

**FOREIGN DIRECT INVESTMENT AND EXPORT PERFORMANCE
IN UGANDA FROM 2003 - 2012**

By

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BEC/31583/102/DF

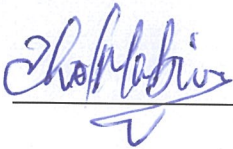
**A RESEARCH SUBMITTED TO THE COLLEGE OF ECONOMICS AND
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DECLARATION

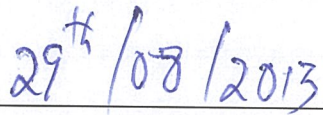
I, **CHOL CYRILO MABIOR**, do hereby declare that this research report is my original work and has not been presented for a degree or any other academic award at Kampala International University, Uganda or any higher institution of learning.

Signature;



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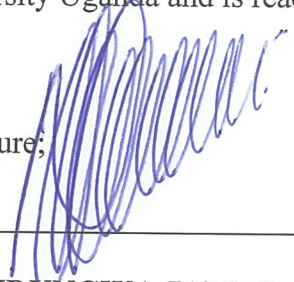


Date

APPROVAL

This is to certify that **CHOL CYRILO MABIOR** is the sole researcher of this research report, Titled “**Foreign Direct Investment and Export promotion in Uganda: A Case Study**” under my guidance as a university supervisor in partial fulfillment of the requirements for the award of a Bachelors Degree in Economics of Kampala International University Uganda and is ready for submission to the faculty.

Signature;



MR. NDUNGWA JAMES
SUPERVISOR

29th / 08 / 2013
Date

DEDICATION

This research work is dedicated to the following people. First of all, I would like to thank none other than my dear parents; my dad Mr. Mabior Dil and my mum madam Adeng Aganyjok and the entire family for having been instrumental in my entire life and their personal love, care, support and encouragement is humbly appreciated.

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CHAPTER ONE

INTRODUCTION

Background:

Uganda has implemented an ambitious programme of economic liberalization (IMF, 2003) with reforms aimed at restoring macroeconomic stability and fiscal discipline, while improving the investment climate. The investment code (1991) and institutional initiatives were adopted in order to improve the investment climate. The Uganda Investment Authority was created to facilitate procedures for those interested in investing in the economy and mandated to facilitate, supervise and promote investment in Uganda. Further reforms include the adoption of double taxation agreements with Western countries, the liberal foreign exchange policies, the legal and regulatory reforms.

These reforms led to significant effects in terms of both local and foreign investor confidence in Uganda and have helped to encourage local investors as well as attracted Foreign Direct Investment (FDI) into Uganda. The country has succeeded in attracting more FDI than most countries in the region and among the developing countries as a group, and is one of a group of seven countries identified by UNCTAD as Africa's "front runners" in attracting FDIs. FDI inflows have been rising steadily over the past twenty years from USD 55 million in 1993 to USD 222 million in 2004 (IMF, 2003).

Inflows of FDI to Uganda can be attributed to the role of natural resource endowment in the country. This can be classified as resource seeking investment which is intended to

exploit existing resources in the host country. A number of examples abound in this area such as Hima and Tororo Cement both engaged in manufacture of cement, Kilembe Mines engaged in copper mining, Kasese Cobalt Company engaged in mining of cobalt. There is also an abundance of tourism attractions with Uganda being branded-the Pearl of Africa. In addition, there exists a variety of wild game, lakes and rivers and abundant fish stock, which have resulted in fish emerging as one of the country's key exports after coffee. However, natural resource endowment alone may not be a sufficient factor in attracting FDI to Uganda since some other African countries with similar endowments have not ranked as high in attraction of FDI. It should be noted therefore that deliberate efforts to support an enabling environment by the government has complemented natural resource endowment in attracting FDI to Uganda.

Market Seeking Investment: Like several other African countries, Uganda has not provided much attractiveness by way of a market compared to other developing countries in the region mainly due to the high levels of poverty and income inequality. However, it has a strategic location in the heart of East and Central Africa for those intending to produce for the local market as well as export to the regional markets. With its membership to COMESA and EAC with access to a market of over 300 million people, there is great potential for trade for any investors in the country. In addition, Uganda offers preferential access to the European Union and the United States for a variety of commodities which offers a diverse market for investment for purposes of exports. Consequently, a number of investors have taken the strategic decision to locate in Uganda such as Phoenix Logistics Ltd, Uchumi from Kenya, Standard Bank and MTN from

South Africa targeting the regional market as well as Kibimba rice growing scheme, Kakira and Lugazi sugar cane plantations targeting the domestic market.

Unfortunately Uganda has not been able to attract efficiency seeking investment mainly because of under development of the infrastructural sector as well as lack of sufficiently skilled labour to effect timely and cost efficient production and delivery of goods to overseas markets. However, there is deliberate government effort to improve skills of the work force and adoption of improvements in the ICT sub sector. This effort is evidenced by the provision of Universal primary education and adoption of a line ministry in charge of ICT. But even with this, efficiency seeking FDI would still be far out of reach since access to international markets and infrastructural development are still a major hindrance.

Problem Statement

The United Nations Millennium Development goals for Africa suggest the need for economies to attract substantial amounts of foreign Direct Investment (FDI) to stimulate growth by investing in essential development infrastructure and provide employment opportunities. However, Piana (2005) indicated that FDI is less likely to transfer new or better technologies, do not generate employment at the time of entry into the host economy and may lead to layoffs as the acquired firm is restructured.

Despite all these, there has been a deliberate government effort in attracting FDI into the country with a view of improving economic performance in general. However, the impact that increased FDI inflows have had on Uganda's export performance has not been analyzed and hence it's a deliberate effort for this study to examine the relationship

between the two and specifically establish whether an increase in FDI inflows leads to an increase in export performance in Uganda for the past decade

Purpose of the Study

The purpose of the study is to examine the effect of FDI on export performance in Uganda from 2003 to 2012.

Specific objectives

- (i) To find out the level of Foreign Direct Investment in Uganda from 2003 to 2012.
- (ii) To establish the trends in Traditional and Non Traditional Exports in Uganda from 2003 to 2012.
- (iii) To find out the relationship between foreign direct investment and exports in Uganda.

Research Questions

- (i) What is the level of Foreign Direct Investment in Uganda from?
- (ii) What are the trends in Traditional and Non Traditional Exports in Uganda?
- (iii) What is the relationship between foreign direct investment and exports in Uganda?

Hypothesis

The following hypothesis was tested:

Increased FDI inflow does not increase exports from Uganda.

Scope of study

The study covers the Ugandan economy for the period 2003 to 2012 focusing on FDI, traditional and nontraditional exports. A detailed discussion is made on the relationship between exports and FDI. The focus is placed on the relationship between FDI and export performance mainly because of the deliberate government policy direction in attracting FDI with several investment incentives and campaigns. We therefore would like to find out whether the improvement in exports can be attributed to the inflows of FDI. The study was conducted between January and August 2013.

Significance

The research will help bring to light the factors that influence export performance especially the effect created by FDIs. This will contribute to the body of knowledge and also help in policy formulation in Uganda especially by the ministries of trade, Finance and that of Foreign affairs. Furthermore, the research will show how FDIs are absorbed into the export sector and how they interact with other key determinants of exports. This will aid macroeconomic simulations and development of macroeconomic models.

This research will be useful to the local business community as it will provide some strategies that may help them to cope up with the challenges brought about by foreign direct investment. Hence, this will enable them to withstand the challenges and compete favorably with the foreign based firms. It will also provide a basis for future research

OPERATIONAL DEFINITION OF KEY TERMS

Foreign Direct investment: An investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate).

Traditional exports: This refers to goods and services that were being produced and marketed locally before modern technology of mechanization and breeding among animals. They basically include food stuffs, animals, and fisheries

Non Traditional exports: This refers to goods and services that require relative modern techniques in their production e.g farm tools, mining, industrial products.

Macro Economic models: Models put in place to capture variations within the entire economy as a whole.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

According to economic literature, Foreign Direct Investments are attracted to countries with a higher trade potential and FDI can also act to promote exports in the host countries.

THEORETICAL LITERATURE

The concept of Foreign Direct Investment

UNCTAD (2006) defines (FDI) as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate).

The study further distinguishes investments of MNCs into several types depending on the motives of investment or the modes of entry in the host country. Four main motivations for investment by Transnational Companies can be classified in the study. These are market-seeking, efficiency-seeking, resource-seeking and created-asset seeking. The first three are can be jointly termed as “asset-exploiting strategies” and the latter is “asset-augmenting strategy”.

Each of the above classifications of FDI was further explored and defined by Yan Gao et al. (2008) as follows; “market-seeking FDI” involves investing in a host country market in order to directly serve that market with local production and distribution rather than through exporting; “resource-seeking FDI” refers to investing in a host country’s market

in order to achieve cost-minimization motives by obtaining resources which are either too costly to obtain or unavailable in the home-market of the multinational enterprise; and “efficiency-seeking FDI” involves investing in foreign operations to create the most cost-effective and competitive global production networks and it is aimed at reducing the cost of producing goods and services. These three motives are collectively referred to as “asset-exploiting strategies” in which the firms utilize their existing competitive advantages to establish affiliates abroad.

The last motive that is “Created-asset seeking FDI” is also known as “asset-augmenting strategy” and involves investing in foreign countries to acquire the assets of foreign companies to promote long-term strategic objectives. This is done in order to improve the firms’ competitiveness. Firms can therefore exploit their limited competitive advantages to acquire created assets such as technology, brands, distribution networks, R&D expertise and facilities, and managerial competences which may not be available in the home economy.

UNCTAD, 2006 further explains alternative ways through which a firm can enter a foreign market; these can be through exporting, licensing or by investing abroad (FDI enterprise). Dunning (1979) suggests that MNC’s choice between these three alternatives (exporting, licensing or investing abroad), will depend on the combination of the following advantages: Ownership-specific advantages, Internalization advantages and Locational advantages in the target market. Camarero & Tamarit, 2003 referred to these three advantages as the OLI paradigm of international production.

Ownership-specific advantages are the firm-specific assets and can constitute production technologies, special skills in management, distribution, product design, marketing, brand names and trademarks, reputation, benefits of economies of scale, etc (Vahter, 2004).

Locational or L-advantages (Country Specific Advantages¹) are country specific advantages and can be separate into three categories i.e. Economic advantages (consists of the quantities and qualities of the factors of production, transport and telecommunications costs, scope and size of the market, etc), Political advantages (specific government policies that influence inward Foreign Direct Investment flows, intra-firm trade and international production), and Social-cultural advantages (language and cultural diversities between the home and host countries, general attitude towards foreigners and the overall position towards free enterprise).

Internalization or I-advantages are those for which it is in the best interest of the firm to use them itself, rather than selling them or licensing them to other firms given that ownership specific advantages are present.

According to Ekholm et al. (2005), FDI can also help in the creation of an export platform in the host country. The study suggests that export-platform FDI is a type in which foreign affiliates of MNCs export most of their output so that the local market in the host country is of no significance to the MNC's location decision.

FDI can also be defined basing on the modes of entry into the host country; It may involve new investment in physical capital or; acquisition of existing assets or merging

with an existing local firm (UNCTAD, 2000). These are termed as “Greenfield investment” or “Mergers and Acquisitions” (M&As) respectively. UNCTAD (2006) defines “Greenfield FDI” investment as projects that entail the establishment of new production facilities such as factories, as well as the movement of intangible capital (mainly in services). It involves capital movements that affect the accounting books of both the foreign direct investor and the enterprise receiving the investment in the host country. The recipient enterprise (or foreign affiliate) uses the capital flows to purchase fixed assets, materials, goods and services, and to hire workers for production in the host country.

The M&As on the other hand however, generally involve the purchase of existing assets and companies. The target company that is being sold and acquired is affected by a change in owners of the company. There is no immediate augmentation or reduction in the amount of capital invested in the target enterprise at the time of the acquisition.

A further distinction within the M&A category is done by UNCTAD (2000). The study identifies M&As as either “cross-border mergers”, which occur when the assets and operations of firms from different countries are combined to establish a new legal identity; or “cross-border acquisitions”, which occur when the control of assets and operations is transferred from a local to a foreign company (with the former becoming an affiliate of the latter). M&As are normally associated with the privatization of state enterprises and with the sales of bankrupt or near-bankrupt firms.

Nature of Foreign Direct Investment

According to Wang (2009), FDI can take various forms including ‘greenfield’ investment which involves developing completely new assets as well as mergers and acquisitions that involve a shift from an existing local firm to a foreign firm. Mergers and acquisitions are the main forms of FDI. Most foreign investors prefer introducing their strategy to increase productivity of an existing firm locally.

Merging two or more companies in a bid to provide assistance in form of finances, or boost the rate of growth of a company without necessarily developing another unit. On the other hand, acquisition is a situation whereby a company is purchased by another. Ownership is fully transferred completely to a different company (Bulan, 2001). Acquisition usually involves a superior company purchasing a smaller one although in other cases a smaller firm purchases a more superior one and continues using its name for the purpose of maintaining its customers. Both mergers and acquisitions can take this reverse process. The process of mergers and acquisitions is usually a long and complicated one, depending on various factors that influence the outcome, which may be a success or a failure (Wang, 2009).

Sources of FDI in Uganda

The largest sources of FDI are the UK, the US, Kenya, Canada and South Africa; a significant share of FDI comes from other developing economies, especially South Africa. Improvements in infrastructure including the liberalization of the telecommunications sector, airports, roads, energy and water have contributed to Uganda’s attractiveness as an investment location.

FDI and Export Performance

The results from UNCTAD, 2002 indicated that FDI is likely to affect export performance positively. This was true for most levels of export performance and for every period under consideration. The experience in a number of countries suggested that FDI strongly contributes to the transformation of the composition of exports. For instance, FDI inflows into Singapore and China have helped to increase significantly the technological content of exports by strongly supporting the development of export supply capacity, including knowledge-based industries.

Consistent with these experiences, a positive and significant relationship between export performance and FDI contribution to capital formation was found at all levels of export performance in analyzing developing countries. FDI relates closely to exports at early stages of export development, but the relationship becomes weaker as export development advances, only to become stronger again at later stages of export development. The results also revealed that where FDI contributes to the technological upgrading and structural evolution of the export sector, the structure of the sector is an important ingredient of export performance both at the early stage of development of the export sector and at a later stage. It could therefore be said that export performance is positively affected by inter sectoral diversification among poor performers and intra sectoral diversification among better performers, where FDI would seem to be directed towards innovative activities within an already existing sector.

From the Sectoral perspective, while the total value and volume of exports has generally been on the increase, this improvement has not been even. The sectors that have

demonstrated significant growth and potential include tourism (accounting for 16% of exports in 1997), manufacturing (10%), gold (6%), fish (5%), electric current (2%), cut flowers (1.5%), and grains (2%). Hides and skins displayed remarkable growth with export volumes doubling, leading to a major increase in total value (from US\$6.2 million in 1997/98 to US\$20.8 million in 2001).

Export sector challenges

In spite of the notable improvements, Uganda's export sector still faces considerable constraints as below;

- (a) poor infrastructure (roads, airports, telecommunications, etc);
- (b) Inaccessibility, unreliability and sometimes absence of utilities (electricity, water, etc);
- (c) The negative effects of liberalisation on existing manufacturing firms (many firms are not in position to compete with cheap imports, particularly from South East Asia, China e.t.c.
- (d) Uganda lacks sufficient capacity in the area of trade negotiations and is not in position to benefit much from bilateral and multilateral trade arrangements.
- (e) Market access is constrained by the imposition of both tariff and non-tariff barriers to trade in many markets in the developed and developing world. The ban of exports of Ugandan fish to the EU in 2000 is a case in point.

Destination of Uganda's Exports

According to Uganda Export Promotions Board (UEPB), 2002, Uganda's main export markets are: Europe in general, and the European Union in particular. The two account

for about 58% and 33% of the exports, respectively, followed by COMESA with 27%, the rest of Africa with 17%, the Far East with 3%, North America with 1%, and the rest of the world with 15%.

Theoretical Perspective between FDI and exports

This study adopted the International trade theory, of multinational enterprise which starts with an assumption that firms must have certain advantages in order to become multinational companies. It is reasonable to expect that firms can do business in foreign countries only at a higher cost than domestic firms. Without specific advantages capable of compensating for this inferior position, their foreign operations would not be sustainable. Dunning (1993) organized these advantages in three basic groups: the multinational firm has a product or a production process giving it some monopoly power in the foreign market (“ownership advantage”), and/or has a reason to locate production abroad (“location advantage”), and/or has an incentive to exploit its ownership advantage internally (“internalization advantage”). A direct conclusion is that firms may have different motives for becoming multinational enterprises.

These motives may define different types of foreign direct investment, which on the other hand, may have different impact on the home and, for this research more interesting, host country’s economy, and thus, export performance. This theory then suggests that if FDI is market seeking, it would have positive influence on imports into host economy, and no effect on exports. For resource-seeking FDI, the situation is just the opposite: there is an increase of exports, while imports are unaffected. For strategic asset-seeking FDI, there are no unambiguous predictions. In order to predict the macroeconomic effect of FDI on

exports, one needs to know the type of the majority of foreign investment projects, i.e. whether they are market- or resource-seeking. But even if one knew that most of the FDI in some host economy were e.g. market-seeking, there still might be some positive effects of FDI on exports through different channels.

Previous studies between FDI and exports

Theoretical literature identifies some possible relationships between exports and FDI which we explore in the following discussion;

Using annual data for the period 1970-1998, Sharma (2000) investigated the determinants of export performance using India. He used a simultaneous equation model to explain India's export performance and applied the Hausman's specification test. Since Hausman's specification test indicates simultaneity bias the two-stage least squares (2SLS) procedure was applied. His empirical findings showed that though the coefficient of FDI had a positive sign; it wasn't statistically significant, thus rejecting the FDI-led exports hypothesis in India. The findings therefore suggest that FDI in that country is not export-oriented.

Pacheco-López (2005) used a bivariate framework and Granger causality test to investigate the relationship between FDI inflows and exports and between FDI inflows and imports in Mexico for the period 1970-2000. The results showed evidence of feedback causality between FDI and exports; suggesting that FDI inflows encourage exports and that export performance stimulates FDI inflows in Mexico.

Johnson (2006) examined the relationship between FDI and exports in the East Asian economies, China, Hong Kong, Indonesia, Korea, Malaysia, Singapore, Taiwan and Thailand for the period 1980 to 2003. Using Time series regressions for individual economies as well as panel data estimation, the result indicated that FDI inflows have a significant and positive effect on host country exports. Furthermore, Granger causality tests indicated that FDI inflows cause export flows. His findings give evidence that FDI led exports are present in the East Asian economies.

Awokuse et al. (2008) examined whether FDI stimulates export performance for the case of China over the period 1995 to 2005. Using panel data including fourteen main FDI receiving and exporting manufacturing sectors, empirical results suggest that FDI has a statistically significant and positive impact on China's exports, which shows that FDI received by China is mainly export-oriented.

Shao-Wei, Lee (2007) investigated the impact of inward FDI on Taiwanese export performance from 1952-2005. The empirical results showed no cointegration relationship between exports and inward FDI. The results from Granger causality tests in a bivariate VAR showed the existence of FDI-led export hypothesis in Taiwan.

Pham (2008) investigated the relationship between FDI and trade (exports and imports) in Vietnam for the period 1990-2007 using a bivariate and multivariate VAR, he found the existence of cointegration between FDI, exports and imports, and the results of Granger causality tests based on a VECM showed that there was a feedback causality between

FDI and exports and between FDI and imports, suggesting that FDI in Vietnam is export-oriented. Xuan & Xing (2008) analyzed the impact of FDI on the exports of Vietnam using gravity model. They estimated the model with both the pooled regression and random effects methods. The coefficient of FDI was found to be positive and significant in both methods, suggesting that FDI in Vietnam contributed significantly to the increase of the country's exports, confirming hence the findings of Pham (2008)

The literature reviewed therefore shows that the impact of inward FDI on host country exports will depend on both the mode and motive of entry. If it is intended to by-pass trade barriers into the local market, it may not increase export volumes from the host country. However, if FDI is motivated by the country's comparative advantage in production, then it may contribute to export growth. Thus, the nature of the relationship between FDI and export performance is not clear and could be positive or negative.

Fernando Ponce (2006) found out that foreign direct investment fosters exports in host countries, and likewise, more trade through trade liberalization, encourages foreign direct investment when more markets are available for exporters thus a reverse causality from exports to FDI can also exist. A “feedback relationship” between FDI inflows and exports can also exist; where FDI inflows promote exports and in turn, export promotion encourages FDI inflows, and the cycle continues.

FDI affects host country's export performance in two ways, either directly or indirectly. Directly, they enhance host country's export performance through the MNC subsidiaries that exploit host country's relatively abundant and cheap resources or cheap labour costs thus lowering manufacturing costs and in turn increasing export competitiveness in the global market. Secondly, MNCs enhance local firms' propensity through indirect effects of FDI. (UNCTAD, 1999 and 1996) suggest that MNC subsidiaries create opportunity for local firms' export potential with inside and outside MNCs networks when MNCs take integration strategies between parent and its subsidiaries

Awokuse et al. (2008), argue that the direct effects of FDI on host country's exports will depend on whether the multinational firms are vertically or horizontally integrated. Vertical FDI, based on relative endowments is attracted by factor cost differentials and driven by trade costs. Investors therefore come to a host country in order to exploit those resources in which the country has a comparative advantage. In which case, the MNCs affiliates are targeting lower costs of production and are willing to export their products abroad from the host country.

Horizontal FDI on the other hand reflect a case in which the MNCs affiliates are aimed at penetrating the domestic market and come to a host country because of its huge potential market, therefore it is more likely that MNC affiliates will sell their products in the promising market of the host country and will have little direct effect on the host country's exports.

According to Vukšić, 2007, foreign affiliates can stimulate local firms' exports by the indirect effects of FDI through various channels. Through the transfer and diffusion of technologies, management know-how, entrepreneurial skills and labour, MNCs affiliates may improve local firms' competitiveness. In addition, locally owned firms might also increase their efficiency by copying the operations of the foreign producers or may be forced into doing so due to foreign competition, and this is done through the horizontal linkages inside the MNC's industry. Productivity spillovers can also be channeled into industries different from the one in which foreign investor operates through backward linkages (MNCs foreign affiliates source inputs from local firms) and forward linkages; (foreign affiliates sell goods or services to domestic firms).

Shao-Wei (2007) explores the relationship between FDI and exports by distinguishing FDI into different forms i.e. home-country export-platform FDI in which case the final producer is located in the home country and their production unit for intermediate output is located in different countries. This form of FDI creates exports (intermediate inputs) which flow from the FDI host country to the home country (Antras and Helpman, 2004). This scenario forms the backward linkage of resource supplying and intra-firm trade.

The study explains third-country export-platform FDI as taking place when there are two regions which are identical and large in terms of market size and their firms A and B collectively referred to as N(North), plus a third region which is small and low cost country referred to as South. Firm B has a strong ability to export final goods from the south compared to firm A. Therefore firm B's investment (final goods production) in the

south is inclined to be a third country export-FDI platform (MNC foreign affiliates export their products to the third countries) and, global export-platform FDI (MNC foreign affiliates export their products both to home and third countries).

UNCTAD, 2002 suggests that TNCs can increase the host countries' export performance by facilitating access to new and larger markets since foreign affiliates have privileged access to TNCs' intra-firm markets and to TNCs' customers in global, regional and home-country markets. The links between foreign affiliates and contractual partners in host countries to markets can spill over to suppliers and other domestic firms.

TNCs can also expand exports in host countries through provision of competitive assets for export-oriented production in commodities that are technology intensive and dynamic. Technological assets are usually costly and firm-specific thus difficult for firms in developing countries to get. However, these are easily transferable from TNCs to their foreign affiliates or non-equity partners in host countries through training, skills development and knowledge transfer. The extent that foreign affiliates establish strong linkages (backward and forward) with local firms, through dissemination of these assets will determine the spillover to other local firms and the economy at large and, the extent of export performance in the host country.

The impact of FDI on exports can also be looked at in terms of its effect on host country's firms' investments. The impact of FDI on host country firms' investments depends on whether foreign investment leads to a decrease in domestic investment activity, (i.e. "crowding-out"), or in an increase in domestic investment (i.e. "crowding-

in”). UNCTAD (1999) suggests that crowding out or crowding in of domestic investment can occur via product markets or financial markets. If TNCs finance their investment by borrowing in the host country under conditions of scarcity of financial resources thus causing a rise in domestic interest rates, they may make borrowing unaffordable for some domestic firms hence “crowding out” domestic investment. In addition to this, if the capital flows coming into the country are relatively large, an appreciation of the real exchange rate could result thus making a host country’s exports less competitive and discouraging investment for export markets.

In product markets, crowding out takes place when firms are from the same industry. Foreign affiliates are said to be more efficient and competitive than local firms. The net effect on total host country investment will depend on what happens to the resources. If they go to other activities in which local firms have greater competitive advantages, there will be no crowding-out of investment in the economy as a whole. It may also be that FDI forces local competitors to raise their efficiency and so leads to raising their investment and profitability.

It should however be noted that preferential treatment provided to foreign investors in terms of tax breaks, cash grants, duty exemptions and subsidies are usually not available for local investors. These can increase the competitiveness of foreign companies and lead to crowding-out of domestic firms in the local market (UNECA, 2006).

Crowding-in effect of FDI takes place when investment by foreign affiliates stimulates new investment in downstream or upstream production, by other foreign or domestic

producers. This can be through a multinational corporation sourcing raw materials from domestic suppliers or outsourcing particular activities to firms in the host country. In case the MNCs affiliate sources raw materials from domestic suppliers, local firms' investments will increase. However, many foreign affiliate-established linkages may lead to crowding-in after the foreign affiliate has crowded-out its direct competitors. The net effect on the host country's investment will therefore depend on the relative strengths of the two effects.

In summary, FDI affect the host country's export performance by taking advantage of a host country's factor endowments e.g. relative abundant resources and cheaper labour. Also competition between MNCs and local firms induces local firms' ambitions to increase their exports and lastly, the presence of FDI provides channels for transferring advanced technology, management skills and global marketing ability from MNC networks to local firms. These three different ways clearly show the case of MNC influencing local firms' export propensity through the indirect effects of FDI. The indirect effects are called Spillover effects which contribute to local firms' export propensity and performance.

These spillovers can be classified as "horizontal" spillovers – i.e. those benefits to local enterprises at an intra-industrial level – and the "vertical" spillovers phenomenon – i.e. the diffusion of positive effects on domestic economies at an inter-industry level, as in the case of technology transfers to domestic suppliers or customers in the production chain.

Girma et al. (2008) assert that the spillovers from inward foreign investment in form of technological spillovers, knowledge spillovers, R&D spillovers, etc, can work through numerous channels. Domestic firms can benefit from the presence of multinationals in the same industry, leading to “intra-industry” or “horizontal spillovers”, and there may be spillovers from multinationals operating in other industries, leading to “inter-industry” or “vertical spillovers”.

Horizontal (intra-industry) spillovers occur when the entry of foreign firms leads to an increase in the productivity of the domestic firms in the same industry through various means. Sasidharan & Ramanathan (2007) categorize three channels namely “demonstration effects”, “labour turnover” and “competition effect”, through which the FDI affects the domestic firms’ productivity hence promoting economic growth in the host country.

“Demonstration effects” refer to imitation of foreign firms’ technology by the domestic firms. Imitation in this case involves classic transmission mechanism for new products or processes. “Labour turnover” i.e. the mobility of the workers from MNCs to domestic firms. MNCs will generally invest in training of their workers who will move from MNCs to existing local firms or to start new firms. “Competition effects”, this is when entry of foreign firm forces the domestic firms to increase their efficiency by improving the existing means of production or adapting new means of production. Local firms will be under pressure to use existing technology more efficiently in order to yield productivity gains. Competition may also increase the speed of adoption of new technology or the speed with which it is imitated.

Vertical (inter-industry) spillovers on the other hand, are concerned with the effects MNCs have on companies in sectors other than that in which the MNCs are investing.. Such companies include suppliers or providers of services to the MNCs, as well as companies that are supplied by these foreign firms. MNCs establish backward linkages with local suppliers of the raw materials and forward linkages with distributors and sales firms that sell out their output.

UNCTAD (2000, pp. 176) points out that the extent to which vertical spillovers will be transmitted to the local economy will depend on the mode of entry of FDI. M&As may lead to a better diffusion of technology transferred than Greenfield investments. This is due to the fact that acquired firms would have already established linkages with the local firms; and if existing linkages by acquired firms are efficient, MNCs are likely to retain and strengthen them unlike the Greenfield investments, for which it will take time and effort to develop such linkages.

CHAPTER THREE

METHODOLOGY

OVERVIEW

This chapter states the research design, focus area of study, the target population, instrumentation, validity, reliability, and data analysis.

RESEARCH DESIGN

To design is to plan or to devise means of undertaking a task. A research design relates to a grand plan of a particular research project that shows how one intends to conduct the research and how to guard it against internal and external factors, which may undermine its validity and acceptability as a knowledge base, within the discipline in which it is rooted (Nsigo 2005).

The study undertook a detailed analysis of FDI and export performance in Uganda, which largely suits a quantitative research approach, but with some elements of qualitative research approaches.

The choice of the design was based on the nature of the research that intends to examine and analyze in depth and systematically the extent to which FDI has contributed to Performance of the export sector in Uganda. The design is appropriate since the research concerns two particular institutions; investment and foreign trade operating in a specific geographical area Uganda where fieldwork was conducted to investigate the operations of the two agencies.

Quantitative data will be generated from secondary sources in form of statistics that will enable a comparative assessment on the quantifiable elements related to FDI and exports

The study employed a correlation cross – sectional survey design. It was correlation in that it was interested in relating two variables, ordinarily least squares (OLS) technique was used to estimate the effects of explanatory variables on exports. Tests will be made to check on multicollinearity.

On the whole the study will be quantitatively biased though qualitative techniques cannot be fully ignored Mugenda and Mugenda (1994)

FOCUS AREA OF STUDY

The focus areas of study are Foreign Direct Investment, Traditional and Non traditional exports. It's on these focus areas that the extent to which FDI has enhanced growth of Uganda's export sector will be examined.

The foreign direct investment and its contribution towards promoting exports will be evaluated in terms of their inherent institutional capacity to enhance their growth in Uganda's.

The researcher visited four organizations which are partners in investment to obtain information on FDI and exports in Uganda. These include; Uganda Bureau of Statistics, Uganda Investment Authority, Uganda exports promotions board and Ministry of foreign affairs

TARGET POPULATION

Given the focus and scope of study highlighted in above, the study population was drawn from all the computed annual FDI reports, reports from the Uganda Exports promotion board over the years.

SAMPLING PROCEDURE

The study employed stratified random sampling, where annual data on FDI and data on both traditional and nontraditional exports for over the years was selected.

RESEARCH INSTRUMENT

Time series data for this study will be collected from secondary sources.

Secondary data relates to the information that has been collected by others for their own purposes, but is found to be useful in linking up the study.

The study basically utilized two methods, namely the documents/records review; this is because of its efficiency and effectiveness to solicit reliable and valid data Maicibi and Kaahwa (2004).

DOCUMENT REVIEW

This involves the collection, study and analysis of existing written (published and unpublished) material. Documents that will be reviewed include official institutional publications, semi autonomous body's reports, statistics and figures, annual budget reports, development reports, international agencies publications like IMF, World Bank, UN, PAC reports, Published articles in journals, and news paper reports.

VALIDITY AND RELIABILITY OF THE INSTRUMENT

Validity is the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda and Mugenda 2003). This calls for data that truly reflects the variables understudy. This was achieved through, content validity which will be achieved through

collection of data on indicators that conform to the study variables, comparison of collected data with various sources to ensure that there exist similarity between and among different sources, a range of 10 years was considered to ensure that criterion related validity exists.

DATA ANALYSIS

After collecting data, the next step in the study was to analyze and interpret the information in line with the parameters set to capture the research objectives. This involved scrutinizing, categorizing, tabulating and interpretation of information in such a way that it addresses the initial objectives or propositions of the study.

The collected data was edited, categorized and entered into a computer data base system for analysis. The data was analyzed using STATA to establish the trends in both FDI and exports. A linear relationship between the dependent and independent variables and other statistics at bi variate level was established.

The study went further to find out the strength of the relationship between FDI and exports and the parsons' (r) correlation coefficient determined.

PROCEDURE

After my supervisor approved the proposal, the researcher obtained an introductory letter from the college of Economics and Management for presentation to the managers of the firms where he is to correct data from. Corrections were done in the proposal and the data in line with the research objectives was collected for analysis.

ETHICAL CONSIDERATIONS

The principles underlying research ethics are paramount and concern issues such as confidentiality, honesty and respect for individual rights. Welmer, Kruger and Mitchell (2000:201) identify consent, right of privacy, protection from harm and deception as ethical problems that require serious consideration by researchers. Ethical standards in this study were assured through the following.

Organizations to provide relevant data were informed in writing about the objectives of the study and requested to participate. Where the sources of data preferred to withhold their identity, only designations were used in the citation of their contributions, use of officially publicized data by reputable local and international agencies, voluntary participation of the organizations, guaranteeing confidentiality on information given by the respondents, and reporting study findings basing on the data collected and analyzed using appropriate techniques.

LIMITATIONS OF THE STUDY

Expected limitations in this study include the following;

Since the research was extensive it required a lot of funds which were not readily available.

The data required was very scattered so it required extensive reading and comparison from various publications.

Secondary data was used and this has its own shortcomings like problems of retrieval, display of author subjectivity, limitation of its accessibility, which may lead to incomplete information.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF DATA

INTRODUCTION

This chapter presents data analysis, presentation, and interpretation of data. The data analysis and interpretation were based on the research objectives;

The level of Foreign Direct investment in Uganda from 200 to 2013

There has been an increasing trend of FDI in Uganda since 1990. The year 2008 had a marked rise of FDI to 810.8 million USD, which has continued to grow steadily reaching a high of 1721.5 and 1855.8 million USD in the year 2010 and 2011 respectively (World Investment Reports, 2008 and 2012).

Table 1: The table below shows Uganda's FDI in flows from 2003 to 2012

YEAR	FDI million Us Dollars
2003	265.1
2004	298.7
2005	385.9
2006	678.4
2007	780.0
2008	810.8
2009	815.7
2010	1685.1
2011	1721.5
2012	1855.8

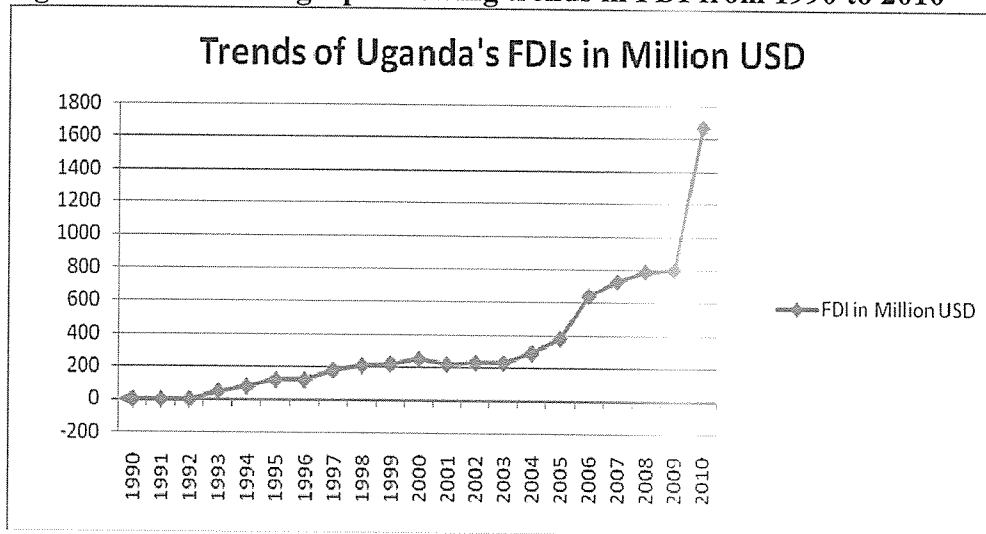
Source: Uganda Investment Authority 2013

When the NRM Government came to power in 1986 it agreed on a policy package with the IMF and the World Bank in early 1987, formalizing an Economic Recovery Programme (ERP) introduced in May 1987. Among the key components was export promotion and attracting foreign investment to restore growth.

The policy reforms highlighted produced some macroeconomic results in the economy. Uganda, average GDP growth rates were 6.7% for the period 1986-1996 and 5.7% for the period 1996-2006, which is high for African standards. The high GDP growth rate which has been quoted as one of the main attractions to telecommunications investors in Uganda. Other economic variables have also improved substantially; for example, Uganda has witnessed considerable improvement in its overall investment rates, and overall public deficit excluding grants has declined. There has also been stable and low single digit inflation mainly due to the policy of fiscal restraints implemented in the early 1990s and a sequence of foreign exchange reforms.

From figure one Uganda FDI in flows have been steadily increasing from 2002 to date however there was a marked boom in 2010 and since then the flows have been overwhelmingly high.

Figure 1: A line graph showing trends in FDI from 1990 to 2010



Source: Uganda Investment Authority, 2010

The recent trend dates back in the year 1991 when the country began recording remarkable improvements in capital inflows. The period between early 1991 and the end of 1996 saw a significant rise in employment opportunities, with totally foreign companies accounting for 38% of the emerging job opportunities, while the joint ventures between local firms and the foreign owned accounted for 24% (World Investment Report, 2008).

Uganda Investment Authority anticipates a 7% growth in FDI in 2011. In 2010, all foreign firms in the local market employed 65,000 people directly and it was found to have a multiplier effect of 2 workers employed indirectly per employee. Generally, local and foreign investments in Uganda generated 63% of total exports by 2010. FDI accounted for 47% of the jobs created while 53% of the opportunities were in the locally owned firms (Uganda Bureau of Statistics, 2011).

Table 2: A table of results showing regressed values of Foreign Direct Investment from 2003 to 2012

Variables Regressed	Adjusted R ²	F-value	Sig.	Interpretation
FDI and Time	0.8805	67.32	0.000	Significant effect
Coefficients	Beta	T	Sig.	
(Constant)	-378840.6	-8.18	0.000	Significant
Time	189.1758	8.20	0.000	Significant

Source: Compiled by the researcher

The regression results in Table 1 above indicate that time factor has a significant effect on Foreign Direct Investment ($F=67.32$, $\text{sig.}=0.000$). The results indicate that time as the independent variable in the regression model contributed 88.05% towards variations in Foreign Direct Investments ($\text{Adjusted } R^2=0.8805$). The coefficients section of this table indicates the extent to which the explanatory variable explains the explained variable and this is indicated by Beta values. For example, if the explanatory variable which is time increased by one unit it implies that the explained variable which is FDI would increase by 189.01758. This further means that with time the Ugandan economy has been attracting foreign investors who have consequently led to production of more goods and services for export hence creating a significant impact over the years, this can be reflected in the many Multi National companies operating in Uganda, improving BOP, increase in GDP and net exports.

Level of exports in Uganda

The export sector in Uganda is comprised of both traditional and nontraditional exports.

Table 3: Traditional and Non-Traditional Exports from Uganda ('000 US\$), 2003-2012.

YEAR	TRADITIONAL EXPORTS(TE)	NON TRADITIONAL EXPORTS (NTE)	TOTAL
2003	211,343	190,302	401,645
2004	173,213	278,552	451,765
2005	182,700	284,905	467,605
2006	199,344	334,762	534106
2007	244,955	420,134	665,089
2008	267,522	545,335	812,857
2009	296,512	585,838	882,350
2010	334,210	658,802	993,012
2011	386,790	699,401	1,086,191
2012	402,123	750,431	1,152,554

Source: *Uganda Export Promotion Board*

TE: Traditional Exports and NTE: Non- Traditional Exports

From the table 2 above, while the total value and volume of exports has generally been on the increase, this improvement has not been even. Its remarkable that nontraditional exports have contributed greatly to the growth in total exports which is majorly attributed to foreign direct investment. The traditional exports as well have had some effect because companies involved in production if such traditional products have been merged with those of foreign investors

Figure 2 A line graph showing the percentage contribution of traditional exports to total exports in Uganda from 2003- 2012

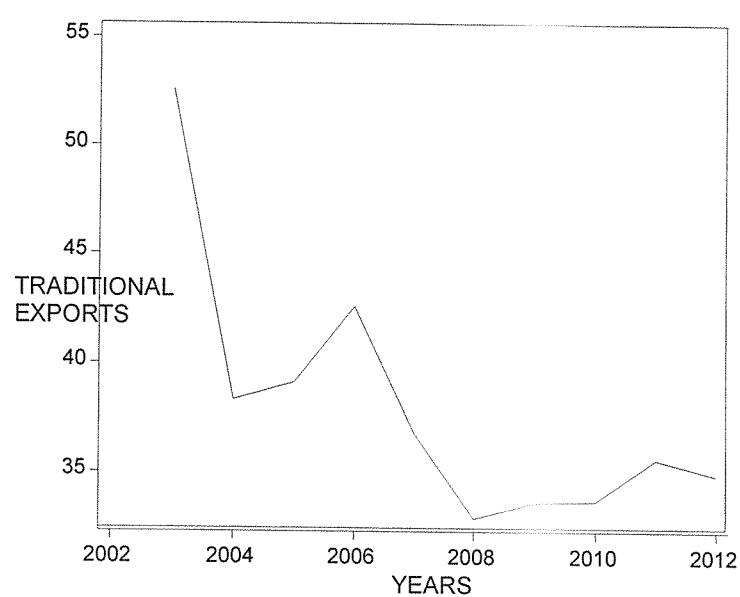


Figure 2 shows that a high percentage contribution of traditional exports originally dominated the market in 2002 with over 50% of the total volume of goods and services exported, this was followed by a marked decline in 2004 and 2005 which both recorded percentage contributions of less than 45%. Since then to date the volume of exports from the traditional sector has totally declined to less than 35%

This has been due to government deliberate efforts to diversify export markets, and some new products have successfully penetrated these new markets. The production of such new products is partly attributed to FDI.

Figure 3: A line graph showing the percentage contribution of Nontraditional exports to total exports in Uganda from 2003- 2012

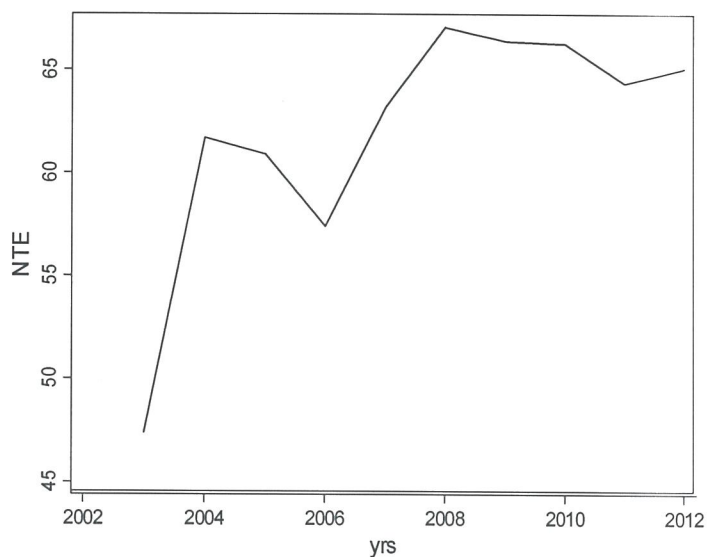


Figure 3 shows that in the early years, nontraditional exports had a very small contribution to total exports in the country since by 2002 nontraditional exports accounted for only 47.4% of the total country's exports, the trends have been positive with a marked boom in 2004 when nontraditional exports contributed 61.7%. By 2006 though still high there was a reduction followed by a gradual increment over the years which averaged 66% which is a high percentage for African standards. Most of these products are exported to

Britain which is the single largest destination of Uganda's exports, although new markets have been identified in South Africa, the Middle East, Japan, Austria, Singapore, South Korea, USA, and the COMESA region. Regional markets are becoming increasingly important, especially for the low-value crops (maize, beans, bananas, dairy products like milk, manufactured goods including plastics, textiles, batteries, bicycles, aluminum products, mattresses, scholastic materials, etc).

Table 4: A table of results showing regressed values of total exports in Uganda over time (2002 to 2012)

Variables Regressed	Adjusted R ²	F-value	Sig.	Interpretation
Total exports and Time	0.9776	349.16	0.000	Significant effect
Coefficients	Beta	T	Sig.	
(Constant)	-182000000	-18.61	0.000	Significant
Time	91022.41	18.69	0.000	Significant

Source: Compiled by the researcher

The regression results in Table 3 above indicate that time factor has a significant effect on total exports ($F = 349.16$, $\text{sig.} = 0.000$). The results indicate that time as the independent variable in the regression model accounts for 97.76% of the variations in total exports ($\text{Adjusted } R^2 = 0.9976$). The coefficients section of this table indicates the extent to which the explanatory variable explains the explained variable and this is indicated by Beta values. For example, if the explanatory variable which is time increased by one unit it implies that the explained variable which is total exports would increase by 91022.41. This further means that with time the Ugandan economy has been attracting foreign investors who have consequently led to production of more goods and services for export hence creating a significant impact over the years, this can be reflected in the many Multi National companies operating in Uganda, improving BOP, increase in GDP and net exports.

Relationship between Foreign Direct Investment and exports in Uganda

This study set out to establish the relationship between foreign direct investment and exports. These two variables were regressed and correlated to find out the strength of the relationship.

Table 5: A table showing total exports and Foreign Direct Investments in Uganda from 2003 to 2012

YEAR	TOTAL EXPORTS	FDI million Us Dollars
2003	401,645	265.1
2004	451,765	298.7
2005	467,605	385.9
2006	534106	678.4
2007	665,089	780.0
2008	812,857	810.8
2009	882,350	815.7
2010	993,012	1685.1
2011	1,086,191	1721.5
2012	1,152,554	1855.8

Source: *Uganda Export Promotion Board*

Table 6: A table of results showing regressed values of total exports and FDI in Uganda from 2003 to 2012

Variables Regressed	Adjusted R ²	F-value	Sig.	Interpretation
Exports and FDI	0.8853	70.48	0.000	Significant effect
Coefficients	Beta	T	Sig.	
(Constant)	339391.4	8.40	0.000	Significant
FDI	435.975	5.98	0.000	Significant

Source: Compiled by the researcher.

The regression results in Table 5 above indicate that FDI has a significant effect on total exports ($F = 70.48$, $\text{sig.} = 0.000$). The results indicate that FDI as the independent variable in the regression model accounts for 88.53% of the variations in total exports (Adjusted $R^2 = 0.8853$). The coefficients section of this table indicates the extent to which foreign direct investment accounts for the variations in total exports and this is indicated by Beta values. For example, if the explanatory variable which is FDI increased by one unit it implies that the explained variable which is total exports would increase by 435.97. The level of total exports that is not influenced by FDI totals to 339391.4

Based on these results the null hypothesis that was set is rejected and we conclude that foreign direct investment has got a significant effect on total exports.

Table 7: Correlation analysis results between exports and FDI in Uganda between 2003 – 2012

correlated variables	R-value	P-value	interpretation	Decision on Ho
FDI	1.0000	0.000	It is significant	Ho is rejected
Exports	0.9477		Strong positive relationship	

Source: Compiled by the researcher

The correlation results in the table above shows that there is a very strong positive correlation between Foreign Direct investment and total exports in Uganda. Results show that FDI accounts for 94.77% of the variations in total exports.

CHAPTER FIVE

FINDINGS, CONCLUSIONS, RECOMMENDATIONS

INTRODUCTION

This chapter presents the findings of the study in light of the objectives and hypothesis. It also presents some policy recommendations on Foreign Direct Investment and exports in Uganda, and areas for further research.

FINDINGS

The study on Foreign Direct Investment, and exports in Uganda from 2003 to 2012 was guided by three research objectives that were set to determine the level of FDI, determine the level of exports in Uganda, and the relationship between FDI and exports in Uganda. The data was analyzed using STATA and revealed the following findings;

There has been an increasing trend of FDI in Uganda since 2003. The year 2008 had a marked rise of FDI to 810 million USD, which has continued to grow steadily reaching a high of 1685.1 and 1855.8 million USD in the year 2010 and 2011 respectively (World Investment Reports, 2008 and 2012). Forms including 'greenfield' investment which involves developing completely new assets as well as mergers and acquisitions that involve a shift from an existing local firm to a foreign firm. Mergers and acquisitions are the main forms of FDI that have been attracted. Most foreign investors preferred introducing their strategy to increase productivity of an existing firm locally.

Results from STATA shown that irrespective of variations in time FDI in Uganda would be in negative figures and a unit change in time affects FDI by 189.1758. This means the

country has had a positive FDI growth rate over the years and $R^2 = 0.8805$ implying that time accounts for 88.05% of the variations in FDI.

The study also revealed that Uganda's total exports have been linearly increasing at a high rate, though the findings revealed that traditional exports have been increasing the nontraditional exports were found to dominate the market. This has been attributed to the increasing number of foreign owned firms like, MTN, HIMA, Breweries, textile etc

Finally the study found a strong positive relationship between Foreign Direct Investment and exports, where FDI was found to account for 88.53% of the variations in total exports. A unit change in FDI changes total export capacity by 435.97 million Us Dollars and without the influence of FDI the total exports would be 339391.4. The analysis of FDI shows that its coefficient is positive and statistically significant, implying that an increase in FDI inflows increases exports in Uganda. This may be because FDI does not only show the physical capital flow into the country but also consists of better managerial skills, knowledge of international marketing and a well established distribution channel on the international market. These advantages may have generated the positive effect on the export sector. The result may also show that Uganda's policy of encouraging FDI inflows is yielding positive results. FDI-led export hypothesis is therefore true for the Ugandan case.

Our results are consistent with the findings of Pain and Wakelin (1997) who used panel data and adopted a unit demand elasticity within the panel; implying that direct

investment provides an important explanation of cross country movements in export shares. They found out that inward FDI leads to improved export performance.

This finding is also consistent with Amelia and Santos (2000) who found out that FDI significantly impacts on export volumes in developing countries since it changes their structure.

CONCLUSIONS

The study established government policies of attracting foreign investors, through creating a conducive investment climate has greatly impacted on the increase in export volumes.

The time factor effect on FDI shows a strong positive relationship.

The analysis of our variable of interest, that is, FDI showed that its coefficient is positive and statistically significant, implying that an increase in FDI inflows has a positive impact on export performance in Uganda.

Unlike the study by Sharma (2000) who investigated the determinants of export performance using annual data for the period 1970-1998 in India and found that the coefficient of FDI had a positive sign but wasn't statistically significant, this study suggests the significance of FDI in promoting export performance in Uganda.

Johnson (2006) examined the relationship between FDI and exports in the East Asian economies, China, Hong Kong, Indonesia, Korea, Malaysia, Singapore, Taiwan and Thailand for the period 1980 to 2003. Using Time series regressions for individual

economies as well as panel data estimation, the result indicated that FDI inflows have a significant and positive effect on host country exports. The study further suggested using Granger causality tests that FDI inflows cause export flows. Our study is therefore consistent with his finding and gives evidence that FDI led exports are present in Uganda.

Our findings were also consistent with Awokuse et al. (2008) who examined whether FDI stimulates export performance for the case of China over the period 1995 to 2005. Using panel data including fourteen main FDI receiving and exporting manufacturing sectors, and empirical results showed that FDI has a statistically significant and positive impact on China's exports, thus FDI received by China is mainly export-oriented.

LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

There could be other factors affecting exports which have not been captured in the study for instance institutional and structural factors. This is an area that could be explored in the subsequent studies.

Use of aggregated data in our analysis assumes that the effect of FDI is uniform across all sectors which may not be the case, there is therefore need to explore impact of FDI on exports by sector.

The work was mainly focused on examining the advantages of FDI in export promotion. This leaves out the impact of FDI on other sectors of the economy.

The study examines FDI, Real exchange rate, Imports and GDP as the factors that affect Uganda's exports but leaves out other structural and institutional factors and leaves out other determinants of exports such as the political situation, structural rigidities among others.

The use of aggregated data in our analysis assumes that the effect of FDI is uniform across all sectors which may not be the case, there is therefore need to explore the sectoral impact of FDI in light of export performance.

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APPENDIX 1

Uganda's FDI in flows from 2003 to 2012

YEAR	FDI million Us Dollars
2003	
2004	
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	

Source: Uganda Investment Authority 2013

APPENDIX 11

Traditional and Non-Traditional Exports from Uganda ('000 US\$), 2003-20012.

YEAR	NONTRADITIONAL EXPORTS PERCENTAGE	NONTRADITIONAL EXPORTS PERCENTAGE
2003		
2004		
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		

Source: Uganda Investment Authority 2013

APPENDIX 111

Total exports and Foreign Direct Investments in Uganda from 2003 to 2012

YEAR	TOTAL EXPORTS(TONNES)	FDI
2003		
2004		
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		

Source: Uganda Investment Authority 2013

APPENDIX 1V

Regression analysis results between FDI over time

Source	SS	df	MS	Number of obs=	10
			F(1, 8)	=	67.32
Model	2952466.08	1	2952466.08	Prob > F	= 0.0000
Residual	350859.833	8	43857.4791	R-squared	= 0.8938
			Adj R-squared=	0.8805	
Total	3303325.92	9	367036.213	Root MSE	= 209.42
fdi	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
yrs	189.1758	23.05658	8.20	0.000	136.0072 242.3443
_cons	-378840.6	46286.13	-8.18	0.000	-485576.6 -272104.6

APPENDIX V

Regression analysis results of total exports over time

Source	SS	df	MS	Number of obs = 10		
-----+-----				F(1, 8) = 349.16		
Model	6.8352e+11	1	6.8352e+11	Prob > F = 0.0000		
Residual	1.5661e+10	8	1.9576e+09	R-squared = 0.9776		
-----+-----				Adj R-squared = 0.9748		
Total	6.9918e+11	9	7.7687e+10	Root MSE = 44245		
-----+-----						
total	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
-----+-----						
yrs	91022.41	4871.174	18.69	0.000	79789.46	102255.4
_cons	-1.82e+08	9778893	-18.61	0.000	-2.05e+08	-1.59e+08
-----+-----						