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FOREIGN INVESTMENT IN TANZANIA: CURRENT STATE, PROBLEMS AND PERSPECTIVES

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The Government of Tanzania (GOT) has a favourable attitude toward foreign direct investment (FDI) and has had considerable success in attracting FDI. Tanzania is a preferred destination for foreign investment in Africa and is by far the top destination for investors to the East African Community. In 2014, the country received the third highest amount of FDI in Africa, after Kenya and Uganda. FDI covered half of the country's current account deficit and approximately 6.5% of its GDP. In 2015 the Doing Business report ranked Tanzania at 131 out of 189 countries (up 14 spots from the previous year). Favourable economic sectors for investment in Tanzania are following: Telecommunication and ICT, Environment, Energy, Logistic and warehousing, Real estate, Agribusiness, Mining etc. The majority of foreign investments are in the mining sector, the oil/gas industry, as well as the primary agricultural products sector (coffee, cashew nuts and tobacco). The United Kingdom, China, South Africa, the European Union and Canada are the country's primary investors. Information on the FDI influx to this region can be found in the Global Investment Trade Monitor published by the United Nations Conference on Trade and Development (UNCTAD) [4].

Table 1 – Country Comparison for the Protection of Investors [4]

Index	Tanzania	Sub-Saharan Africa	USA	Germany
Index of Transaction Transparency*	3.0	5.0	7.0	5.0
Index of Manager's Responsibility**	4.0	4.0	9.0	5.0
Index of Shareholders' Power***	8.0	5.0	9.0	5.0
Index of Investor Protection****	5.0	4.5	8.3	5.0

Source: Doing Business - 2014.

*Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is personally Responsible. *** The Greater the Index, the Easier it will be for Shareholders to Take Legal Action. **** The Greater the Index, the Higher the Level of Investor Protection. Will Be for Shareholders to Take Legal Action. ***** The Greater the Index, the Higher the Level of Investor Protection.*

Challenges facing foreign investors in Tanzania: Inadequate regulatory framework for investment, regulatory restrictions to agricultural trade, difficult access to land for large-scale agricultural investors, weak land tenure security for smallholders, poor

enabling infrastructure, weakly defined strategies to promote business linkages.

Recommendation for improving the foreign investment situation in Tanzania:

Table 2 – Foreign Direct Investment in Tanzania [4]

FDI	2012	2013	2014
FDI Inward Flow (million USD)	1,800	2,131	2,142
FDI Stock (million USD)	12,740.9	14,871.8	17,013.4
Number of Greenfield Investments***	36.0	25.0	20.0
FDI Inwards (in % of GFCF****)	15.0	16.2	14.5
FDI Stock (in % of GDP)	32.7	34.0	35.5

Source: UNCTAD - 2014

Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, and Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country by Constructing New Operational Facilities from the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased by Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

1. Investment policy: Rationalise and make easily accessible investor rights and obligations; Review special preferences of domestic investors and any regulations limiting the possibility or share of foreign ownership across all sectors of the economy; Strengthen institutional framework for monitoring and enforcing intellectual property rights (IPRs).

2. Land policy: Revise the land legislation and strengthen land management decentralization; Clarify and strengthen the land administration.

3. Infrastructure development: Clearly affirm the government stance with regards to private participation in infrastructure; Increase competition in infrastructure provision; Clarify performance and reporting standards across infrastructure regulators.

4. Investment promotion and investment policy, strengthen investment data collection and performance monitoring of investment policy, strengthen consultations among TIC, government and investors.

Therefore, as it was explained above, the situation with foreign investment in Tanzania is favourable and profitable due to fast growth of the economy of the recent years.

1. Tanzania Investment Centre, www.tic.co.tz

2. Bank of Tanzania, www.bot.go.tz

3. National Bureau of Statistics, www.nbs.go.tz

4. FDI in Figures, https://en.santandertrade.com/establish-overseas/tanzania/investing-3?&actualiser_id_banque=oui&id_banque=0&memoriser_choix=memoriser#haut