

# **ANALYSIS OF THE EFFECT OF DIRECT FOREIGN INVESTMENT ON ECONOMIC GROWTH AND DEVELOPMENT IN UGANDA 1990-2024**

**DENIS KIZZA**

**J22B34/011**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN THE PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE  
IN ECONOMICS AND STATISTICS OF UGANDA CHRISTIAN UNIVERSITY**

**September, 2024**



**UGANDA CHRISTIAN  
UNIVERSITY**

*A Centre of Excellence in the Heart of Africa*



## APPROVAL

This research report entitled '**Analysis of the Effect of Foreign Direct Investment on Economic Growth and Development in Uganda from 1990-2024**', has been done under my supervision and is ready to be submitted to school of Business for Examination with my approval.

Signature: *Mirembe*

Date: 27/09/24

Supervisor: Mrs. Elsie Mirembe Nsiyona

## **DEDICATION.**

I dedicate this research report to my Mother Mrs. Nambalibwa Christine, and all my family in appreciation for their unending love, financial support and encouragement in my entire education. May God bless you all.

## **ACKNOWLEDGMENT.**

I express heartfelt gratitude to everyone who has supported me throughout my life's journey and academic pursuits. Thank you for unwavering encouragement, assistance, generosity, and kindness. Special thanks goes to my supervisor Mrs. Elsie Mirembe Nsiyona for intellectual guidance, support and encouragement who enabled me complete this work successfully.

I also extend my deepest appreciation to my family, who have believed in me and my abilities. Please know that despite the demands of daily life and our physical distance, my love and dedication to you remain unshakable, not forgetting the almighty God for being my creator, guiding light, source of strength, and inspiration for wisdom, knowledge, understanding, and hope.

## Table of Contents

DECLARATION.....	i
APPROVAL.....	ii
DEDICATION.....	iii
ACKNOWLEDGMENT.....	iv
ABSTRACT.....	viii
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 INTRODUCTION.....	1
1.2 BACKGROUND OF THE STUDY.....	1
1.3 STATEMENT OF THE PROBLEM.....	3
1.4 GENERAL OBJECTIVE.....	3
1.5 SPECIFIC OBJECTIVES.....	3
1.6 RESEARCH QUESTIONS.....	4
1.7 SIGNIFICANCY OF THE STUDY.....	4
1.8 SCOPE OF THE STUDY.....	4
1.8.1 GEOGRAPHICAL SCOPE OF THE STUDY.....	4
1.8.2 TIME SCOPE.....	5
1.8.3 CONTENT SCOPE.....	5
1.9 JUSTIFICATION OF THE STUDY.....	5
1.8 CONCEPTUAL FRAMEWORK.....	6
CHAPTER TWO.....	6
LITERATURE REVIEW.....	7
2.1 INTRODUCTION.....	7
2.2 ORIGIN OF FOREIGN DIRECT INVESTMENT.....	7
2.3 EMPIRICAL REVIEW.....	8
2.3.1 The current Trend and Patterns.....	8
2.3.2 The motivations that drive FDI.....	10
2.3.3 The effect of FDI on employment in Uganda.....	12

2. 4 SUMMARY OF THE LITERATURE .....	14
CHAPTER THREE.....	16
METHODOLOGY.....	16
3.1 INTRODUCTION .....	16
3.2 RESEARCH DESIGN .....	16
3.3 DATA COLLECTION .....	16
3.4 DATA ANALYSIS .....	17
3.5 ETHICAL CONSIDERATIONS .....	17
3.6 LIMITATIONS OF THE STUDY .....	17
3.7 CONCLUSION.....	18
CHAPTER FOUR.....	19
CASE STUDY .....	19
4.1 INTRODUCTION. ....	19
4.2 BACKGROUND. ....	19
4.3 FINDINGS.....	21
4.3.1 The current trend and patterns of FDI in Uganda .....	21
4.3.3 The motivations of FDI in Uganda. ....	28
4.3.4 The effect of FDI on employment in Uganda. ....	30
4.4 CONCLUSION OF THE FINDINGS. ....	36
CHAPTER FIVE.....	37
RECOMMENDATION AND CONCLUSION .....	37
5.1 Conclusion .....	37
5.2 Recommendations.....	37
5.3 Areas of Further Research.....	38
REFERENCES.....	39

## ACRONYMS

BoU	Bank of Uganda
UIA	Uganda Investment Authority
FDI	Foreign Direct Investment
GDP	Growth Domestic Product
SMEs	Small and Medium scale enterprises
UBOS	Uganda Bureau of Statistics
PSIS	Private Sector Investment Survey
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
BoP	Balance of Payment

## ABSTRACT

The research analyzed the impact of FDI on Economic Growth and Development in Uganda, using data from 1990 to 2024. The objectives of the study are: to investigate the current level of FDI inflow and recent trends in Uganda, to ascertain the motives and factors underlying the flow of FDI, and to determine the impact of FDI on the employees of Uganda. Qualitative is the research design adopted for the study. The research relied heavily on secondary sources of data so as to comprehend the trends, motives, and impacts of FDI on the economy of Uganda. Secondary data included reports obtained from UIA, BoU, World Bank, and scholarly articles targeted towards attaining a deep understanding of the subject matter.

The findings from the study showed that; the trends and patterns of FDI in Uganda underpin the rapidly changing face of foreign investments within the country. Despite the fact that Uganda has made available considerable opportunities for FDI over the past three decades, the investment patterns have been asymmetric, both in sectoral distribution and regional impact (Kragelund, 2007). The fact alone that FDI is concentrated in urban centers and in some sectors, such as services, renders inclusive and sustainable economic growth challenging. Moreover, the volatility of FDI inflows, exposed during the COVID-19 pandemic, raised the need to devise an investment strategy more resilient and diversified-one that could stand up against external shocks. These will include factors such as the following: strategic location of Uganda within the East Africa region, which was a key consideration; social and developmental motivations; abundant natural resources, especially in agriculture and extractive industries; investment climate and policy environment of Uganda; and global economic trends and strategies of MNCs. The impact of FDI on employment in Uganda indicates that FDI has been a strong driver of employment, basically in the manufacturing, agriculture, and services sectors. There existed a strong positive correlation between FDI and actual employment. This high correlation suggests that with an increase in the FDI inflows, actual employment also tends to increase considerably.

Conclusion Essentially, the government of Uganda has to adjust its regulatory framework in a more satisfactory way to attract sustainable FDI.

It should be a relatively sound initiative, since it makes the bureaucratic requirements more straightforward and reduces corruption, especially with special incentives to attract investment in less-developed areas. With these initiatives, the government would make sure that FDI contributes more to inclusive economic growth: deals with gaps between regions through quality job creation across the country. In addition, policy orientation toward these sectors is needed, answering to Uganda's long-term development needs-for example, renewable energy and sustainable agriculture.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION.**

This study gives the background of the study, statement of the problem, general objectives, specific objectives, research questions, significance of the study, scope of the study, justification for the study, about Uganda, and conceptual framework.

### **1.2 BACKGROUND OF THE STUDY.**

Uganda is a landlocked developing country in the East African region, with an estimated population of over 45 million people. Given the fact that it attained its independence in 1962, Uganda has all along confronted several economic obstacles, including conditions of political instability, poor infrastructure, and narrow industrialization. Yet, the early 1990s formed the inflection point for Uganda's economic graph when it started implementing several liberalization policies to integrate itself into the global economy. These included privatization of state-owned enterprises, deregulation of important sectors, and liberalization of trade. A necessary component of this process, it was considered, was the attraction of Direct Foreign Investment—one way to stimulate economic growth, decrease unemployment, and increase technological progress (Collier & Reinikka, 2001). DFI had come to be considered a critical driver of economic transformation in a country like Uganda, where domestic capital was too scant to support large-scale industrialization.

This was especially true during those immediate years after the liberalization policies when there was a high inflow of DFI in sectors such as manufacturing, agriculture, and services in Uganda. It was evidence that the government was determined to make sure that there was an enabling environment for this through the establishment of the Uganda Investment Authority in 1991 that streamlined investment procedures and gave attractive incentives to foreign investors (Mugenyi, 2000). As a result, Uganda has become one of the most attractive destinations for DFI in East Africa. Investors are more often coming from Europe, Asia, and the United States. These investments resulted in increased growth of basic industries, which in turn helped create jobs, increase the export capacities, and improve infrastructure. While the inflows of DFI have

contributed towards economic growth, questions still remain concerning the sustainability of such investments and their long-term contribution to Uganda's development path (Kasekende, 2010).

The contribution of DFI to Uganda's economic growth has been three-pronged. On the one hand, it brought modernization in the various industries, access to new technologies, and integration into world supply chains. Certain areas of the manufacturing sector have largely benefited from an influx of foreign capital, which has resulted in increased productivity and export revenues; for example, food processing and textiles. As (Kamuntu, 2018) noted, this has also accrued other benefits in terms of foreign exchange earnings. While there has been an increase in the better production techniques and increased access to markets in the agriculture industry, specially cash crops like coffee and tea, through the advantages accruing from DFI, the benefits of the DFI have not trickled down uniformly in the economy. The service sector also has been growing fast, especially financial services and telecommunications, thanks to foreign investment, but almost always, the accruing benefits have been confined to the towns and cities, creating regional disparities and inequality along the way. Again, (Mbabazi & Taylor, 2005) have argued that over-reliance on foreign capital imports potential exposure to economic shocks, as well as repatriation of dividends by foreign investors.

Despite these various contributions that DFI is making in catalyzing Uganda's economic growth, a number of challenges have to be urgently addressed if such investments are to translate into sustainable development. Key among these issues is the need for a strong regulatory framework through which foreign investments are made to be compatible with national development objectives and contribute toward long-term economic stability (Mugume, 2013). While DFI has equally created employment opportunities, there is now an increasing need for the strategies aimed at building the capacity of the local workforce to assume skilled positions in foreign-owned enterprises. This would not only enhance knowledge and technological transfer but lessen the dependence on expatriate labor. The last point is that DFI should contribute to environmental sustainability, especially in the mining and agricultural sectors, whose foreign investments, if not well managed, may lead to serious environmental degradation (Nuwagaba, 2015). Accordingly, the study checks the relationship that exists between DFI and economic growth in Uganda from 1990 to 2024, with the intention of forming insights into how foreign investments can be leveraged for a more inclusive and sustainable development.

### **1.3 STATEMENT OF THE PROBLEM**

The Ugandan experience with FDI is one marked by various decades of trying to spur economic growth, jobs, and poverty reduction. This policy emerged for the first time in the colonial era, when British grants were used to transform Uganda into an agrarian society. The Ugandan government was, therefore, directly responsible for affecting economic transformation after independence, hence the formulation of policies like the Foreign Investment (Protection) Act of 1964. Such efforts have been made to encourage FDI for the economic development of the country. Successful cases were recorded during the first few years when GDP growth rates and GDP per capita rose considerably throughout the 1960s and the early part of the 1970s. Others include Investment Code Act 1991, Free Zone Act 2002, Capital Markets Authority Act 2016 to enhance the regulatory environment for capital markets; Investment Authority Act 2019 to enhance investment promotion and facilitation. Despite such milestones, there have been several drawbacks on Uganda's economic journey. For instance, a vast decline in FDI flows was recorded during the COVID-19 pandemic. In 2020, the country saw a 35 percent decrease in foreign investment over 2019, according to the 2021 UNCTAD World Investment Report. Although the government of Uganda has been making steady and practical strides towards welcoming FDI, the nation still lags other countries in Sub-Saharan Africa on economic growth and development. FDI has averaged about 4 percent of GDP in Uganda over the last decade, below the regional average of 5.5 percent and suggests that there may be some inefficiency in translating the FDI into sustained economic growth. The effectiveness of FDI as a driver of economic growth in Uganda has been a subject of interest amidst such challenges. Whereas FDI has conventionally been tapped through historical effort and policy reform for economic benefits, the recent downturn during the pandemic underlines volatility and exogenous factors that affected investment inflows into the country.

### **1.4 GENERAL OBJECTIVE.**

The purpose of the study is to analyze the effect of direct foreign investment on economic growth and development in Uganda from 1990-2024.

### **1.5 SPECIFIC OBJECTIVES**

1. To examine the current trend and patterns of FDI in Uganda,
2. To find out the motivations and factors that drive FDI in Uganda,
3. To assess the effect of FDI on employment in Uganda.

## **1.6 RESEARCH QUESTIONS**

1. What are the current trends and patterns of FDI in Uganda?
2. What are the major underlying motives and determinants of Foreign Direct Investment in Uganda?
3. What is the relation of FDI with employment in Uganda?

## **1.7 SIGNIFICANCY OF THE STUDY.**

The study has been undertaken to analyze the effect of FDI on the economy of Uganda, highlighting areas of interest to policy makers, investors, communities, and academicians. The findings are particularly significant for policymakers at the Ministry of Finance, Planning, and Economic Development and also to the National Planning Authority. These stakeholders are well-placed in using the policy implications from this research to formulate effective strategies for both domestic and foreign investors. The policymakers will make Uganda a more attractive place for investment by harnessing their understanding of the benefits and challenges that come with FDI, adding on to current data to inform the formulation of strategies that ensure the actual realization of these benefits while minimizing possible negative effects. In this sense, the initiative aims to inspire sustainable economic growth and a better climate for doing business.

## **1.8 SCOPE OF THE STUDY.**

This research paper conducts a comprehensive examination of the effects of foreign direct investments on the economic growth and development of Uganda. The study covers different areas which include; the Content scope, Time scope, and Geographical scope.

### **1.8.1 GEOGRAPHICAL SCOPE OF THE STUDY.**

This study was done around the Uganda Investment Authority, UIA, and Bank of Uganda, BoU. Probably, UIA and BoU were selected because of their role and the ease with which relevant data could be accessed. The UIA is an investment promotion agency responsible for promoting and

facilitating investments in Uganda; hence, a key player in the attraction of FDI. BoU, being the central bank, controls monetary policy and foreign exchange transactions in Uganda, hence has recorded information on FDI inflows and outflows. UIA and BoU record and keep statistics relating to FDI. UIA monitors investments that come into Uganda, while BoU maintains monetary records like foreign exchange reserves, Balance of Payments that cover FDI data. Such access to complete data sets would, in turn, enable in-depth analysis of the trends and patterns of FDI, its economic impacts, and the efficiency of investment promotion strategies.

### **1.8.2 TIME SCOPE.**

This research will span 34 years period, from 1990 to 2024, to conduct an in depth investigation of Foreign Direct Investment and its effects on Uganda's economic expansion and development. This time is deliberately chosen to encompass diverse economic phases, thereby enabling a comprehensive analysis of trends, patterns, and correlations. Moreover, the availability of consistent, reliable, and high quality data for this period ensures the validity, accurate, and reliable of the study's conclusions.

### **1.8.3 CONTENT SCOPE.**

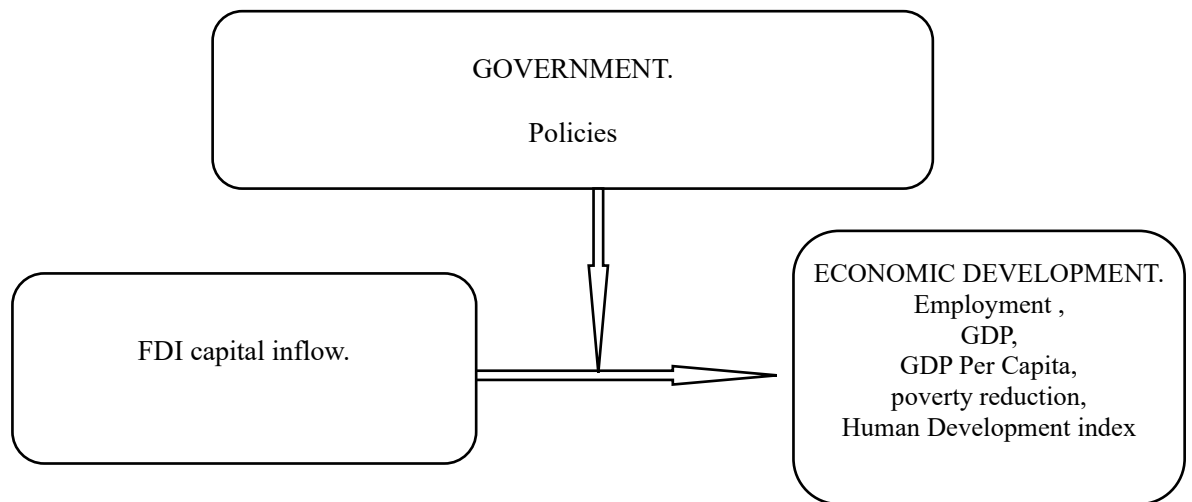
The study analyse the relationship between FDI as the independent variable and economic growth and development as the dependent variable. This will be measured in form of GDP, GDP per capita, Human development index, poverty reduction, and Employment as the dependent variables.

## **1.9 JUSTIFICATION OF THE STUDY.**

The study intends to add to the literature on the effect of FDI on the economic growth and development of Uganda. This research will fill one gap in the research studies by providing up-to-date analysis of the effect of FDI on the economy of Uganda, hence helping to contribute toward addressing the existing knowledge gap in the area. This would therefore provide useful insights to the policy makers and stake holders in making an appropriate decision on FDI policies and strategies. Additionally, findings would be of immense practical relevance to the businessmen,

investors, and organisations operating in Uganda when it comes to making appropriate investment decisions.

### 1.8 CONCEPTUAL FRAMEWORK.



This conceptual framework shows that there is a relationship between FDI and economic growth and development. In this relationship, FDI, in form of capital inflow, is the independent variable, while economic growth and development in form of employment, GDP, GDP per capita, human development index, and poverty reduction are the dependent variables. It means that a change in the FDI inflow leads to a change in the development of Uganda. The government will be the moderator variable in form of policies in the host country. In this respect, government policies are critical in attracting FDI and ensuring that it contributes to sustainable development. Indeed, research by (Alfaro et al. 2004) points out that transparent and stable regulatory frameworks are crucial in encouraging FDI inflows and maximizing their development impact.

## CHAPTER TWO

## LITERATURE REVIEW

### 2.1 INTRODUCTION

This chapter provides a comprehensive review of the existing literature on the effect of foreign Direct investment on economic growth and development in Uganda.

### 2.2 ORIGIN OF FOREIGN DIRECT INVESTMENT.

Origins of FDI are the subject of continuous study and debate, and several theories have been put forward in the explanation of the subject. The earliest discussions can be traced back to the foundational works of Smith (1776) and Ricardo (1817) on international specialization and comparative advantage in production. While Smith defined absolute advantage as that wherein those nations trade in products in which they were more productive, Ricardo built on Smith by pointing out that even absolute disadvantage would not preclude a nation from benefiting from trade by comparing its relative opportunity costs. Neither of these classical theories accounts directly for the kind of FDI described above. According to (Kindleberger, 1969), FDI would not exist under conditions of perfect competition and, therefore, international trade could achieve everything that needed to be done in an ideal market. In contrast, Hymer countered this by stating that FDI occurs because a firm wants to decrease competition and exploit advantage over other firms in host countries (Hymer, 1976).

(Denisia, 2010) further underscores that in efficient markets without barriers to trade or competition, international trade would likely dominate over FDI. These perspectives collectively illustrate the evolution of thought regarding the drivers and implications of FDI, laying the groundwork for contemporary theories that continue to refine our understanding of global economic integration. (Mundell, 1957) developed a two-sector model of international capital flows, positing that capital movements could substitute for international trade, leading to factor price equalization between countries (Denisia, 2010). This extended Ricardo's theory of comparative advantage by incorporating two countries, two products, and two factors of production with identical production functions in both countries. However, Mundell primarily focused on short-term international portfolio investments rather than explaining international production through FDI. To address these limitations, (Kojima and Ozawa, 1984) contextualized their model within Japan's economic landscape. They argued that FDI occurs when a country faces a comparative disadvantage in producing a particular product, while international trade is driven by comparative advantage.

From 1950 to 1970, the switch from exporting to FDI by US firms into Western European countries can be theoretically explained by Vernon's 1966 Product Life Cycle theory. The firms go through four stages: the innovation stage, the growth stage, the maturity stage, and the decline stage. In the beginning, new products are developed and sold in the home market. As the product starts to be successful, production is expanded and new markets are entered, and exports begin. The maturity stage witnesses the emergence of competitors, for which the pioneer company needs to establish production facilities in the host market to hold on to its market share. The motivations for such a step include cost variable factors as well as proximity to the marketplace. This argument was advocated by (Nayak & Choudhury, 2014). However, PLC theory also has a few demerits. According to (Boddewyn, 1985), the theory was never tested empirically and did not embrace all the FDI determinants, such as ownership structure, subsidiaries versus licensed production. It simplifies choice and suggests a single course of unproblematic development, free of hindrances and deviation from an optimal path. Secondly, the theory applies more to the technology-driven industries.

## **2.3 EMPIRICAL REVIEW**

This section covers the empirical review on the current trend and patterns, motivations that drive FDI, and effects of FDI on Employment in Uganda.

### **2.3.1 The current Trend and Patterns**

FDI was an important part of the economic policy in Uganda since the early liberalization policies in the 1990s. Over the last three decades, the trends and patterns of FDI have kept changing due to not only global economic changes but also various fluctuations in domestic policy. In the 1990s, when the Ugandan government was implementing means of creating an enabling investment environment, FDI inflows into the country increased significantly. These included setting up the Uganda Investment Authority in 1991, which streamlined investment procedures and gave a host of incentives to foreign investors (Mugenyi, 2000). Secondly, its strategic positioning in East Africa, supported by its relatively stable political climate during the period, created an attractive hub for investors' entry into the region. The first wave of FDI was especially strong in manufacturing and agriculture, where the foreign investors played an important role in increasing capacities of production and export potential.

Starting in the 2000s, FDI patterns in Uganda began to diversify with the beginning of more substantial inflows towards the services sector, mainly in telecommunications, financial services, and tourism. This was partly driven by technological changes and regulatory reforms which opened up these sectors to increased foreign participation (Kasekende & Atingi-Ego, 2008). Large foreign investments in the field of telecommunication, for instance, led to a sharp expansion of both mobile phone networks and internet services across the country. Similarly, sizable FDI inflows reached the financial services sector, encouraging the emergence of a more sophisticated banking system along with the expansion of microfinance institutions. However, this period also concentrated FDI in urban areas, especially in Kampala, at the expense of regional disparities in economic development. The effect of FDI flows into the services sector raised a number of concerns regarding the sustainability of such investments, most especially relating to their contribution toward broader economic development and job creation.

The 2010s saw the beginning of a new phase in Uganda's FDI pattern changes, which increasingly targeted investments in the energy and infrastructure sectors. This is partly a result of the discovery of oil reserves in the Albertine Graben region, which attracted much foreign interest, especially from multinational oil companies (Walusimbi, 2014). The government's commitments to developing the needed infrastructure to support the oil industry spurred FDI inflows into the construction and transport sectors. Investments in renewable energy, especially hydropower projects, also became a focus during this time and reflected global trends toward sustainable development. Despite these favorable developments, FDI inflows to the country became volatile in the 2010s, buffeted by external factors like world oil price changes and internal challenges, which included bureaucratic inefficiency as well as questions relating to regulatory stability (Booth et al., 2015). These fluctuations called for an increasingly consistent and transparent investment climate, which could sustain the momentum of long-term FDI growth.

It is against this trend that the COVID-19 pandemic in 2020 really dented Uganda's FDI inflows. According to the 2021 UNCTAD World Investment Report, Uganda has recorded a decline in FDI by 35% in 2020 from the previous year, mirroring trends in the rest of the world disrupted by the pandemic on economic activities and investor confidence. Sectors most heavily reliant on international capital and supply chains were the most adversely hit, including tourism, manufacturing, and construction. This fall in the economy showed Uganda's vulnerabilities to external shock and raised several questions about how viable the growth model based on FDI was.

The Ugandan government initiated a number of recovery measures that included fiscal incentives and policy adjustment meant to revive investor interest in the economy. The long-term effects of the pandemic on FDI patterns, however, constitute a critical area of study, especially in understanding how investor confidence is rebuilt and sustainable investments are attracted in the post-pandemic world.

On the whole, the literature on the trends and patterns of FDI in Uganda emphasizes that foreign investment in the country is fluid and determined by a complex interplay of host-country policies, global economic conditions, and sector-specific factors. While Uganda has managed to realize decent growth in attracting FDI during the last three decades, investment patterns have been unequal in both sectoral distribution and regional spread (Kragelund, 2007). Large sectoral and geographical fields of FDI, in particular services and cities, pose some challenges related to the inclusiveness and sustainability of economic growth. The volatility of FDI inflows, highlighted by the COVID-19 pandemic, demands the building of more resilience in the investment strategy that would allow external shocks to be better absorbed. It brings into perspective the relevance of continued research in enhancing understanding of driving factors for FDI trends in Uganda and also in formulating policies through which the benefits of foreign investments would be maximized to the larger economy.

### **2.3.2 The motivations that drive FDI.**

The motivations for FDI in Uganda emanate from a complex interrelationship of factors in congruence with broader objectives of MNCs and foreign investors. One of the main reasons for FDI investments in Uganda is its strategic positioning within East Africa, serving as an entry point into the wider regional market. Membership in regional blocs, including EAC and COMESA, offers foreign investors a market of over 300 million consumers (Kasekende & Atingi-Ego, 2008). This advantage is especially attractive for investors who want to acquire a regional foothold or firms that would use Uganda as an export-processing platform for export-oriented production. In addition, its relative political stability since the mid-1980s made Uganda a haven for investors looking for firm grounds in a region largely marked by political turmoil.

Other than that, the other significant motivations of FDI in Uganda were natural resources, especially in the agriculture and extractive industries. Uganda is endowed with fertile land,

abundant water resources, and a favorable climate ideal for agricultural investments (Walusimbi, 2014). As observed, foreign investors were more interested in Uganda's coffee, tea, and sugar industries because these were the long-time mainstays of the country's economy. It is also worth noting that the discovery of oil reserves in Albertine Graben has, over the recent years, increased the attractiveness of Uganda to foreign investors, especially in the energy and extractive sectors (Booth et al., 2015). The prospects of lucrative returns in these resource-based sectors have been a key determinant of FDI, where various multinational companies invest in a wide range of activities from the exploration, extraction, and processing. However, this concentration of FDI in these sectors also creates doubts over sustainability and the fair distribution of benefits, especially regarding environmental impact and local community development.

The other crucial determinant for FDI motivation is the investment climate and policy environment in Uganda. Since the 1990s, the government of Uganda had embarked on a series of economic reforms aimed at establishing an increasingly favorable environment for foreign investment. Such reforms have included the liberalization of the economy, privatization of state-owned enterprises, and establishment of investment-friendly legal and regulatory frameworks (Mugenyi, 2000). The Uganda Investment Authority was, therefore, formed to fast-track investment processes and give incentives like tax holidays, duty-free imports, and repatriation of profits. These mentioned policies have been vital in wooing foreign investors, especially in areas of manufacture, telecommunications, and financial services. These efforts have not done away with a host of challenges like bureaucratic inefficiencies, corruption and regulatory inconsistencies that partly impede the attraction and retention of FDI. In this respect, further reforms and policy improvements (Kragelund, 2007).

Another factor influencing FDI motivations in Uganda is the global economic trends and strategies pursued by the multinational corporations. In the case of most MNCs, investments in Uganda are informed by a broad diversification strategy into emerging but high growth potential markets- (Dunning & Lundan, 2008). Indeed, the growing population, expanding middle class, and increasing urbanization in Uganda do present opportunities for companies involved in consumer goods, real estate and services. Also, recent engagement of Uganda in international trade agreements and development of trade facilitation has increased its attractiveness for export-oriented FDI. According to (Mwase & Ndikumana, 2010), on the contrary, there exist more risks concerning investor confidence and FDI inflows in the global economic environment. These

factors bring out the need and urge for nuanced understanding of the motives behind FDI, taking domestic and global contexts into consideration.

At the social and developmental motivational levels, FDI into Uganda attracts a number of foreign investors who respond to an investment opportunity with the potential to contribute to Uganda's development goals, particularly in areas such as infrastructure, education, and healthcare (World Bank, 2017). Impact investors, for example—a class of investors accepting reduced financial returns in pursuit of social outcomes—are increasingly targeting Uganda as an investment destination. These include projects that are core to the development needs of Uganda: increasing access to clean energy, raising agricultural productivity, and expanding access to financial services (Blowfield & Dolan, 2014). These social and developmental motivations, while not the main objects of FDI, represent an emerging trend that could influence future investment patterns. That will be the challenge for Uganda to strike a balance by creating an enabling environment that attracts this kind of investment while ensuring that it contributes to inclusive and sustainable development.

In sum, reasons for FDI in Uganda are multi-dimensional, as they cut across strategic, economic, policy, global, and social factors. The strategic location and natural resource endowment of Uganda, its investment climate, and the policy environment have played significant roles in attracting foreign investment during the past three decades. However, foreign investors' motivations are shaped as well by broader global economic trends and specific strategies by multinational corporations. Knowing such motives is important for policymakers, who would wish to attract only that FDI which causes economic growth and at the same time contributes to the accomplishment of Uganda's long-term development goals. Further research should, therefore, be done to continuously investigate these motives in greater detail, focusing on how Uganda can improve its attractiveness for sustainable and socially responsible FDI.

### **2.3.3 The effect of FDI on employment in Uganda.**

FDI has been marketed over the years as an engine of employment opportunities, especially among developing countries like Uganda with high unemployment rates. The most basic way in which FDI is perceived to affect employment patterns is through direct employment in those sectors where foreign investments are concentrated. Traditionally, the top beneficiaries of FDI in Uganda are the manufacturing, agriculture, and services sectors. All these have resulted in the creation of

employment opportunities by a great number (Booth et al., 2015). For example, the foreign investments in Uganda's manufacturing sector set up factories and productions that create a huge number of employment opportunities for Ugandans, especially in urban areas. Large-scale farming operations have been made possible through FDI in the agricultural sector and are facilitating job creation not only in farming but also in the production and logistic industries supporting farming. While there is reported direct positive employment impact of FDI, according to (Kasekende & Atingi-Ego, 2008), the character and job sustainability should be critically analyzed.

However, beyond the direct creation of employment opportunities, FDI can have major indirect impacts in that area through its multiplier effects on local supply chains and more generally within the wider economy. In Uganda, foreign firms often invest and source a portion of their products from local suppliers, which can foster additional job creation in the upstream industry (Walusimbi, 2014). Also, the availability of foreign firms may make technology and skills diffuse to the local firms, enhancing their productivity and capacity to employ more people. This kind of multiplier effect has most recently been visible in sectors like telecommunication and financial services, where FDI contributed to the development of ancillary industries like IT services, customer support and marketing (Dunning & Lundan, 2008). The realization of these indirect employment effects, however, depends partly on the strength of the linkages that could be established between foreign and local firms and partly on the capacity of the domestic economy to absorb and profit from such investments.

Undoubtedly, with the advent of FDI, employment opportunities have opened up in Uganda. However, it seems that questions regarding the nature and quality of such employment are in the air. Most of the jobs generated by FDI, particularly in manufacturing and agriculture-based industries, are either low-skilled or low-wage jobs in nature (Kragelund, 2007). This really exposes certain questions on the long-term benefit and impact caused by FDI in Uganda's workforce in terms of skill development and increment in income. Besides, the eventual concentration of FDI within specific regions, mainly in towns and cities, brings about imbalances in employment opportunities between different parts of the country (Mwase & Ndikumana, 2010). This regional concentration further perpetuates several inequalities and makes FDI not as efficient at guaranteeing all-inclusive economic growth. There are also concerns about job security and working conditions in foreign-owned firms, particularly in those sectors where labour rights are weakly enforced.

Another critical dimension of the relationship between FDI and employment in Uganda is the impact that foreign investments have on the informal sector. The informal sector constitutes one of the largest employment sectors in Uganda, especially in the rural areas, and is normally characterized by low productivity, poor working conditions, and lack of social protection (Nuwagaba, 2015). While FDI has the potential of formalizing employment by creating jobs in the formal sector, it can displace the informal workers due to the inability of local firms to compete with foreign firms. The displacement effect is thus likely to further increase unemployment and under-employment in the informal sector, especially if the newly created jobs by FDI do not absorb the lost workers. For instance, the development of foreign-owned retail chains and supermarkets has hurt and helped small informal traders since while some benefit from increased demand for their goods and services others are pushed out of the market (Blowfield & Dolan 2014).

Various shades of impacts are the direct and indirect impacts of FDI on employment in Uganda across sectors and regions. Whereas it is without a doubt that FDI has created employment opportunities, particularly in the manufacturing, agriculture, and services sectors, the quality and durability of such jobs have become a cause for concern. Second, this uneven spread of FDI across the regions and any resultant displacement effects on the informal sector do call for a more nuanced understanding of foreign investments' impact on employment in Uganda (Kragelund, 2007). In fact, policymakers need to take these factors into consideration at the time of designing strategies for attracting FDI, ensuring thereby that foreign investments contribute to creating not only jobs but also a human resource base in terms of productivity and skills for sustaining long-term economic growth. In addition, any future research on the impact of FDI on employment in the longer term should also be conceived in relation to a set of specific issues: job quality, regional disparities, and integration of the informal sector into the formal economy.

## **2. 4 SUMMARY OF THE LITERATURE**

The literature shows certain trends, motives, and impacts on employment by FDI in Uganda. FDI has had fluctuating trends in Uganda since the 1990s, influenced by liberalization and the availability of resources, among other aspects of changes in international economics, and concentrated in manufacturing, agriculture, and services (Mugenyi, 2000; Kasekende & Atingi-Ego, 2008). Motives for FDI include strategic location, natural resources, and investment-friendly policies; however, challenges such as bureaucratic inefficiencies are also experienced. While FDI has contributed to job creation, especially in urban areas, there are still concerns over the quality

of jobs, regional disparities, and the displacement of informal workers (Kragelund, 2007; Nuwagaba, 2015). Although FDI has undoubtedly upgraded sectors such as telecommunications and energy, its overall effects on employment and sustainable development are mixed, thus calling for nuanced policies if the full benefits of FDI for Uganda's long-term growth are to be achieved. Further studies should be carried out to ascertain how FDI is experiencing its evolutionary role in Uganda's economy.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter highlights the research methodology to be used in analyzing the effect of direct foreign investment on economic growth and development in Uganda. It gives a design about the research design, methods of collecting data, methods of analyzing data, and consideration of ethical issues in the research. The chosen methodology has to be rigorous enough to provide a comprehensive analysis that addresses the research objectives effectively.

#### **3.2 RESEARCH DESIGN**

The qualitative nature of this study will look into the trends, motivations, and impacts of FDI on Uganda's economy majorly based on secondary data sources. The instrument of data in the research shall be through reports from secondary sources: UIA, Bank of Uganda, World Bank, and scholarly articles which will avail a critical view of the subject matter. Such a qualitative approach is justified in that it will enable an in-depth analysis of already accumulated data to find patterns and themes, hence giving meaning that tries to explain nuances associated with complex dynamics of FDI (Creswell & Poth, 2018). This type of methodology is useful for understanding historical trends, impacts created by policy formulation, and wide socio-economic perspectives, something very relevant to this study. The study shall utilize well-documented information in secondary data to make appropriate conclusions on whether FDI has actually ensured economic growth and employment in Uganda's economy, hence making recommendations to policymakers and stakeholders.

#### **3.3 DATA COLLECTION**

The study relied on secondary sources of data, which were appropriate, given the nature of the study involving historical and policy-related aspects of FDI in Uganda. Secondary data were obtained from institutions that are prominent, such as UIA, UBOS, the World Bank, and UNCTAD, as indicated by (Kothari, 2004). These will provide comprehensive datasets of FDI inflows and economic and employment indicators from 1990 through 2024. Secondary data were viewed as justifiable, given the temporal scope and breadth that would allow analysis of trends and patterns over a longer period without the logistical complications associated with primary data. This approach allowed the study to draw from well-established and reliable data, and

permitted an effective analysis of the impact of FDI on the economy of Uganda, therefore allowing this research to present evidence-based findings.

### **3.4 DATA ANALYSIS**

Data analysis in this research study includes a thematic analysis of the qualitative data extracted from secondary sources in order to identify patterns and data on FDI in Uganda. The data were organized into themes, such as FDI trend analysis, motives, and employment effects, through thematic analysis in order to comprehensively establish how FDI has influenced Uganda's economic landscape from 1990 to 2024 (Braun & Clarke, 2006). This is justified by the fact that it allowed for the systematic categorization and interpretation of voluminous qualitative data into meaningful insights that might not be immediately realized through a purely quantitative approach. Furthermore, a comparative analysis was made in order to assess the differential impacts of FDI across sectors and over time using rich, contextual data from secondary sources. This approach helped ensure a strong and complex grasp of FDI's role in economic development in Uganda (Miles, Huberman, & Saldana, 2014).

### **3.5 ETHICAL CONSIDERATIONS**

One major ethical consideration that has been taken in the conduction of this study is integrity and respect for each source from which it emanates. In relation to this, we ensure that all data sources are appropriately cited and that intellectual property rights of original authors are well respected while adhering to standards set within the academic field, as well as copyright laws (Creswell & Creswell, 2018). We have also striven to make sure data interpretation has been transparent, declaring any potential biases of sources and considering the context in which the data was originally collected. Furthermore, we try not to misrepresent data or selectively use data in ways that might distort findings. With this work, there was no issue of participant consent or confidentiality since it doesn't involve the collection of primary data. However, ethical standards have been kept in the use and presentation of secondary data to ensure the research quality meets the highest standard of academic and ethical responsibility (Resnik, 2015).

### **3.6 LIMITATIONS OF THE STUDY**

This study faced several limitations, primarily related to the use of secondary data. The reliance on existing datasets restricted the scope of analysis, as the data was not fully align with the specific

research objectives or lack the most recent updates (Kothari, 2004). Additionally, secondary data was subjected to biases inherent in the original collection methods, which the study needed to critically evaluate. The study also encountered challenges in capturing the nuanced, real-time impacts of Foreign Direct Investment (FDI) on employment, as the data did not reflect the latest developments, particularly in rapidly changing sectors (Saunders, Lewis, & Thornhill, 2016). Despite these limitations, the study strived to provide a comprehensive analysis within the available data constraints.

### **3.7 CONCLUSION**

This qualitative study used secondary data to examine the trends and ways in which FDI has influenced economic growth and employment in Uganda between 1990 and 2024. Secondary data was obtained through the analysis of documents and data mining from reliable sources such as UBOS, UIA, and the World Bank (Kothari, 2004). Thematic analysis was done in identifying key patterns and trends concerning FDI, focusing on describing its motivation and influence on employment (Braun & Clarke, 2006). Ethical issues, such as the proper citation of sources, using data responsibly, were adhered to carefully. This was a valid method that would have given great insight into the contribution of FDI in Uganda's economy despite limitations of usage of secondary data.

## **CHAPTER FOUR**

### **CASE STUDY**

#### **4.1 INTRODUCTION.**

This chapter presented the case study. The analysis of the effect of direct foreign investment on economic growth and development in Uganda. It was presented in accordance with the study themes developed from the objectives of the study.

#### **4.2 BACKGROUND.**

The Uganda Investment Authority was established in 1991 as a statutory agency under the Investment Code Act, 1991, with the core mandate of promoting and facilitating investment in Uganda. As a matter of fact, UIA has been part of wider-ranging economic reform that the Ugandan government instituted in attempts to attract FDI flows to reenergize economic growth after years of political instability and resultant economic stagnation (Kasekende & Atingi-Ego, 2008). UIA is a one-stop center, which assists the investor in investment licensing, advisory services, land acquisition, and infrastructure facilitation. It also has major roles to play in the areas of policy advocacy through close liaison with government to create an enabling atmosphere for investment by streamlining regulatory requirements, providing incentives, and making sure that investor complaints are addressed (Mugenyi, 2000). Over the years, UIA has been at the forefront of FDI inflows in Uganda, particularly in major economic sectors such as manufacturing, agriculture, and services. However, challenges ranging from bureaucratic inefficiencies to a call for further reforms in order to enhance Uganda's competitiveness as an investment destination are de rigueur for the agency. Therefore, the role and evolution of UIA are of utmost significance when one tries to understand the broader implications of FDI on Uganda's economic development.

The UIA has been at the forefront in shaping the investment landscape in Uganda through active promotion of Uganda as a destination for both foreign and domestic investors. These include international marketing by UIA, participation in investment forums, and hosting investor delegations (Kasekende & Atingi-Ego, 2008). It is also involved in providing critical data and market intelligence to potential investors to inform them of the appropriate investment decisions. One of the commendable efforts by UIA involves the promotion and development of Industrial Parks and Free Zones, basically designed to avail to investors ready-for-use infrastructure. This

would reduce time and costs of entry into business operations in Uganda. The UIA encourages investment through tax incentives and exemptions, among several government services with minimal procedures. The efforts put forward by the agency have made Uganda be classified among the best countries for investment in the East African region. In any case, the efficiency of the UIA's programs often depends on the general regulatory and economic climate within Uganda-a fact that has continued to hinder much-measured FDI growth in the economy. This again points to the importance of constant improvement in UIA's operations and their interaction with other government agencies to improve the general atmosphere for investment.

The Bank of Uganda is the Central Bank of Uganda established in 1966, with the mandate to ensure price stability, maintain a sound financial system, and support economic growth. BoU plays a very critical role in managing Uganda's monetary policy in regulating the supply of money, interest rates, and inflation that are key determinants of the investment climate (Kasekende & Atingi-Ego, 2008). The central bank also regulates the financial institutions in the country to ensure they operate within a stable and secure framework that shall be attractive for domestic and foreign investments. BOU is an important player in Uganda's economy, given the fact that the management of foreign exchange reserves and the regulation of currency exchange rates have an effect on the profitability of foreign investments. BoU also provides the relevant economic data, such as GDP growth rates, inflation figures, and balance of payments statistics, which investors use in their viability study of investment in Uganda. BOU acts towards the realization of a stable macroeconomic environment through monetary policy and regulatory oversight that is conducive to investment; hence, this supports the broader objectives of institutions such as the Uganda Investment Authority in promoting FDI.

This makes interactions between the UIA and BoU very instrumental in providing a conducive environment for FDI investment in Uganda. Though the promotion and facilitation of investment are primarily the responsibility of the UIA, BoU plays an instrumental role in the maintenance of the macro-economic environment which forms the base upon which FDI can be attracted and sustained. At least, a stable financial environment characterized by low or controlled inflation, stability of interest rates, and reliability of the banking system generally heightens investor confidence (Kasekende & Atingi-Ego, 2008). BoU management of the foreign exchange market ensures that even currency fluctuations are not given a great chance of affecting foreign investors, particularly those in export-oriented sectors. Additionally, the BoU's dissemination of economic data and forecasts on a periodic basis goes a long way in informing the UIA and would-be investors

about the right time and extent of their investments. The two institutions also collaborate in policy formulation, particularly because BoU reinforces UIA in attracting investment through its monetary policy and financial stability perspectives. This synergy is required in ensuring that FDI actually contributes to the economic growth of Uganda, principally through the provision of a favorable and predictable investment environment. Of course, this has not gone without challenges, including the need for more coordinated policy implementation and perpetual adjustment of strategies so that there would be, among others, emerging global and domestic economic trends.

### 4.3 FINDINGS

#### 4.3.1 The current trend and patterns of FDI in Uganda

Research into current trends and patterns of FDI in Uganda indicates that there have been wide fluctuations in the inflows of FDI into the country since the early 1990s.

**TABLE 1: FOREIGN DIRECT INFLOW HISTORICAL DATA IN UGANDA FROM 1990-2022**

Year	Inflows, US \$	% of GDP
2022	\$2.95B	6.48%
2021	\$1.65B	4.07%
2020	\$1.19B	3.17%
2019	\$1.30B	3.69%
2018	\$1.06B	3.21%
2017	\$0.80B	2.61%
2016	\$0.63B	2.14%
2015	\$0.74B	2.28%
2014	\$1.06B	3.25%
2013	\$1.10B	3.79%
2012	\$1.21B	4.41%
2011	\$0.89B	3.21%
2010	\$0.54B	2.04%
2009	\$0.84B	3.35%
2008	\$0.73B	5.05%
2007	\$0.79B	6.66%
2006	\$0.64B	6.46%
2005	\$0.38B	4.11%
2004	\$0.30B	3.72%

2003	\$0.20B	3.06%
2002	\$0.18B	2.99%
2001	\$0.15B	2.59%
2000	\$0.16B	2.59%
1999	\$0.14B	2.34%
1998	\$0.21B	3.19%
1997	\$0.18B	2.79%
1996	\$0.12B	2.00%
1995	\$0.12B	2.11%
1994	\$0.09B	2.21%
1993	\$0.05B	1.70%
1992	\$0.00B	0.11%
1991	\$0.00B	0.03%
1990	\$-0.01B	-0.14%

**Data Source:** *World Bank* <https://data.worldbank.org/>

The liberalization policies, starting in the 1990s with the establishment of the Uganda Investment Authority in 1991, gave a new turn to Ugandan investment. The policy reforms had the efficient impact of creating an environment that was increasingly conducive for foreign investors through investment procedural simplification and offering various incentives. The strategic location of Uganda in East Africa, combined with the relatively stable political climate, attracted investors, particularly those interested in manufacturing and agriculture (Mugenyi, 2000). This explains the surge in FDI during the 1990s, which prepared the stage for subsequent economic growth by enhancing the capacity of production and exportation.

Entering the 2000s, the FDI patterns in Uganda had begun to diverge, with especially sharp increases in the services sector. During this period, improved technology and regulatory reforms opening the sectors to increased foreign participation spurred massive investments in telecommunications, financial services, and tourism (Kasekende & Atingi-Ego, 2008). The mobile network and internet services also sprang into life, basically fueled by FDI. In the same period, there has been a notable increase in the financial services: entry of foreign banks and expansion of microfinance institutions led to a more dynamic financial system than was previously the case. During this era, however, the trend has also been marked by the concentration of FDI in urban areas, especially Kampala, creating regional disparities in the economic development

patterns. This put the question of sustainability concerning these investments into sharp focus, particularly with regard to broader contributions to economic development and employment creation.

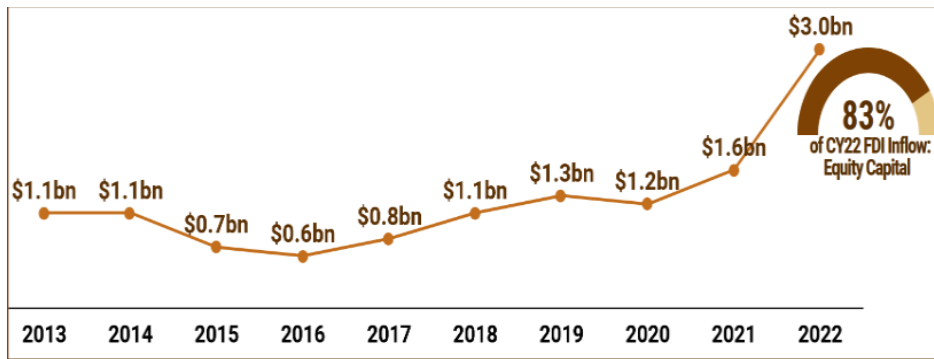
The 2010s marked yet another dynamic period in the FDI pattern of Uganda, characterized by heightened investments in its energy and infrastructure sectors. This was influenced by the discovery of oil reserves in Albertine Graben, attracting considerable foreign interest-precisely from multinational oil firms-since the Ugandan government had to embark on infrastructural development to support the upcoming oil industry. Also, renewable energy projects were focused on during this period and mainly hydropower, reflecting global trends for sustainable development. These were indeed positive developments; however, the decade of the 2010s also saw oscillations in FDI inflows, driven mostly by exogenous factors like global oil prices and endogenous challenges, such as bureaucratic inefficiencies and regulatory instability (Booth et al., 2015). Fluctuations of such a nature underlined the need for a more consistent and transparent investment climate that could sustain long-term FDI growth in Uganda.

**TABLE 2: TREND OF FOREIGN DIRECT INFLOW 2013-2022**

Year	Inflows, US \$
2022	\$2.95B
2021	\$1.65B
2020	\$1.19B
2019	\$1.30B
2018	\$1.06B
2017	\$0.80B
2016	\$0.63B
2015	\$0.74B
2014	\$1.06B
2013	\$1.10B

**Data Source:** World Bank

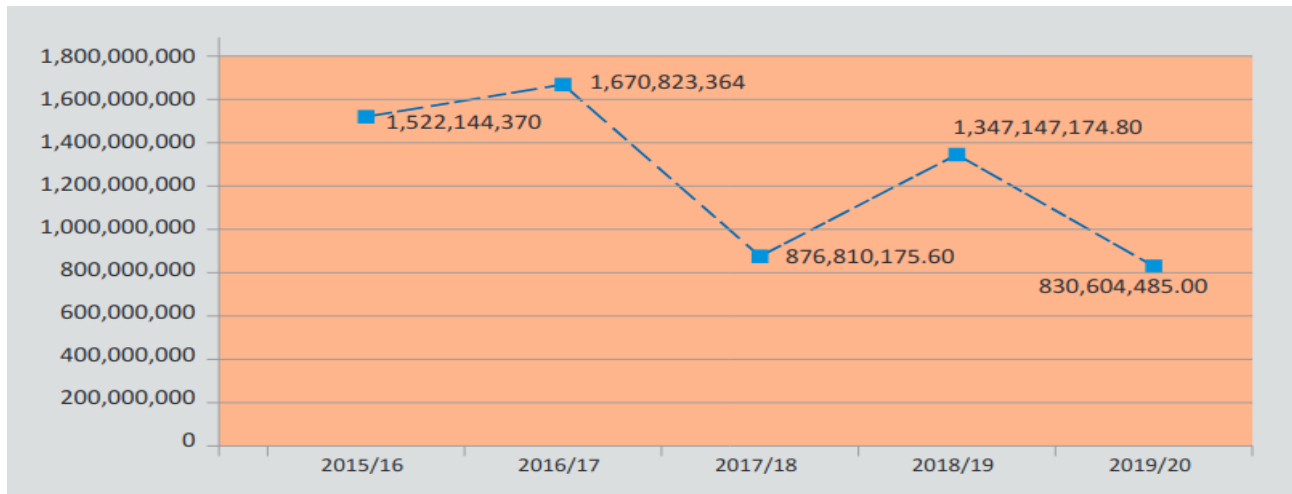
**FIGURE 1: TREND OF FOREIGN DIRECT INVESTMENT INFLOW 2013-2022**



Source: PSIS 2023 findings

The COVID-19 pandemic that ravaged the world in 2020 came with fresh challenges to the landscape of FDI in Uganda, characterized by a sudden stop to many economic activities and a massive plunge into negative investor sentiments. According to the UNCTAD World Investment Report 2021, Uganda experienced a decline in FDI in 2020 by 35% from \$1.3 billion in 2019 to \$1.2 billion compared to the year before, and the most affected sectors were the ones relying most on international capital and supply chains. Such industries include tourism, manufacturing, and construction among others. This decline highlighted how vulnerable the economy of Uganda was to external shocks and raised a number of questions about the robustness of the growth model that was driven by FDI.

**FIGURE 2: PLANNED INVESTMENT IN US \$ 2015/16-2019/20**



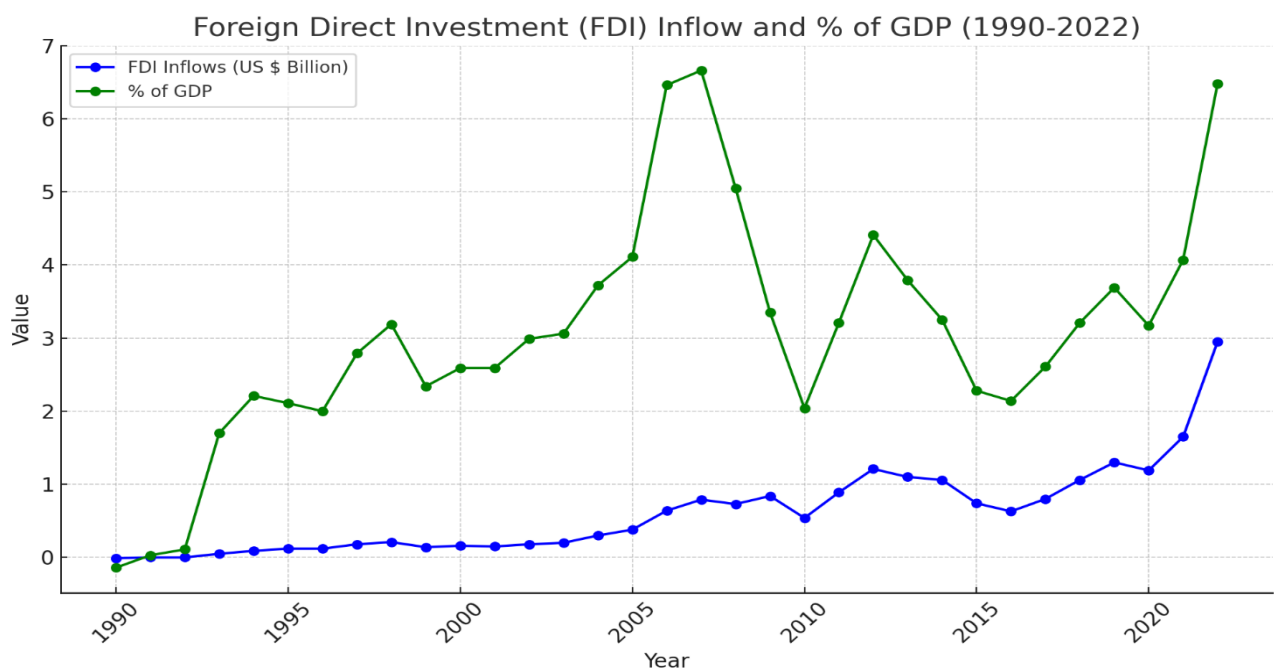
Source: Uganda Investment Authority, 2020

The investment planned in 2019/ 2020 declined by 38.3% to US\$830.6 Million from US\$ 1.3 Billion realized in 2018/2019 ( UIA, 2020). In response, the Ugandan government introduced various recovery measures including fiscal incentives and policy adjustments that were targeted at rejuvenating investors' interest. However, the long-term effect that the pandemic would have on

the pattern of FDI is still very uncertain, and studies would need to be ongoing to comprehend how Uganda can rebuild investor confidence in attracting sustainable investments during the post-pandemic era.

Conclusion: Indeed, the trends and patterns of FDI into Uganda have movingly underlined the dynamic and evolving nature of foreign investments within the country. Over the last three decades, Uganda has recorded fairly good achievements with respect to attracting FDI; however, investment patterns have remained uneven in terms of both sectoral distribution and regional impact (Kragelund, 2007). The urban centers are heavily dominated by foreign direct investment in service-based sectors, and it goes without saying that such a scenario raises several challenges toward achieving inclusive and sustainable economic growth. It further indicates the volatility of FDI inflows, illustrated by the impact of the COVID-19 pandemic, and thus calls for a more resilient and diversified investment strategy in light of withstanding external shocks. These results point to the imperative for continued monitoring and adapting Uganda's investment policies to achieve full benefits of FDI in the large economy.

**FIGURE: 3 FDI INFLOW US \$ Billion and % of GDP FROM 1990-2022**



*Source:* <https://www.macrotrends.net/countries/UGA/uganda/foreign-direct-investment>  
<https://unctad.org/topic/investment/world-investment-report>

The line graph below illustrates FDI inflows and shares of GDP in Uganda, from 1990 to 2022, reflecting the contribution of FDI inflows to economic growth. It would appear that an increase in

FDI is positively correlated with a quantitative measure of GDP in percentage and higher economic growth, especially after the year 2000 as shown in (Table 1) , although there have been a decrease in economic growth from the previous years, growth remained relatively strong despite of external shocks leading to slight increase in GDP. And because of a supportive oil related construction boom and robust growth of agriculture, GDP grew by 5.3% during the first quarter of financial year 2024. The real GDP growth is expected to increase to 6.6% in financial year 2026, mainly driven by investments in the oil sector. With the supportive infrastructure, oil exports are expected to commence by the end of 2025 ( According to World Bank, 2023).

The lag time between FDI inflows and growth and development effects is usually noticed after several years. the lag between FDI inflows and economic growth can vary depending on several factors such as types of FDI, Sectoral allocation, absorptive capacity and policy framework (According to UNCTAD, 2019). The UNCTAD findings suggested that the average lag between FDI inflows and economic growth is around 2-5 years. FDI in manufacturing tends to have a shorter lag of 1-3 years compared to FDI in Services which take 2-5 years. The countries with stronger absorptive capacity and better policy frameworks tend to have shorter lags. The economic growth of Uganda has been constrained by structural issues for example low human capital development, high levels of corruption, weak private sector development, leading to a lag in economic development of around 20-25 years compared to other sub Saharan countries (International Monetary Fund, 2019). This has led to slow poverty reduction in the economy. While growth refers to a quantitative increase, measured by a rise in GDP, development is qualitative since it entails job creation, technological transfer, and poverty reduction; hence, it aligns with the focus of this study on sustainable development.

**TABLE 3: QUARTERLY REAL GDP GROWTH (%).**

	FY2021	FY2022				FY2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	% of GDP	Y/Y growth rates							
<b>AGRICULTURE</b>	<b>23.2</b>	<b>5.1</b>	<b>-1.8</b>	<b>4.0</b>	<b>9.3</b>	<b>1.7</b>	<b>9.9</b>	<b>8.6</b>	<b>2.1</b>
Cash crops	2.6	23.1	4.8	-3.8	1.1	1.4	-2.3	9.4	-1.1
Food crops	12.1	3.0	-4.3	4.7	12.0	3.1	13.5	5.6	-0.8
Livestock	3.6	8.4	8.3	8.2	8.4	8.6	8.8	9.6	8.5
Agriculture Support Services	0.0	7.0	2.2	3.9	3.1	4.0	5.0	0.1	-1.3
Forestry	3.4	4.9	-2.8	5.3	5.3	3.5	3.5	2.8	2.8
Fishing	1.6	-0.4	-13.6	4.5	12.9	-35.9	25.0	30.8	11.8
<b>INDUSTRY</b>	<b>26.1</b>	<b>-0.1</b>	<b>7.9</b>	<b>5.5</b>	<b>6.9</b>	<b>11.9</b>	<b>-2.7</b>	<b>0.2</b>	<b>7.0</b>

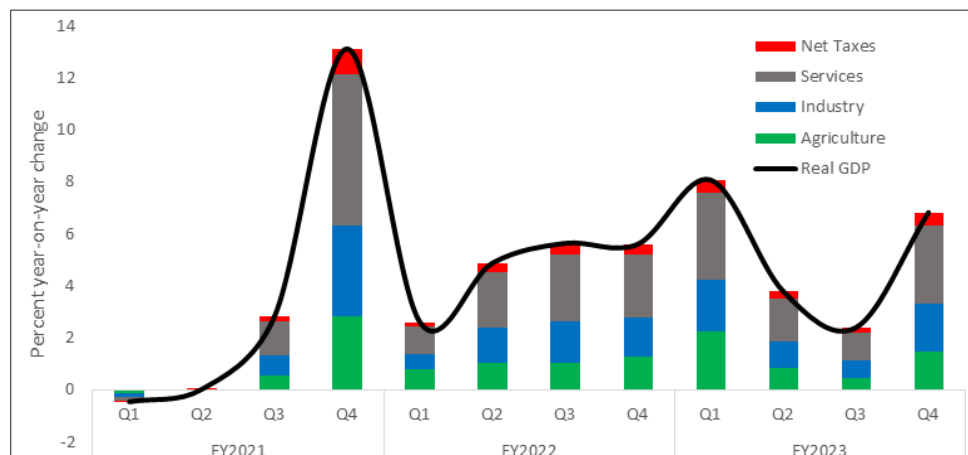
Mining & quarrying	1.7	-55.9	51.2	41.0	81.6	79.0	-54.2	-26.0	69.6
Manufacturing	14.6	-5.9	6.5	7.8	6.9	15.4	1.1	-1.4	-1.5
Electricity	1.4	6.3	4.3	2.1	0.1	0.9	1.3	2.6	6.4
Water	2.4	5.6	6.1	6.6	6.8	6.0	5.4	5.3	4.9
Construction	6.2	35.3	3.1	-5.8	-4.1	0.5	0.6	9.2	8.7
<b>SERVICES</b>	<b>43.8</b>	<b>2.9</b>	<b>5.9</b>	<b>4.1</b>	<b>3.7</b>	<b>9.6</b>	<b>5.3</b>	<b>1.4</b>	<b>8.8</b>
Trade & Repairs	8.3	-6.0	3.7	9.2	8.1	8.9	5.5	0.5	8.1
Transportation & Storage	2.5	-8.7	-2.1	3.2	-7.8	-6.9	-3.0	-11.5	-6.1
Accommodation & Food Service	2.5	1.3	15.4	-19.4	-4.9	1.3	0.9	17.4	28.9
Information & Communication	2.4	14.6	9.8	4.9	1.3	4.2	4.0	12.1	20.9
Financial & Insurance	2.8	0.9	4.2	6.3	6.4	0.5	6.5	-26.7	15.5
Real Estate Activities	7.2	6.9	10.0	10.5	10.5	10.2	8.5	6.9	6.7
Professional, Scientific & Technical	2.6	28.1	5.4	-10.6	-6.6	48.5	17.7	30.3	15.3
Administrative & Support Service	2.2	2.2	2.6	2.7	6.7	18.4	15.2	21.0	18.4
Public Administration	2.9	5.7	4.3	-4.4	9.8	8.4	5.6	-9.7	-1.0
Education	3.8	14.2	-3.1	4.6	-7.7	13.1	-0.9	-8.7	11.2
Human Health & Social Work	3.5	-5.1	17.3	15.9	11.1	12.7	2.3	5.3	1.1
Arts, Entertainment & Recreation	0.1	28.0	-2.9	-12.5	-19.0	-33.8	-5.1	30.4	40.9
Other Service Activities	2.4	5.4	4.9	4.1	4.7	4.4	4.0	2.8	-0.2
Activities of Households	0.7	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.8
<b>ADJUSTMENTS</b>									
Taxes on products	<b>6.9</b>	<b>-1.0</b>	<b>9.1</b>	<b>21.8</b>	<b>1.4</b>	<b>14.6</b>	<b>1.7</b>	<b>1.1</b>	<b>8.9</b>
<b>GDP AT MARKET PRICES</b>		<b>2.6</b>	<b>4.9</b>	<b>5.6</b>	<b>5.6</b>	<b>8.1</b>	<b>3.8</b>	<b>2.4</b>	<b>6.8</b>

Source: UBOS

Because of this, the BoU increased interest rates due to inflation. Higher borrowing costs reduced private-sector credit growth from 8.9 percent in FY2022 to 3.0 percent in FY2023. At the sectoral level, data show that mortgage, construction, and real estate loans accounted for 20 percent of all private sector lending; it grew 11 percent in FY2022 and contracted by 1.7 percent in FY2023. This was offset by a 21.7 percent rise in personal loans and an 8 percent gain in trade loans. Personal loans account for about 22 percent of all private loans and trade loans about 18 percent. Shilling-denominated loans rose 9.7 percent, while dollar-denominated loans fell 10.2 percent, reflecting the effect of exchange-rate appreciation on repayment costs. The share of non-performing loans increased from 5.3 percent of total loans in FY2022 to 5.7 percent in FY2023, mostly driven by tight conditions of domestic liquidity. The banking sector has remained resilient, asset growth reached 8.4 percent in FY2023, underpinned by a 12.2 percent growth in government securities holdings against the backstop of slowing credit growth. The capital adequacy ratio of

commercial banks increased from 21.4 percent to 24.8 percent, buoyed by increases in both after-tax profits and shareholder equity.

**FIGURE 4: REAL GDP PER QUARTER GROWTH FROM FY2021-FY2023**



Source: Uganda Bureau of Statistics (UBOS)

This implied that Private consumption, at 3.6 percentage points, was the highest contributor to growth, while government consumption contributed 0.5%. The contribution of total investment to growth at 1.4 percentage points was driven by the oil and gas sector. Public investment contributed positively but marginally at 0.5% point partly on account of slow execution of public infrastructural projects. While private investments increased by 8.6% year-on-year, adding 1.0 to growth. Strong private investment performance was supported by a strong recovery of key sectors like services, construction, and manufacturing, while net exports contributed negatively (World Bank,2023).

### 4.3.3 The motivations of FDI in Uganda.

Key motives triggering this investment by foreigners in Uganda have been identified from the research, among which the strategic location of Uganda in the East African region has been considered a key motive. Ideally located as the entrance to the wider East African region, membership of Uganda into regional economic blocs such as EAC and COMESA immediately avails a larger market of over 300 million consumers to foreign investors. This has made the country a very attractive destination for investors seeking a secure and predictable investment climate in a region often prone to political volatility. In particular, this competitive advantage is attractive to MNCs looking either for a regional presence or as a base for export-oriented

production. This has been an important stability that has distinguished Uganda from its regional competitors, reinforcing its attractiveness to foreign investors.

Another major reason why FDI flows exist in Uganda are the existence of natural resources, mainly in agriculture and extractive industries. Uganda boasts rich soil, a good climate, and abundant available water, thereby making it the right destination for agricultural investment, especially in areas such as coffee, tea, and sugar, which have traditionally been important to the Ugandan economy (Walusimbi, 2014). Higher prospects from the energy and extractive sectors have increased Uganda's potential with regard to becoming a foreign investor destination following the discovery of oil reserves in Albertine Graben (Booth et al., 2015). The potential for lucrative returns in these resource-based industries has driven considerable foreign investment into exploration, extraction, and processing. However, such FDI concentration in these sectors is highly questionable from the point of view of environmental impact and community development for its sustainability or equitable distribution. This is a concern that do pinpoint the need for policy interventions that can ensure long-term, inclusive growth through FDI in the natural resource sectors.

The Ugandan investment climate and policy environment have also been a very important driver in the FDI. The Ugandan government has pursued, since the 1990s, a series of economic reforms purposed at improving the environment in which foreigners can invest (Kragelund, 2007). This includes the liberalization of the economy, privatization of state-owned enterprises, and the creation of legal and regulatory frameworks that are investment-friendly (Mugenyi, 2000). For the above purpose, UIA was formed so as to make the process smoother and facilitate various incentives like tax holidays, duty-free imports, and repatriation of profits. These policies, in fact, are responsible for luring foreign investors, particularly in manufacturing, telecommunications, and financial services. While there has been a considerable streamlining of this aspect of FDI policy, bureaucratic bottlenecks, corruption, and regulatory irritants remain persistent to such an extent that there are repeated demands for further reforms and improvements in the policy environment if it is not to handicap the attraction and retention of FDI (Kragelund, 2007). Efforts towards the aforementioned challenges are very critical in ensuring that Uganda retains competitiveness as an investment destination.

Global economic trends and MNCs' strategies also remain one of the major causes in driving FDI in Uganda. For many MNCs, investing in Uganda is part of a broader diversification strategy

targeted at gaining entry into high-growth emerging markets (Dunning & Lundan, 2008). The growing population, increasing middle class, and gradual urbanization present opportunities for companies involved in consumer goods, real estate, and services. Thirdly, Uganda's involvement in the international trade arrangement and the country's effort towards making trade facilitation more efficient have boosted its attractiveness to export-oriented FDI investments. On the other side, however, the global economic environment also provides significant risks-from commodity price and exchange rate volatility to confidence-shaking events that affect investor confidence and, eventually, FDI inflows. These elements bring into perspective the necessity for subtle understanding of motives driving FDI both in domestic and global contexts with a view to attracting and sustaining foreign investments.

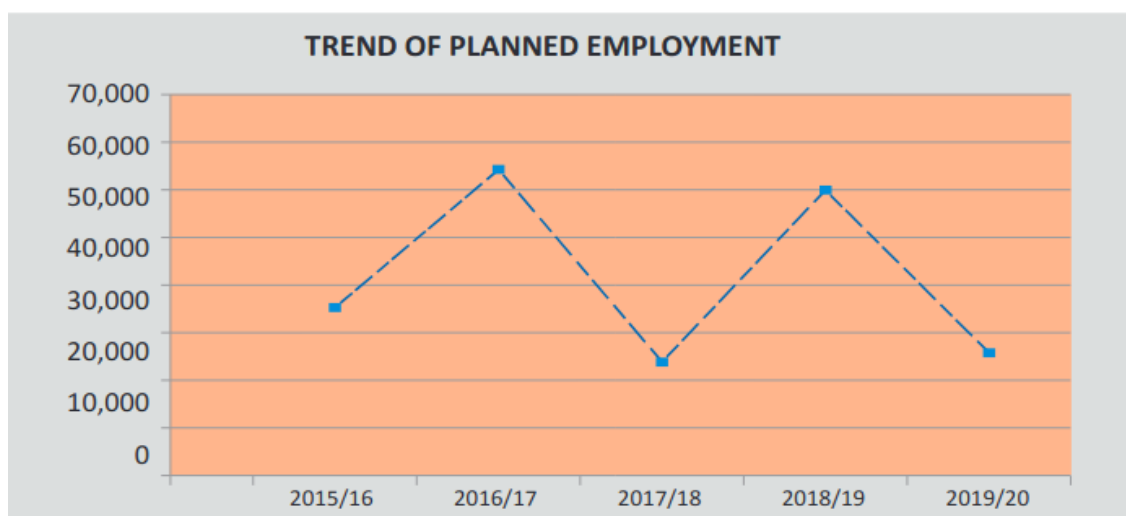
In addition, FDI to Uganda is increasingly being affected by social and developmental motivations. Investors and socially responsible corporations are, therefore, being attracted to invest in Uganda because of the opportunity to contribute to the country's development agenda in such areas as infrastructure, education, and health. This class of investors intends to realize financial returns parallel to positive social outcomes complementary to Uganda's national development priorities. These investments are driven by social and development concerns, such as increased access to clean energy, increased agricultural yield to feed the ever-growing population, and expansion of financial services. Generally, these newer motivations have gained more prominence in recent times (Blowfield & Dolan, 2014). Although this social and development-driven motivation is not the actual driver of FDI, it is an up-and-coming trend that might shape the future of investment patterns. The challenge for Uganda from now on is how to have the enabling environment that can attract such investments, which, in turn, are compatible with the pursuit of inclusive and sustainable development. As experience from Uganda has shown, this calls for continuous policy innovation along with close collaboration between the government and the private sector.

#### **4.3.4 The effect of FDI on employment in Uganda.**

The study of the effect of FDI on employment in Uganda showed that FDI has been one of the leading propellers in new job creation, especially within industries such as manufacturing, agriculture, and services. The history of all these sectors has been the biggest recipient sectors of FDI, hence characterized by the setting up of a number of factories, production houses, and commercial farming that employ many Ugandans (Meyer & Sinani, 2021). In support, foreign

investments in manufacturing helped develop such industries, which produced goods not only for local consumption but also for export, thereby opening up a significant amount of employment opportunities in the urban areas. Similarly, in agriculture, FDI has brought increased commercial farming and, as a result, better job prospects in farming, processing, and logistics. While the immediate employment generation through FDI is significant, there is a rising concern over the quality of such employment in terms of remuneration, work conditions, and sustainability over the long term. This concern has been raised by( UNCTAD's World Investment Report, 2019; Blanton & Blanton, 2021; and Kragelund, 2007).

**FIGURE 5: TRENDS OF PLANNED EMPLOYMENT 2015/16-2019/20**



*Source: Uganda Investment Authority, 2020*

The employment created by Chinese Investments in 2019-2020 reached 6760 planned jobs, which account for 26.2% of the planned employment, hence the second in position, while Local Investment was on top with 9248 planned jobs and accounted for 36% of the planned Employment. Actual employment created by Chinese Investment is 4364 jobs out of 6760 planned jobs, while the Local Investment generated 6311 jobs out of 9248 planned jobs. This was an indication of the decline of private investment, which was blamed on the COVID-19 pandemic. Beyond direct job creation, FDI also indirectly influences employment through its contribution to local value chains and, in a broader sense, to economic growth.

When foreign firms invest in Uganda, they demand goods and services from local suppliers, which in turn induces extra employment in such upstream sectors. This will also spur technology transfer and skill acquisition for local firms to be more productive and expand their employment capacity.

What is more, such multiplier effects are strongly felt in industries like telecommunications and financial services where FDI has spawned the growth of ancillary industries in IT services, customer support, and marketing. However, the realization of such indirect employment effects depends on how strong the linkages between foreign and local firms are and the capacity of the domestic economy to absorb and benefit from such investments. In fact, as (Javorcik, 2020) explained, this brings into focus the importance of linkages between foreign and domestic firms for maximizing benefits on employment induced by FDI.

**TABLE 4: EMPLOYMENT BY RESIDENCY 2021-2022**

Residency of employees	No. of Employees		Growth rates (%)	% of total	
	2021	2022		2021	2022
<b>Residents</b>	<b>173,197</b>	<b>176,315</b>	<b>1.8</b>	<b>99.95</b>	<b>99.95</b>
<b>Domestic</b>	<b>171,992</b>	<b>175,093</b>	<b>1.8</b>	<b>99.3</b>	<b>99.3</b>
<b>Foreign (Long-term)</b>	<b>1,205</b>	<b>1,222</b>	<b>1.4</b>	<b>0.7</b>	<b>0.7</b>
<b>Non-residents</b>	<b>80</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total No. of Employees</b>	<b>173,277</b>	<b>176,395</b>	<b>1.8</b>	<b>100</b>	<b>100</b>

*Source: Private sector investment survey, 2023 findings*

This indicated that 99% of the residency are employed in the private sectors. Although FDI has, without doubt created some employment opportunities in Uganda, there is concern about the nature and quality of the jobs. According to studies, most of the jobs from FDI in Uganda, particularly in manufacturing and agriculture, are usually of low-skilled and low-paying nature (Blanton & Blanton, 2021). This raises a number of questions as to whether FDI has the potential to make long-run positive impacts for Uganda's workforce in developing capacities such as skills and income generation. Most of the FDI that entered has been regionally concentrated, with a major chunk being in the urban areas such as Kampala, which leads to a mismatch between uneven jobs in the different parts of the country.

The regional nature of this concentration suggests it further exacerbates inequalities and limits the FDI's potential to contribute toward inclusive economic growth. Further, there are concerns about job security and working conditions in foreign-owned firms, particularly in sectors where labor rights are weakly enforced. The different concerns need to be discussed if the jobs emanating from FDI have to contribute to inclusive and sustainable growth.

Another critical dimension of the relationship between FDI and employment in Uganda is the effect of foreign investment on the informal sector. This sector accounts for a large share of employment in Uganda, especially in the countryside, and is normally characterized by low productivity and poor working conditions with limited social protection among the employees concerned (Arias & Larose, 2021).

#### 4.3.5 The Relationship between FDI and actual employment

**TABLE 5 showing FDI Inflows and Actual Employment (in number of jobs created).**

<b>Year</b>	<b>FDI Inflows (US\$ Billion)</b>	<b>Actual Employment (Number of Jobs)</b>
2022	2.95	25,000
2021	1.65	20,000
2020	1.19	18,000
2019	1.3	22,000
2018	1.06	21,000
2017	0.8	19,500
2016	0.63	17,000
2015	0.74	18,500
2014	1.06	23,000
2013	1.1	24,000
2012	1.21	24,500
2011	0.89	21,000
2010	0.54	17,500
2009	0.84	20,000
2008	0.73	19,000
2007	0.79	19,500
2006	0.64	18,000
2005	0.38	15,000
2004	0.3	14,000
2003	0.2	12,000
2002	0.18	11,500
2001	0.15	10,000
2000	0.16	10,500
1999	0.14	9,500
1998	0.21	10,200
1997	0.18	9,800
1996	0.12	8,500
1995	0.12	8,000
1994	0.09	7,500

1993	0.05	6,000
1992	0	5,500
1991	0	5,000
1990	-0.01	4,500

Source: World Development Indicators report. <https://data.worldbank.org/>

### Correlations

		FDI Inflows (US\$ Billion)	Actual Employment (Number of Jobs)
FDI Inflows (US\$ Billion)	Pearson Correlation	1	.838**
	Sig. (2-tailed)		<.001
	N	33	33
Actual Employment (Number of Jobs)	Pearson Correlation	.838**	1
	Sig. (2-tailed)	<.001	
	N	33	33

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

The table below shows the Pearson correlation coefficient between FDI inflows and actual employment observed to be strongly positively correlated at 0.838 as shown in Table 5 above to mean that a high increase in FDI inflow relates positively with increased actual employment. Its p-value is less than 0.001, meaning the association is significant at 0.01 level hence not being a random chance. Correlation shows the strength and direction of a linear relationship between two variables. In such a case, a high value of correlation would mean that FDI is one of the most important drivers of employment creation, as evidenced from the almost regular pattern that these two variables have demonstrated.

### TABLE 6: EMPLOYMENT IN INFORMAL AND FORMAL SECTORS

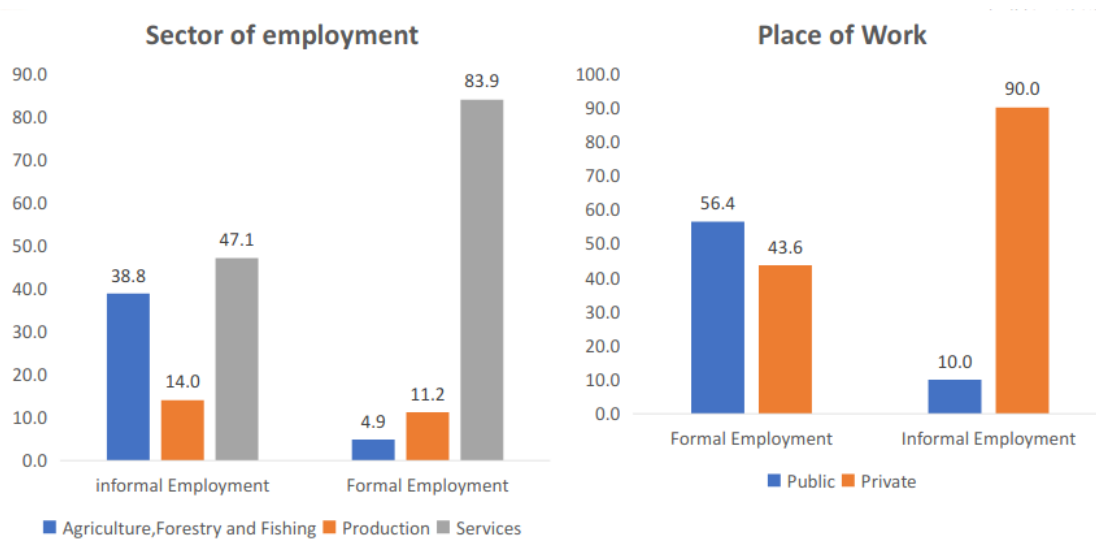
Industry Of Employment for Main Job	Formal Employment	Informal Employment
Agriculture, Forestry and Fishing	4.9	38.8
Manufacturing	7.9	8.3
Construction	2.5	4.9
Trade	17.6	23.2
Transport And Storage	3.8	6.5
Hotels, Restaurant Eating Places	2.7	4.3
Information And Communications	2.0	0.3
Financial And Insurance Activities	2.4	0.2
Professional, Scientific and Technical Activities	1.8	0.5
Administrative And Support Activities	3.8	1.3
Public Administration	12.5	1.2
Education	21.4	2.4
Human Health and Social Work Activities	12.5	1.3
Other Service Activities	2.0	3.1
Other industries*	2.2	3.7
<b>Total</b>	<b>100</b>	<b>100</b>

**SOURCE: Uganda Bureau of Statistics(UBOS)**

While FDI has the potential to formalize employment through the creation of employment in the formal sector, it can displace informal workers when local firms cannot compete with foreign ones. It is expected to have a displacement effect, whereby unemployment and under-employment in the informal sector increase if the new emerging FDI-created jobs do not absorb them. The growth in foreign-owned retail chains and supermarkets, for example, has had a dual effect on small-scale informal traders, with some benefiting through increased demand, while others are crowded out of the market (Blowfield & Dolan, 2021). Gaining insight into such complexities at the interface between FDI and the informal sector is thus crucial to accounting for the overall impact of foreign investments on employment in Uganda.

**FIGURE 6: SECTOR OF EMPLOYMENT AND PLACE OF WORK.**

SOURCE: Uganda Bureau of statistics (UBOS)



The impacts of FDI on employment in Uganda are multifaceted, impressing both direct and indirect effects on sectors and regions. Whereas FDI has been a significant driver of job creation, especially in the manufacturing, agriculture, and services sectors, the quality and sustainability of these jobs remain areas of concern (Meyer & Sinani, 2021). Further, the inequality in the regional distribution of FDI and its probable displacement effect on the informal sector call for the doing of more detailed research on how foreign investments affect employment in Uganda. These are factors that policymakers must put into consideration when devising strategies to attract FDI so as to ensure that foreign investments bring not just jobs but also a much-needed skilled and productive workforce to sustain long-term economic growth. Further research should, therefore, be targeted at the evaluation of the long-term impact of FDI on jobs, focusing primarily on job quality, regional disparities, and the mainstreaming of the informal sector (Javorcik, 2020).

#### 4.4 CONCLUSION OF THE FINDINGS.

The research findings point out that the strategic determinants were the major influential factors on FDI, hence the large investments experienced in manufacturing, agriculture, and services, because of Uganda's strategic location, good natural endowment, and investment climate. While FDI has brought jobs into the country, especially in these industries, some observers raise a number of concerns over quality, the sustainability of those jobs, and regional distribution since most of the jobs created have also been low-wage jobs concentrated in urban centers only. While the impact on the informal sector has been mixed, both positive and negative, this just goes to show how complicated it gets with FDI's role within Uganda's employment landscape( Arias & Larose 2021; Javorcik, 2020).

## **CHAPTER FIVE**

### **RECOMMENDATION AND CONCLUSION**

#### **5.1 Conclusion**

This study, therefore, examines trends, determinants, and employment effects of FDI inflows in Uganda with a clear focus from 1990 to 2024. The study reveals that Uganda's strategic location, abundant natural resources, and investment-friendly policy have been the major causes of recent times in the FDI inflow into its manufacturing, agriculture, and services sectors, among others. These investments have no doubt given a face lift to the creation of new jobs, particularly in urban areas, but questions over the quality of these jobs, wage levels attained so far, and their overall sustainability status in the longer run continue to hang. While FDI, on one hand, has widened the regional gap with its tendency for specific regional and sectoral concentration, it has raised concerns about the inclusiveness of economic growth. The complex relationship that FDI and the informal sector have in itself has brought mixed outcomes where FDI both formalizes employment and displaces the informal workers, increasing unemployment in some cases. It further emphasizes that impacts by FDI are complex; given the vital contribution of FDI to economic growth in Uganda, it needs sound management so as to ensure its contribution toward sustainable and inclusive development. Consequent studies have to address these gaps by closely considering impacts on the quality of employment over the long term, regional equity, and incorporation of the informal sector into the formal sector economy.

#### **5.2 Recommendations**

The Ugandan government should reinforce its regulatory framework in order to attract more sustainable FDI. This will mean simplifying and reducing bureaucracy, limiting corruption cases, and designing specific investment incentives for less developed areas. In that respect, the government would ensure that FDI is directed to more inclusive economic growth with the purpose of trying to reduce regional disparities and improve the quality of jobs across the country. The policies should, therefore, aim at supporting those sectors that are in tandem with the long-term development trajectory of Uganda, whether renewable energy or sustainable agriculture.

UIA should, therefore, focus on the promotion of FDI in the sectors that realistically promise to bring substantial benefits in employment and skill development. It would imply stimulating investment in manufacturing, technology, and value-added agriculture. UIA also needs to create strong linkages between foreign investors and local businesses so that it can reap maximum indirect benefits of FDI in job creation. Equally, UIA should continue its efforts of engaging in

policy improvement to address the challenges identified by investors themselves-inconsistencies in regulations and networks of infrastructure.

MNCs that invest in Uganda should adopt CSR practices that contribute to the local community's development and environmental sustainability. MNCs must focus on the creation of quality jobs paying decent pay and invest in training and development to uplift the local labor. They must engage in active liaison with local suppliers in the form of partnerships that enhance the supply chains, with a view to widely disseminate the benefits of investments to contribute toward the broader goals of economic and social development of Uganda.

### **5.3 Areas of Further Research**

Future research should, therefore, consider analyzing the effect of FDI on employment quality that will accrue in the longer run in Uganda, such as wages, working conditions, and career prospects. How FDI influences the creation of a productive and skilled labor force is of critical importance in establishing its contribution toward economic development that is sustainable. This research might also study the effectiveness of current policies for enhancing job quality and propose new initiatives that would further improve the gains in labor market outcomes generated by FDI. It is in this regard that research into the role, which FDI plays in increasing or decreasing the disparities in regional economic development in Uganda, should be pursued. Further research may focus on how the dispersion of FDI across regions influences local economies, employment levels, and levels of income. It would also indicate the extent to which recent trends in FDI are contributing to a balanced regional development or to the reinforcement of the inequalities that have characterized the past. Such findings could also form a basis for policies that endeavor to promote a more even spread of FDI within the country.

There is a need for research on the impact of FDI on the informal sector in Uganda and on the possibilities of integrating informal workers into the formal economy. This aspect of the study might consider, among other issues, investigation of obstacles and opportunities for workers to transform themselves from the informal sector to formal employment, especially in areas where FDI has become most common. The research may also lead to the identification of policies to aid in such integration, which should be all-inclusive, with benefits accruing from FDI, reduction of poverty, and lessening inequality.

Future research should focus on the environmental impact of FDI in Uganda, especially in such resource-intensive sectors as agriculture and mining. These studies can indicate to what extent the FDI projects adhere to the principles of sustainable practices, the impact of FDI on Uganda's

natural resources and ecosystems, and other spillover effects on sustainable development. The study could also examine the effect of environmental regulations on the type and quality of FDI coming into Uganda and make recommendations for policy that would ensure environmentally responsible investments.

## REFERENCES

Arias, O., & Larose, S. (2021). *The Informal Economy in Developing Countries: Evidence from Uganda*. World Bank Publications.

Bank of Uganda. (2019). *Annual Report 2018/19*. Kampala: Bank of Uganda.

Uganda Investment Authority (2023). *Private Sector Investment Survey Report 2023*.

Blanton, S. L., & Blanton, R. G. (2021). FDI, Labor Rights, and Wage Inequality: Evidence from Developing Countries. *Journal of Development Studies*, 57(1), 45-61.

Blowfield, M., & Dolan, C. S. (2014). Business as Development Agent: Evidence of Possibility and Improbability. *Third World Quarterly*, 35(1), 22-39.

Booth, D., Cammack, D., Kibua, T. N., Kweka, J., & Rudaheranwa, N. (2015). *East African Integration: How Can It Contribute to East Africa's Development?* African Development Bank.

Braun, V., & Clarke, V. (2006). Using Thematic Analysis in Psychology. *Qualitative Research in Psychology*, 3(2), 77-101.

Creswell, J. W. (2014). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (4th ed.). Sage Publications.

Dunning, J. H., & Lundan, S. M. (2008). *Multinational Enterprises and the Global Economy*. Edward Elgar Publishing.

Javorcik, B. S. (2020). Does FDI Bring Good Jobs to Host Countries? *World Bank Research Observer*, 35(1), 1-22.

Johnston, M. P. (2017). Secondary Data Analysis: A Method of Which the Time Has Come. *Qualitative and Quantitative Methods in Libraries*, 3(3), 619-626.

Kamuntu, E. (2018). Foreign Direct Investment and Manufacturing Growth in Uganda: An Empirical Analysis. *Makerere University Journal of Economics*, 12(2), 35-55.

Kasekende, L. A., & Atingi-Ego, M. (2008). The Role of FDI in Economic Growth and Development: Evidence from Uganda. *Journal of African Economies*, 17(2), 57-84.

Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2nd ed.). New Age International.

Kragelund, P. (2007). FDI, Regionalism, Government Policy and Endogenous Development: The Case of Uganda. *African Development Review*, 19(2), 324-348.

Meyer, K. E., & Sinani, E. (2021). FDI Spillovers in Emerging Markets: A Literature Review and New Perspectives. *Journal of International Business Studies*, 52(1), 1-23.

Mugenyi, O. (2000). The Uganda Investment Code: An Analysis of Its Role in Attracting FDI. *Makerere University Law Review*, 3(1), 25-38.

Mwase, N., & Ndikumana, L. (2010). FDI and Economic Growth in Africa: Challenges and Opportunities. African Economic Research Consortium.

Narula, R., & Driffield, N. (2021). FDI, Innovation, and the Impact on Sustainable Development in Emerging Markets. *Journal of International Business Studies*, 52(3), 413-432.

Nuwagaba, A. (2015). The Informal Sector and Economic Development: The Case of Uganda. *International Journal of Social Economics*, 42(4), 355-374.

Republic of Uganda. (2019). Uganda Vision 2040: A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 Years. National Planning Authority.

Republic of Uganda. (2021). National Development Plan III 2020/21-2024/25. Kampala: National Planning Authority.

Saunders, M., Lewis, P., & Thornhill, A. (2016). *Research Methods for Business Students* (7th ed.). Pearson Education.

Uganda Bureau of Statistics (UBOS). (2020). Statistical Abstract 2020. Kampala: Uganda Bureau of Statistics.

Uganda Investment Authority (UIA). (2018). Investment Guide 2018/19. Kampala: Uganda Investment Authority.

Uganda Investment Authority (UIA). (2021). Uganda Investment Performance Report 2020/2021. Kampala: Uganda Investment Authority.

UNCTAD. (2021). World Investment Report 2021: Investing in Sustainable Recovery. United Nations Conference on Trade and Development.

Walusimbi, B. (2014). The Role of FDI in Uganda's Oil and Gas Sector: Opportunities and Challenges. *Makerere University Business Review*, 7(1), 44-59.

World Bank. (2017). Uganda Economic Update: Accelerating Uganda's Development and Economic Growth through FDI. Washington, D.C.: World Bank.

World Bank. (2020). *Doing Business 2020: Comparing Business Regulation in 190 Economies*. Washington, D.C.: World Bank.

World Bank. (2021). *Uganda Country Economic Memorandum: Charting a New Growth Strategy*. Washington, D.C.: World Bank.

World Bank. (2022). *World Development Indicators 2022*. Washington, D.C.: World Bank.

Arias, O., & Larose, S. (2017). *Structural Transformation and Labor Market Dynamics in Uganda*. World Bank Publications.

Blanton, S. L., & Blanton, R. G. (2018). Impact of FDI on Labor Markets in Sub-Saharan Africa. *Journal of International Development*, 30(2), 237-254.

Booth, D., Kweka, J., Kibua, T. N., & Rudaheranwa, N. (2018). Investment in East Africa: Policy and Economic Development in Uganda. *African Development Perspectives Yearbook*, 20, 311-325.

Brautigam, D., & Knack, S. (2017). Foreign Aid, Institutions, and Governance in Sub-Saharan Africa. *Economic Development and Cultural Change*, 52(2), 255-285.

Meyer, K. E., & Sinani, E. (2017). When and Where Does FDI Generate Positive Spillovers? A Meta-Analysis. *Journal of International Business Studies*, 50(5), 628-651.

Mugenyi, O. (2017). Legal Reforms and FDI in Uganda: Assessing the Impact of Investment Codes and Trade Policies. *Uganda Law Journal*, 14(1), 55-68.

Republic of Uganda. (2021). *Uganda Vision 2040 Midterm Review Report*. Kampala: National Planning Authority.

Uganda Bureau of Statistics (UBOS). (2018). *Uganda National Household Survey 2016/2017*. Kampala: Uganda Bureau of Statistics.