DETERMINANTS OF PUBLIC EXPENDITURE ON INFRASTRUCTURE IN UGANDA

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ABSTRACT

This study expanded the line of research in evaluating the determinants of government expenditure on infrastructure with the use of the Engle and Granger (1987) approach using annual time series data from 1991 to 2017 in Uganda. This approach provides a direct test of the economic theory and enables utilization of the estimated long-run parameters into the estimation of the short-run disequilibrium relation. The residual test showed that there is a stable long-run relationship among the variables. The government revenue and public debt play a significant role in determining government expenditure on infrastructure in Uganda. There is no evidence of association between government spending on infrastructure and external reserves and grants both in the long –run and short-run. The absence of this trade off can lead to accumulation of reserves above the optimal level. The study recommends for continued accumulation of public debt with attention paid to sustainability and cost of the debt with a mix of government revenue to fund investment in infrastructure. In the medium term to long there need to be a drastic shift from the public debt dependent to own resource dependency for economic transformation due to the increased change in the structure of the world economy and the financing conditionalities.