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**UNIVERSITY**

**IMPACT OF FOREIGN DIRECT INVESTMENT ON UGANDA'S  
MANUFACTURING SECTOR**

**By**

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## **ABSTRACT**

Acknowledging the importance of the manufacturing sector, the paper investigates the impact of Foreign Direct Investment (FDI) on Uganda's manufacturing sector. The study used time series data of Uganda from 1990 to 2017, and the Ordinary Least Squares (OLS) technique, to advance the objective of the paper. Results reveal a significant and positive impact of FDI on Uganda's manufacturing sector, which could be explained by the increase in productivity gains, technology transfers, introduction of new processes, managerial skills among others, as a result of the FDI. The study also finds a positive and significant impact of access to finance and exchange rate on Uganda's manufacturing sector. This is mainly because finances are a key import in the manufacturing sector and hence should be made easier for the business community to access in order to facilitate more innovations and inventions especially in areas like agro processing to boost the manufacturing sector. Since the study finds a positive relationship between exchange rate (appreciation) and the growth of the manufacturing sector, policies aimed at currency appreciation like export promotion policies need to be implemented as a long term strategy to stimulate growth in the manufacturing sector. Lastly, the study found an insignificant impact of human capital, inflation and per unit cost of electricity on the manufacturing sector.