**The impact of aid on health outcomes in Uganda**

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**Abstract**

Health is a key component of human capital that strongly influences labour productivity, economic growth and development. In light of the importance of health, the sector has attracted significant foreign aid however, evidence on the effectiveness of this support is mixed. In Uganda and most Sub-Saharan African countries, evidence on the impact of aid on health outcomes remains anecdotal.

This paper combines household panel data with geographically referenced subnational foreign aid data (geo-coded data) to investigate the contribution of health aid to health outcomes in Uganda. Using a difference‐in‐differences approach, we find that aid had a strong effect on reducing the productivity burden of disease but was less effective in reducing disease prevalence. Consequently, health aid appears to primarily quicken recovery times rather than prevent disease. In addition, we find that proximity to health aid is highly influential on the health gains to individuals. Apart from the impact of aid, we find that aid tended to not be targeted to localities with the worse socio-economic conditions. Overall, the results highlight the importance of allocating aid close to subnational areas with greater need to enhance aid effectiveness. Channeling aid to the lowest level possible offers an additional advantage of driving the Universal Health Coverage strategy of “close to client” health system.

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