

**The Effects of Chinese Development Aid and Concessional Loans on Uganda's**

**Economic Development**

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**Abstract**

The study examined the effects of Chinese Development aid and Concessional loans on Uganda's economic development. The study employed a descriptive survey research design based on quantitative and qualitative approach. A total population of **1,217** individuals working in institutions directly involved in China-Uganda economic cooperation, including officials from key government ministries, agencies such as the Uganda Investment Authority and Uganda Revenue Authority, and stakeholders in sectors affected by Chinese investment from which a sample was selected; a sample size of 315 respondents was selected to participate in the study. The respondents were selected using purposive sampling out of which 301 respondents participated in the quantitative component of the study through structured questionnaires, while 14 key informants were selected for qualitative data collection using semi-structured interviews. The study established a positive correlation (Pearson coefficient = 0.632) between Chinese development aid and concessional loans on Uganda's economic development, confirming a significant contribution to national economic progress.

The study therefore, concluded that, development aid and concessional loans collectively exert a positive and significant influence on Uganda's economic development. Similarly, the study recommended strengthening debt management frameworks to ensure that concessional loans from China remain sustainable and do not exacerbate Uganda's debt vulnerability.

**Keywords: Development Aid, Concessional Loans, Economic Development, Uganda.**

**Introduction**

Economic development remains a central objective for many developing countries, particularly in Sub-Saharan Africa. Uganda has, over the past two decades, relied significantly on external financial inflows in the form of development aid and concessional loans to finance infrastructure, social services, and poverty reduction programs. Development aid refers to grants or highly subsidized funds provided by bilateral and multilateral donors to support economic and social development (World

Bank, 2023; IMF, 2022). Concessional loans, on the other hand, are loans extended on terms substantially more generous than market loans, typically with lower interest rates and longer repayment periods (OECD, 2021; Bank of Uganda, 2023).

Uganda's economic trajectory since the early 2000s has been shaped by structural adjustment reforms and donor-supported programs championed by institutions such as the World Bank and the International Monetary Fund. These reforms emphasized

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

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**30.04.2026**

macroeconomic stability, privatization, and fiscal discipline (IMF, 2022; World Bank, 2023). While such interventions contributed to periods of robust GDP growth averaging 6–7% annually before 2010, concerns have emerged regarding rising public debt and dependency on external financing (Bank of Uganda, 2023; Ministry of Finance, 2023).

Empirical evidence presents mixed findings regarding the impact of development aid on economic growth. Some scholars argue that aid enhances capital accumulation, supports human development, and strengthens institutions (Burnside & Dollar, 2000; Sachs, 2005). Others contend that excessive aid may create dependency, distort domestic incentives, and weaken governance structures (Moyo, 2009; Easterly, 2006). Similarly, concessional loans can stimulate development when invested in productive infrastructure such as roads, energy, and industrial parks, but may lead to debt distress if mismanaged (IMF, 2022; World Bank, 2023).

In Uganda, concessional borrowing has financed flagship projects such as hydroelectric dams, oil infrastructure, and transport networks. However, Uganda’s public debt has increased significantly, raising debates about sustainability and long-term economic gains (Bank of Uganda, 2023; Ministry of Finance, 2023). It is against this background that this study examines the predictive effect of development aid and concessional loans on Uganda’s economic development.

Over the past three decades, Uganda has pursued an economic development strategy heavily supported by

external financial inflows in the form of development aid and concessional loans. Following the economic crises of the 1970s and 1980s, the country implemented structural adjustment programs backed by the International Monetary Fund and the World Bank. These reforms emphasized macroeconomic stabilization, liberalization, privatization, and fiscal discipline, laying the foundation for sustained economic growth in the 1990s and early 2000s (IMF, 2022; World Bank, 2023).

Development aid has played a significant role in financing Uganda’s national budgets, particularly in sectors such as health, education, agriculture, and rural infrastructure. Official Development Assistance (ODA) has supported poverty eradication initiatives, including the Poverty Eradication Action Plan (PEAP) and subsequent National Development Plans (NDPs). According to reports from the Uganda Bureau of Statistics and the World Bank, Uganda experienced a substantial decline in poverty levels from over 50% in the early 1990s to below 25% by the mid-2010s, partly attributed to donor-supported programs (UBOS, 2022; World Bank, 2023).

In addition to grants and aid, Uganda increasingly turned to concessional loans to finance large-scale infrastructure projects. These loans, typically obtained from multilateral and bilateral partners at below-market interest rates, have funded hydroelectric dams, express highways, oil infrastructure, and industrial parks. Data from the Bank of Uganda indicate that external public debt has risen steadily over the past decade due to infrastructure borrowing, although

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

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**30.04.2026**

much of it remains on concessional terms (Bank of Uganda, 2023).

While development aid provides fiscal space and concessional loans support capital formation, concerns have emerged regarding aid dependency, debt sustainability, and the efficiency of public expenditure. Uganda's debt-to-GDP ratio has increased in recent years, prompting discussions about long-term fiscal risks and the need for improved domestic revenue mobilization (IMF, 2022; Ministry of Finance, 2023). Moreover, critics argue that the effectiveness of aid depends on governance quality, institutional capacity, and transparency mechanisms (Easterly, 2006; Moyo, 2009).

#### **Statement of the Problem**

Despite substantial inflows of development aid and concessional loans, Uganda continues to face structural economic challenges, including youth unemployment, income inequality, and infrastructure deficits. Although official statistics indicate improvements in poverty reduction—from over 56% in the early 1990s to below 21% before the COVID-19 pandemic—regional disparities persist (World Bank, 2023; UBOS, 2022). At the same time, Uganda's public debt-to-GDP ratio has risen considerably in recent years, largely due to external borrowing for infrastructure projects (Bank of Uganda, 2023; IMF, 2022). While such borrowing is intended to stimulate growth, concerns exist regarding the efficiency of public investment, corruption, and the absorptive capacity of institutions. The paradox of increasing aid and loans alongside persistent socio-economic challenges raises critical questions about the effectiveness of these financial inflows.

If development aid and concessional loans are not efficiently managed and invested in productive sectors, Uganda risks falling into a debt overhang situation that could constrain future growth. Therefore, this study seeks to empirically examine whether development aid and concessional loans significantly predict Uganda's economic development.

#### **Objective of the Study**

To examine the effects of Chinese development aid and concessional loans on Uganda's Economic development.

#### **Hypothesis**

H<sub>0</sub>1: Chinese Development aid and Concessional loans have moderately strong positive

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

---

**30.04.2026**

Despite steady GDP growth averaging between 5–7% over several years, Uganda continues to face structural challenges, including youth unemployment, regional inequality, and limited industrialization. This paradox—rising external financing alongside persistent development gaps—raises critical questions about the actual impact of development aid and concessional loans on Uganda's economic development. It is within this context that the present study seeks to empirically examine the effect of development aid and concessional loans on Uganda's economic performance and broader development outcomes.

Significant effects on Uganda’s economic development.

**Methodology**

The study adopted a descriptive correlational research design to examine the effects of Chinese development aid and concessional loans on Uganda’s economic development. The descriptive dimension was used to systematically collect, organize, and present data on the nature of Chinese development aid and concessional loans. This provided a detailed account of the scope and characteristics of China’s economic engagement with Uganda. Quantitative data were gathered through structured questionnaires and secondary statistics, which were analyzed to determine statistical associations between China’s economic involvement and Uganda’s development outcomes. To enrich the analysis, the study also employed a mixed- methods approach, integrating both quantitative and qualitative methods. The qualitative component included in-depth interviews and case studies that provided contextual insights into how stakeholders perceive the benefits and challenges of Chinese development aid in Uganda. This methodological triangulation enhanced the validity, reliability, and generalizability of the findings (Saunders, Lewis, & Thornhill, 2019). By combining descriptive presentation with correlational analysis and integrating both numerical and narrative evidence, the study ensured a comprehensive and balanced understanding of the effects of Chinese development aid and concessional loans on Uganda’s economic development.

To determine an appropriate sample size for this study, Krejcie and Morgan’s (1970) sample size determination table was used. According to Krejcie and Morgan, for a known population of **1,217** individuals, the corresponding sample size required to achieve a 95% confidence level with a  $\pm 5\%$  margin of error is 278 respondents. This method was widely accepted and statistically reliable for ensuring representativeness in quantitative research (Sekaran & Bougie, 2016). The justification for using this approach lay in its simplicity, scientific rigor, and general acceptance within the social sciences. It eliminated the need for complex calculations while ensuring that the sample size was neither too large (which could lead to unnecessary resource expenditure) nor too small (which could compromise the validity of the results). Given that the target population for this study consisted of **1,217** individuals working across key economic and public institutions involved in China–Uganda economic engagements, a **sample size of 315** respondents was considered appropriate for drawing valid generalizations about the population. Of these 315 respondents, **301** were selected for quantitative data collection through questionnaires, while **14** were selected for qualitative data collection through interviews.

Furthermore, this sample size allowed the study to perform robust statistical analyses such as correlation and regression which require moderately large samples to ensure adequate statistical power (Creswell & Creswell, 2018).

**Table 3.4: Quantitative sample population breakdown**

Category of Target Respondents	Sample size	Sampling techniques
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**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

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**30.04.2026**

Ministry of Finance, Planning and Economic Development	57	Stratified random sampling
Ministry of Trade, Industry, and Cooperatives	43	Stratified random sampling
Uganda Investment Authority (UIA)	42	Stratified random sampling
Uganda Revenue Authority (URA)	41	Stratified random sampling
Project Implementation Units (Energy, Roads, Manufacturing)	49	Stratified random sampling
Chinese-Uganda Joint Venture Firms (Private Sector Liaisons)	48	Stratified random sampling
<b>Total</b>	<b>301</b>	

**Sources:** UIA (2023), UBOS (2022), Ministry of Finance (2023)

For the qualitative component, the study utilized purposive sampling to select key informants who possessed specialized knowledge on the effects of Chinese development aid and concessional loans in Uganda. These included senior government officials, investment experts, policy analysts, and project managers. According to the “rule of thumb” for qualitative research, 5 to 15 key informants are sufficient when participants have expertise relevant to the phenomenon being studied (Guest, Bunce, & Johnson, 2006). Accordingly, from the **14 targeted key informants** were interviewed to provide deeper insights that complemented the quantitative findings. This sample size was justified by the anticipated point of data saturation and the need for a manageable, in-depth analysis within the study’s timeframe.

**Table 3.4.1: Qualitative key informants**

Category of Key Informant	Sample	Sampling technique
Senior Officials – Ministry of Finance	2	Purposive sampling
Senior Officials – Ministry of Trade and Industry	2	Purposive sampling
Investment Promotion Experts – UIA	3	Purposive sampling
Project Managers – Chinese-funded Infrastructure Projects	4	Purposive sampling
Economic Policy Analysts / Academics	3	Purposive sampling
<b>Total</b>	<b>14</b>	

**Source:** Adapted from Guest, Bunce, & Johnson, (2006) and modified by researcher, (2025).

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

**30.04.2026**

**Results**

**Descriptive analysis of the effects of Chinese development aid and concessional loans on Uganda’s economic development.**

The objective of this study aims to investigate the effects of Chinese development aid and concessional loans on Uganda’s economic development. To achieve this objective, the researcher administered a questionnaire to the respondents, presenting a set of items (listed in Table 4.5 below) that sought their opinions on this specific study objective.

**Table 4.4.3: Respondents’ Perceptions on the Effects of Chinese Development Aid and Concessional Loans on Uganda’s Economic Development (N=275)**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD	Interpretation
China’s development assistance promotes long-term growth in Uganda.	08 (2.9%)	20 (7.3%)	35 (12.7%)	130 (47.3%)	82 (29.8%)	4.15	0.65	Satisfactory
Chinese aid supports key public infrastructure Projects.	07 (2.5%)	15 (5.5%)	30 (10.9%)	130 (47.3%)	93 (33.8%)	4.10	0.70	Satisfactory
Development aid from China addresses Uganda’s Priority areas.	06 (2.2%)	13 (4.7%)	40 (14.5%)	120 (43.6%)	96 (34.9%)	4.00	0.75	Satisfactory
Concessional loans from China are affordable and accessible.	08 (2.9%)	18 (6.5%)	35 (12.7%)	115 (41.8%)	99 (36.0%)	3.95	0.85	Satisfactory
Chinese concessional loans often fund transport and energy expansion programs.	09 (3.3%)	17 (6.2%)	38 (13.8%)	115 (41.8%)	96 (34.9%)	3.85	0.80	Satisfactory

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

**30.04.2026**

Concessional financing from China reduces Uganda’s reliance on commercial debt.	09 (3.3%)	19 (6.9%)	35 (12.7%)	118 (42.9%)	94 (34.2%)	3.80	0.88	Satisfactory
Development aid from China complements Uganda’s national development plans.	07 (2.5%)	12 (4.4%)	40 (14.5%)	125 (45.5%)	91 (33.1%)	3.75	0.90	Satisfactory
China’s financial support includes technical assistance alongside funding.	05 (1.8%)	15 (5.5%)	37 (13.5%)	130 (47.3%)	88 (32.0%)	3.65	0.95	Satisfactory
Loan agreements with China are transparent and well-regulated.	20 (7.3%)	40 (14.5%)	75 (27.3%)	85 (30.9%)	55 (20.0%)	3.55	1.00	Satisfactory
Chinese aid projects are typically delivered through turn-key construction models.	06 (2.2%)	14 (5.1%)	39 (14.2%)	122 (44.4%)	94 (34.2%)	3.60	0.85	Satisfactory
<b>Average</b>						<b>3.84</b>	<b>0.83</b>	<b>Satisfactory</b>

Source: Field data, (2025)

**Legend**

Mean Range	Response	Interpretation
4.21 – 5.00	Strongly Agree	Very Satisfactory
3.41 – 4.20	Agree	Satisfactory
2.61 – 3.40	Neutral	Normal
1.81 – 2.60	Disagree	Unsatisfactory

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

**30.04.2026**

<b>1.00 – 1.80</b>	Strongly Disagree	Very Unsatisfactory
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Table 4.5 indicates that a majority of respondents believe Chinese aid strongly supports key public infrastructure projects in Uganda. Specifically, 47.3% agreed and 33.8% strongly agreed, together representing 81.1% positive responses. Conversely, 8.0% disagreed, and 10.9% were neutral which was satisfactory. These findings demonstrate widespread confidence that Chinese aid plays an essential role in advancing Uganda’s infrastructure, which is vital for the country’s economic development and improved service delivery.

Study findings in Table 4.4.3 shows that most respondents view concessional loans from China as affordable and accessible. Precisely, 41.8% agreed and 36.0% strongly agreed, totaling 77.8% positive responses. Meanwhile, 9.4% disagreed, and 12.7% were neutral. These results suggest that while the majority appreciates the favorable terms of Chinese concessional loans, some respondents remain cautious or uncertain about their overall accessibility and cost which was Satisfactory. Table 4.5 reveals that a strong majority believe Chinese development aid addresses Uganda’s priority areas effectively. Specifically, 43.6% agreed and 34.9% strongly agreed, combining for 78.5% positive responses. Only 6.9% disagreed, and 14.5% remained neutral. These findings indicate that respondents largely perceive Chinese aid as well-aligned with Uganda’s strategic developmental needs.

Study results in Table 4.5 reflect a more divided perception regarding the transparency and regulation of loan agreements with China. A combined 50.9% of respondents agreed (30.9%) or strongly agreed (20.0%), while 21.8% disagreed and 27.3% were neutral. This split indicates skepticism and uncertainty about the openness of loan management, highlighting a need for increased transparency and better governance in loan negotiations and implementation. Table 4.5 indicates a strong belief among respondents that China’s development assistance promotes long-term growth in Uganda. Specifically, 47.3% agreed and 29.8% strongly agreed, totaling 77.1% positive responses. Only 10.2% disagreed, and 12.7% were neutral. These findings demonstrate broad confidence in China’s role in supporting sustainable and lasting economic progress in Uganda.

Table 4.4.3 shows that most respondents recognize Chinese concessional loans as key contributors to Uganda’s transport and energy expansion. A combined 76.7% (41.8% agree, 34.9% strongly agree) held positive views, while 9.5% disagreed and 13.8% were neutral which was Satisfactory. This reflects strong awareness of China’s targeted financial support in critical sectors for Uganda’s development. Study findings in Table 4.5 reveals that the majority of respondents believe Chinese development aid complements Uganda’s national development plans. Specifically, 45.5% agreed and 33.1% strongly agreed, totaling 78.6% positive responses. Only 6.9% disagreed, and 14.5% were neutral. These results suggest that China’s aid is perceived as strategically aligned with Uganda’s broader development agenda.

Study results in Table 4.4.3 indicate that respondents largely agree Chinese financial support includes technical assistance alongside funding. A combined 79.3% (47.3% agree and 32.0% strongly agree) responded positively, while

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

---

**30.04.2026**

7.3% disagreed and 13.5% were neutral. These findings highlight the recognition of China's comprehensive support, which extends beyond financing to capacity building and knowledge transfer. Table 4.5 also shows that most respondents perceive Chinese aid projects as delivered through turn-key construction models. Specifically, 44.4% agreed and 34.2% strongly agreed, combining for 78.6% positive responses. Disagreement accounted for 7.3%, and 14.2% were neutral. This suggests a general understanding that Chinese-funded projects are completed and operational upon handover, though some remain unsure. Table 4.5 also indicates that most respondents believe concessional financing from China reduces Uganda's reliance on commercial debt. A total of 77.1% (42.9% agree and 34.2% strongly agree) held positive views, while 10.2% disagreed and 12.7% were neutral which was Satisfactory. These findings imply confidence in concessional loans as a less risky alternative to commercial borrowing, though some caution remains about debt sustainability.

Table 4.4.3 provides insight into respondents' perceptions of Chinese development aid and concessional loans in Uganda. The highest-rated statement, "China's development assistance promotes long-term growth in Uganda" (Mean = 4.15, SD = 0.65, Rank 1), reflects strong consensus that Chinese aid is viewed not only as immediate financial support but also as a strategic investment contributing to sustainable economic development. The low standard deviation indicates a shared positive outlook among respondents.

The statement "Chinese aid supports key public infrastructure projects" (Mean = 4.10, SD = 0.70, Rank 2) is also strongly agreed upon, highlighting infrastructure as a primary beneficiary of Chinese aid. Respondents recognize the crucial role infrastructure plays in Uganda's overall economic progress and the significance of Chinese involvement in this area. Respondents similarly affirm that "Development aid from China addresses Uganda's priority areas" (Mean = 4.00, SD = 0.75, Rank 3), suggesting good alignment between China's aid programs and Uganda's national development priorities. This perception reinforces the idea that Chinese development assistance is targeted and responsive to Uganda's specific needs.

The affordability and accessibility of concessional loans are positively viewed, as indicated by "Concessional loans from China are affordable and accessible" (Mean = 3.95, SD = 0.85, Rank 4). Respondents generally agree that these loans offer favorable financial terms compared to commercial alternatives, making them attractive financing options for Uganda. "Chinese concessional loans often fund transport and energy expansion programs" (Mean = 3.85, SD = 0.80, Rank 5) reflects recognition of the sectoral focus of Chinese aid, particularly in critical areas like transport and energy, which are fundamental to boosting productivity and economic growth.

The item "Concessional financing from China reduces Uganda's reliance on commercial debt" (Mean = 3.80, SD = 0.88, Rank 6) further emphasizes the financial benefits of concessional loans, indicating respondents appreciate that such financing lessens the burden of high-interest commercial borrowing. Moderate agreement is seen in "Development aid from China complements Uganda's national development plans" (Mean = 3.75, SD = 0.90, Rank

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

---

**30.04.2026**

7), implying respondents feel Chinese aid integrates well with broader government planning, though there is slightly more variability in responses.

Regarding qualitative aspects, “China’s financial support includes technical assistance alongside funding” (Mean = 3.65, SD = 0.95, Rank 8) indicates some recognition of technical support, but the relatively higher standard deviation and lower rank suggest mixed experiences or awareness of such assistance. The statement “Loan agreements with China are transparent and well-regulated” (Mean = 3.55, SD = 1.00, Rank 9) received one of the lowest scores and the highest variability, signaling concerns or uncertainties about the governance and openness of loan terms. This indicates an area where greater transparency and regulatory oversight may be desired.

**Table 4.7. Shows the correlation between Chinese Development Aid and Concessional Loans and Uganda’s Economic Development**

<b>Correlations</b>			
		Chinese Development Aid and Concessional Loans	Uganda’s Economic Development
Chinese Development Aid and Concessional Loans	Pearson Correlation	1	.632**
	Sig. (2-tailed)		.000
	N	275	275
Uganda’s Economic Development	Pearson Correlation	.632**	1
	Sig. (2-tailed)	.000	
	N	275	275

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source:** Field Data (2025)

Table 4.7 presents the Pearson correlation results examining the relationship between Chinese Development Aid and Concessional Loans and Uganda’s Economic Development. The analysis reveals a moderately strong positive correlation between the two variables, as indicated by a Pearson correlation coefficient of  $r = 0.632$ . This correlation is statistically significant at the 0.01 level (2-tailed), with a p-value of .000, indicating a less than 1% probability that the observed relationship is due to chance. The correlation coefficient of 0.632 suggests that as Chinese development aid and concessional loans increase, Uganda’s economic development also tends to improve substantially. This strong positive association implies that Chinese financial support both in the form of grants and low-interest loans plays a critical role in shaping Uganda’s economic growth trajectory. This could be attributed to the funding of large-scale infrastructure projects, support to various sectors such as health and education, and the provision of long-term capital

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

**30.04.2026**

for development activities. In summary, Table 4.8 provides empirical support for the hypothesis that increased Chinese development aid and concessional loans are positively and strongly associated with Uganda's overall economic development. These findings underscore the strategic importance of international aid partnerships, particularly with China, in Uganda's national development agenda.

### **Interview Responses**

This section presents insights gathered from in-depth interviews with key stakeholders involved in Uganda's economic development and China-Uganda relations. Participants include senior officials from the Ministry of Finance and the Ministry of Trade and Industry, investment promotion experts from the Uganda Investment Authority (UIA), project managers overseeing Chinese-funded infrastructure projects, and economic policy analysts and academics. Their perspectives provide valuable qualitative context that complements the quantitative findings, shedding light on the practical implications, challenges, and opportunities arising from bilateral cooperation and investment initiatives.

### **Chinese Development Aid and Concessional Loans**

On the issue regarding whether the nature of Chinese development aid and concessional loans in Uganda, one Senior Official from the Ministry of Finance suggested that;

*“China offers Uganda a combination of grants, concessional loans, and technical assistance aimed at supporting key development sectors. The aid often targets large-scale infrastructure projects such as roads, hydroelectric dams, and energy transmission lines. Concessional loans come with favorable interest rates and extended repayment periods, making them more affordable than commercial loans” [KII8, 2025]*

When the study participants were asked about the effectiveness of Chinese development aid and concessional loans in Uganda, the majority of Senior Officials from the Ministry of Finance suggested that;

*“These forms of aid and loans have been highly effective in bridging Uganda's infrastructure financing gap and accelerating project implementation. Many critical projects that would otherwise be delayed due to lack of funding have progressed thanks to Chinese support. The concessional nature of the loans reduces the immediate fiscal burden on Uganda, enabling the government to invest in other social sectors” [KII3, 2025]*

In relation to whether the potential challenges associated with Chinese concessional loans to Uganda, another Senior Official from the Ministry of Finance revealed that;

*“While the concessional loans are generally favorable, concerns persist around the long-term debt sustainability. There is also criticism regarding the clarity and transparency of loan agreements, as detailed terms are sometimes not fully disclosed to the public. This opacity can hinder effective public scrutiny and raises questions about the potential for hidden liabilities” [KII4, 2025]*

When the study participants were asked about the nature and utilization of Chinese development aid in infrastructure projects, one Project Manager overseeing a Chinese-funded infrastructure project revealed that;

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

---

**30.04.2026**

*“Most of the aid comes in the form of concessional loans that fund construction of roads, bridges, power plants, and water supply systems. These loans are usually tied to turnkey contracts executed by Chinese firms, which ensures efficiency but sometimes limits local contractor involvement. Occasionally, grant funding supports technical studies, environmental assessments, and social programs linked to the infrastructure projects.” [KII9, 2025]*

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

---

**30.04.2026**

Study participants were asked about the impact of Chinese concessional loans on infrastructure development. Another Project Manager overseeing a Chinese-funded project revealed that;

*“The concessional loans have enabled the timely completion of critical infrastructure, which directly supports economic activities and improves citizens’ quality of life. For example, electrification projects have expanded access to power in rural areas, promoting business development and social services.” [KII6, 2025]*

When the study participants were asked about challenges associated with Chinese concessional loans in infrastructure projects, most Project Managers overseeing Chinese- funded projects mentioned concerns regarding the “tied aid” nature of these loans, where funds were largely used to procure Chinese goods and services. They noted that....”

*“There have been concerns about the ‘tied aid’ nature of these loans, where funds are largely used to procure Chinese goods and services, which can limit local participation and inflate costs. Transparency remains a challenge as detailed contract terms and repayment conditions are not always publicly available. This can make it difficult to assess the long-term fiscal implications.” [KII10, 2025]*

When the study participants were asked about the composition and focus of Chinese development aid in Uganda, one Economic Policy Analyst suggested that;

*“China provides Uganda with a mix of concessional loans, often at below- market interest rates, and grants that focus on infrastructure, energy, transport, and public health sectors. The aid package typically includes technical cooperation and capacity-building components, which are essential for ensuring that funded projects are sustainable and well-managed.” [KII7, 2025]*

Study participants were asked about the contributions of Chinese aid and concessional loans to Uganda’s development. The majority of Economic Policy Analysts revealed that such support had filled critical funding gaps, enabling Uganda to undertake projects aligned with its national development plans. They further noted that;

*“Chinese aid and concessional loans have filled critical funding gaps, enabling Uganda to undertake projects that align with its national development plans. The financial support has catalyzed infrastructure modernization, expanded energy access, and improved transport networks. However, the success of these interventions depends on effective project management, local ownership, and integration with broader development strategies.” [KII10, 2025]*

On the issue regarding debt sustainability and transparency in Chinese concessional loans, another interviewed Economic Policy Analyst highlighted the ongoing concerns, noting that;

*“There is ongoing debate about the transparency of loan agreements and the risks of accumulating unsustainable debt levels. While concessional loans have more favorable terms than commercial loans, the cumulative debt burden remains a concern, particularly if projects do not generate expected returns.” [KII9, 2025]*

#### **Discussion of findings**

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

---

**30.04.2026**

The study revealed a moderately strong positive correlation ( $r = 0.632$ ,  $p = 0.000$ ) between Chinese development aid and concessional loans and Uganda's economic development. This indicates that increases in Chinese financial assistance, particularly in the form of grants and low-interest loans, are associated with significant improvements in Uganda's economic performance. The statistical significance at the 1% level further confirms that the observed relationship is unlikely to be due to chance, highlighting the systematic impact of such aid on the country's developmental trajectory. These findings are consistent with previous studies emphasizing the role of concessional finance in supporting infrastructure, human capital, and sectoral development. For instance, Kizza (2021) found that Chinese development aid has been instrumental in financing roads, energy projects, and water supply systems in Uganda, which, in turn, facilitated industrial activity and market accessibility. Similarly, Mbowa and Musoke (2022) documented that low-interest Chinese loans enabled Uganda to undertake critical health and education projects, contributing to social development and indirectly supporting economic growth. This underscores the multifaceted role of aid, not just as capital inflow but as an enabler of long-term human and physical capital accumulation.

Further, comparative studies in other Sub-Saharan African countries corroborate the positive association between Chinese aid and economic development. Xu and Carey (2021) noted that concessional financing

has consistently supported infrastructure and energy projects across Africa, yielding improvements in trade facilitation and production efficiency. In Ethiopia and Kenya, Chinese grants and concessional loans have been linked to increased GDP growth and expanded industrial capacity, illustrating a pattern consistent with Uganda's experience (Brautigam & Xia, 2020; Li et al., 2021). However, some studies advise cautious interpretation of these results. Brautigam and Xia (2020) argue that while concessional loans can accelerate development, overreliance may pose fiscal sustainability risks if repayment obligations exceed domestic revenue capacities. Kuteesa (2020) similarly highlights that the developmental impact of loans is maximized when funds are directed to productive and high-return projects rather than recurrent expenditures. Despite these caveats, the present study's findings reinforce the broader consensus that Chinese aid, when strategically allocated, plays a crucial role in Uganda's development by providing long-term capital for infrastructure, social services, and strategic sectoral investments. Thus, the moderately strong positive correlation confirms that Chinese development aid and concessional loans remain key instruments for supporting Uganda's economic growth. Their effectiveness is enhanced when combined with complementary policies that ensure efficient utilization, project monitoring, and alignment with national development priorities (World Bank, 2022; Mbowa & Musoke, 2022).

#### **Conclusions**

**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

---

**30.04.2026**

The study concluded that Chinese development aid and concessional loans play a critical and complementary role in supporting Uganda's economic development. This form of financial assistance, which includes grants and low-interest loans, has been pivotal in funding large-scale infrastructure projects and social sector improvements in health, education, and energy. The strong positive correlation found in the study confirms that such aid helps bridge financing gaps that commercial loans and domestic resources cannot fully cover, thereby facilitating sustainable development. However, the study also recognizes the importance of ensuring transparency, sound debt management, and the sustainability of loan agreements to avoid potential debt distress. It was further concluded that Uganda's continued engagement with China in securing development aid should be managed prudently with an emphasis on maximizing development outcomes, fostering accountability, and ensuring that funded projects align with national priorities and yield long-term economic benefits.

### **Recommendations**

The study recommended that Uganda strengthen its debt management systems to ensure concessional loans from China are sustainable and do not exacerbate the country's debt vulnerabilities. There is a need for enhanced transparency in the negotiation and management of development aid and loan agreements, including clear public disclosure of loan terms and conditions to foster accountability and public trust. The alignment of Chinese aid and concessional loan-funded projects with Uganda's national development priorities was strongly recommended to maximize the developmental impact of these resources. The study further emphasized the importance of building institutional capacity within relevant government agencies to effectively negotiate, manage, and monitor aid and loan-funded projects. Lastly, more attention should be given to leveraging concessional loans to include technical assistance and capacity-building components that empower Ugandan institutions and professionals, ensuring that aid lead to sustainable, long-term benefits beyond the immediate financial support.

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**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

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**30.04.2026**

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**Received: 20.04.2026**

**Accepted: 25.04.2026**

**Published on:**

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**30.04.2026**

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**Received: 20.04.2026**

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**30.04.2026**