donors, parliament and the community?

Thank you