

# **IMMIGRATION AND FOREIGN DIRECT INVESTMENTS IN UGANDA**

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## ABSTRACT

This study examined the effect of the Immigration Policy on Foreign Direct Investment inflows to Uganda. The new immigration guidelines were adopted in 2010 to operationalise the immigration policy but their impact on FDI flows to Uganda had not been studied. Using investment dataset on FDI (2008-2011) and immigration dataset (number of immigrants to Uganda) obtained from Uganda Investment Authority and the Immigration Department respectively, the average difference in the amount invested and work permits issued over period I (year 2008-2009) and Period II (year 2010-2011) was analysed using a *t-test* generated in STATA 10 version. Data were also analysed using descriptive statistics.

The adoption of the new immigration guidelines 2010 led to a significant increase in the number of special passes and permit issued, by the immigration department. The number of permits increased from 11,919 (49.63%) in period I to 12,096 (50.37%) in period II, thus an increase of 0.74%. However, the total contribution and FDI inflow declined in this period immigration authorities ignored registration with UIA and recommendation that UIA gave before the work permits could be given to an investor. The immigration authorities also allowed the investors to come in as tourists hence most of them could apply within the country this gave less time for immigration to assess the papers give hence giving whoever applies.

The guidelines led to a significant difference in the average amount of FDI flows to Uganda. Out of the 766 registered investments most of the investments (343) were registered in period II (55.22%) as compared to period I (44.78%). The trend indicated that the total amount of FDI decreased steadily from US\$1,288,489,078 in the year 2008 to US\$1,154,580,581 in the year 2009. After the adoption of the new immigration guidelines in 2010, the total amount of FDI continued decline from US\$ 593,587,864 in the year 2010 to US\$ 405,606,615 in the year 2011. The trend showed a steady decline in total over the 4 years (2008-2011). The main reasons for the decline were, the effect of the global financial crisis, political demonstrations, terrorist threats across East Africa, presidential & parliamentary elections, energy/power shortages, and other tariff and non tariff barriers to investment and trade. Overall, the immigration policy significantly impacted on FDI flows to Uganda over the period 2008-2011. Therefore policy and regulatory environment that encouraged and promote FDI inflows to Uganda should be strengthened, promoted and enforced to attract more investments.

**Key Words:** *FDI, Policy, Immigration, Foreign investor*