

Institut ekonomických studií

Fakulta sociálních věd, Universita Karlova Praha

Referee report on the Bachelor/Master Thesis submitted to State Exam

Student Name:	Lenka Švejsová
Thesis Supervisor Name:	Doc. Ing. Tomáš Cahlík, CSc.
Thesis Title:	Business Taxation and FDI in Sub-Saharan Africa: Case of Uganda and its neighbours

Overall Evaluation:

The thesis analyzes the impact of tax burden and tax incentives on foreign direct investment in Uganda. The text is well structured and the author uses appropriate methodology to analyze the studied relationship.

In the first step, Lenka describes the tax system in Uganda including the latest changes and points out to the fact that FDI has been increasing since 1997 when a significant tax reform took place. In the second step, Lenka makes cross-country comparison with Uganda's neighbours – Kenya and Tanzania. In this section she also describes the importance of other non-tax factors such as market size, business environment and corruption. In the SWOT analysis she further takes into account such important factors as political stability, health risks, human capital and overall image of the countries.

In the third step, Lenka proceeds further in the analysis of the observed correlation and runs a set of regressions for a panel data set for fifteen economies in Sub-Saharan Africa. Importantly, she does not stick to the pooled regression but includes fixed effects into the regression analysis. After controlling for the fixed effects, the results do not show any significant effect of tax burden, market size or corruption. However, dummies for individual countries appear to be highly predictive for the measure of FDI. Based on this result, Lenka I believe correctly concludes that country-specific omitted variables such as political stability, information availability and overall image are important for decision-making about starting a business in developing countries.

It was very interesting for me to read the thesis and I am happy to recommend it for the defence and suggest grade A ("výborně"). I also recommend to the defence committee to consider awarding the thesis a distinction for an extraordinarily good bachelors diploma thesis.

I have a few comments which are not major but might be useful for Lenka in her future work.

- In the first parts of the thesis there still remain few signs of author's individual learning process. At the beginning the observed correlation between the tax reform and increasing FDI is more or less interpreted as a causal effect. Later, Lenka correctly controls for a number of variables and fixed effects in the regression and is more cautious in the interpretation of the results. The final part of the thesis is very balanced and I would suggest that in her future work Lenka approaches the research question in similar way right from the beginning.
- Comparison of average FDI three years before and three years after the reform is not very convincing given the fact that there is an outlier observation in 1996 when the FDI was extremely low and explanation for this is not provided.
- In the cross-country analysis it would be really worth to present a simple chart or table with average FDI for the three countries.

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- At some places it would be helpful to present specific numbers to provide a range of the problem to the reader (p. 1 "FDI represents the largest source of foreign financial inflows to developing countries", p. 18 "large informal sector and low productivity", p. 32 "tax authority in Kenya gained 57 million US dollars and brought to the tax net more than 4000 new tax-payers", how much is this in relative terms?) In many cases this is rather a matter of taste but as a reader I was interested in these facts.
- In the introduction I would recommend more careful approach in assuming that the non-tax fundamentals are similar in all three analyzed countries. However, this is very well dealt with in the final section of the thesis and in the SWOT analysis.
- In the description of the data set it is not clear why these particular fifteen countries and not the other Sub-Saharan countries were used in the regression? I guess it is a data availability issue but this should be explained to the reader.
- In the description of the regression results (p. 49) it's stated that the coefficient for corruption is significant. The sign of the coefficient should be also commented as it has unexpected sign.
- In the text, it is mentioned that after omitting one variable from the regression the R-squared did not improve. Actually, when a variable is omitted the R-squared can never increase.

SUMMARY OF POINTS AWARDED (for the explanation of categories and scale, please, see below):

CATEGORY	POINTS
Quality of Research	27
Clarity and Readability	10
Content/Quality of Ideas	40
Organization & Development	15
Manuscript Form	5
TOTAL POINTS	97
LETTER GRADE	A

Julie Chytilova

Evaluated on: August 29, 2008

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Explanation of categories and scale:

QUALITY OF RESEARCH: *The thesis demonstrates the author's full understanding and command of current literature and he/she uses it competently. The topic of the thesis is well structured and methods used are proper and relevant to the research question being investigated. A full and accurate analysis of thesis statement, from both a theoretical and applied perspective, is provided.*

Strong			Middle				Weak		
30	27	24	21	18	15	12	8	4	0

CONTENT/QUALITY OF IDEAS: *A range and depth of exposition; an appropriate sense of complexity of the topic; appropriate analysis of the thesis statement; and an accurate understanding of theoretical concepts is demonstrated. A full discussion of applicable and relevant theories stylized data is included. Original, creative thought is provided and evident. Demonstrates critical thinking and analysis with application of theory and student's ability to draw conclusions based on their knowledge, skills and research.*

Strong			Middle				Weak		
40	36	32	28	24	20	15	10	5	0

ORGANIZATION AND DEVELOPMENT: *The paper demonstrates a logical and clear arrangement of ideas; an effective use of transitions; a unity and coherence of paragraphs; and a clear development of ideas through supporting detail and evidence. The reader is successfully oriented to the subject, purpose, methodology, and structure of the report; an overview of the whole is included; the reader's attention and interest is engaged. The thesis statement is clearly and definitively stated without ambiguity. The conclusion is strong and reflective of the work as a whole.*

Strong			Middle				Weak		
15	13	12	10	8	6	4	2	0	

CLARITY AND READIBILITY: *Ease of readability; appropriate use of language and style for the rhetorical content; clarity of sentences (reader doesn't get lost; minimum need for slowing down or re-reading) is appropriately demonstrated. Professional level of English expression is evident (limited amount of non-native language to English translation is detectable).*

Strong			Middle				Weak		
10	9	8	7	6	5	3	2	1	0

MANUSCRIPT FORM: *The appropriate manuscript form and style for the rhetorical content; a professional image; an appropriate use of headings and sub-headings; an appropriate format for graphs and tables; an effective referencing of graphs and tables in the text; complete and accurate bibliography documented to support the applied research; and the overall impact of document design is considered.*

Strong		Middle		Weak	
5	4	3	2	1	0