

PROMOTING FOREIGN DIRECT INVESTMENT (FDI): THE CASE OF UGANDA

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ABSTRACT

This study investigated the effects of investment promotion on investments in general, and foreign direct investment in particular, in Uganda, since the enactment of the Investment Code Act, 1991. It used mostly secondary data and interviews on investments in Uganda. Analysis was qualitative. The findings showed that Uganda Investment Authority has been promoting investments through trade fairs, missions abroad and investment conferences since 1991. A number of opportunities existed in the entire economy, but some priority sectors were targeted. These included Agriculture, ICT, Energy, Health, Education, Mining and Services such as tourism and finance. In terms of countries, UK, USA, Kenya (EAC), South Africa, India, China, UAE and Singapore were targeted as sources of investment into Uganda. Based on the number of firms licensed, the promotion efforts were effective between 1991 and 1995, but since then other factors have determined foreign direct investment into Uganda such as the discovery of oil in the Albertine region and the credit crunch of the 2009. However, there were some inadequacies and failures.

The Act excluded foreign investors from participation in agribusinesses which is so critical and which contributes about 40% to the country's GDP. In the mining sector, despite huge mineral potentials, the Authority neither provided investors with important investments information like geological data and mineral targets that could be used as a basis for attracting serious investors, nor extension services, training and mining equipment. Also, the Government continued to under-fund the targeted sectors such as tourism. To improve the effectiveness of investment promotion, it was recommended that Government should amend the Act to allow foreigners to engage in agricultural businesses; make available important investment information and other services to investors; provide adequate budgetary support for the targeted sectors; improve infrastructure, especially in power and transportation; and tackle the issue of corruption in the country.

KEYWORDS: Investment Promotion, Investment Opportunities, Foreign Direct Investment, Trans-National Companies