THE EFFECT OF CORRUPTION ON ECONOMIC GROWTH IN UGANDA (2005-2016)

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REG. NO: 2016/HD06/1182X

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A DISSERTATION SUBMITTED TO THE SCHOOL OF ECONOMICS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF MASTER OF ARTS IN ECONOMIC POLICY MANAGEMENT OF MAKERERE UNIVERSITY

JANUARY, 2018

ABSTRACT

This paper investigates "The Impact of Corruption on Economic Growth in Uganda" as an academic oriented study. The main objective is to examine the extent to which corruption indicators influence the GDP growth position in Uganda using a time series data during the period between 2015 and 2016.

The principal agent problem and public choice theories are the main theories based on this study. The study also uses Solow's growth model and Cob-Douglas production function to investigate the effect of corruption on economic growth utilizing an aggregate annual data from World Bank group for the period of under consideration. The annual data is then converted into quarterly to get enough number of 48 observations which is relevant for a time series study.

As readers will realize, in the statement of problem the study mentions some specific sectors and relates them to corruption issues though the study neither deals with several important themes explicitly nor discusses deeply the typical situations that may give raise corruption in public institutions.

The study employs a unit root test to test for stationarity of the data using Augmented Dickey Fuller (ADF) test. It also investigates whether a long run equilibrium relationship exist among dependent and independent variables of the study using error correction model and Johansen-Juselius co-integration techniques. Finally, the study employs a diagnostic test to test for multicollinearity, heteroskedasticity, serial correlation and finally model specification to check whether the specified model is over, under or correctly specified and to determine which independent variables to include in or exclude from the model to get the best regression model.

Based on the results of the analysis, the study recommends formulating number of policies to improve quality of public sector management and find a higher accountability and transparency within public institutions. The study also recommends the government to come up with effective policies to insure the better use of public resources. Finally, the researcher concludes that greater economic growth depends on the greater transparency and accountability in the use of public resources.