TANZANIA INVESTMENT REPORT 2018

FOREIGN PRIVATE INVESTMENTS

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LIST OF ACRONYMS

BOP	Balance of Payments
BOT	Bank of Tanzania
BPM6	Balance of Payments and International Investment Position Manual, Sixth Edition
EAC	East African Community
FDI	Foreign Direct Investment
FPI	Foreign Private Investment
IFC	International Finance Corporation
IIP	International Investment Position
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee
NBS	National Bureau of Statistics
OCGS	Office of the Chief Government Statistician
OECD	Organization for Economic Co-operation and Development
SADC	Southern African Development Community
TBS	Tanzania Bureau of Standards
TFDA	Tanzania Food and Drugs Authority
TIC	Tanzania Investment Centre
TNCs	Transnational Corporations
TRA	Tanzania Revenue Authority
UK	United Kingdom
USA	United States of America
UNCTAD	United Nations Conference on Trade and Development
URT	United Republic of Tanzania
WIR	World Investment Report
ZIPA	Zanzibar Investment Promotion Authority

PREFACE

Foreign private investment is an important source of foreign exchange flows and capital, which can significantly contribute to a country's economic growth. Given this importance, the Government through a collaborative effort by the Bank of Tanzania (BOT), Tanzania Investment Centre (TIC) and the National Bureau of Statistics (NBS) carry out an annual surveys of inflows of foreign private investment to the country to ascertain the magnitude and sectoral distribution of these flows. This constant tracking of the inflows is important in view of Tanzania's economic growth.

The Tanzania Investment Report 2018 provides information on global foreign direct investment and a comprehensive overview of foreign private investment in Tanzania during 2017, focusing on the trend and major areas of investment. Thus, the information contained in the report is useful to various stakeholders including government, local as well as foreign investors in fulfilling their functions. Specifically, the report is useful for updating and improving statistics on balance of payments, national accounts and International Investment Position. It is also a valuable tool in designing investment promotion and facilitation strategies as well as in policy making and evaluation.

On behalf of the Executive Committee, I wish to thank all members of various committees for their commitment and tireless efforts to produce this report.

I consider the Tanzania Investment Report 2018 as a valuable contribution to the evaluation of policies and investment opportunities in the country.

Prof. Florens D. A. M. Luoga
Chairperson, Executive Committee
Private Capital Flows Surveys

ACKNOWLEDGEMENT

This report is a joint effort by the Bank of Tanzania (BOT), Tanzania Investment Centre (TIC) and the National Bureau of Statistics (NBS). The report was prepared under the guidance of the Executive Committee of the private capital flows survey whose members are Prof. Florens D. Luoga (Governor, BOT), Mr. Geoffrey Mwambe (Executive Director, TIC) and Dr. Albina Chuwa (Statistician General, NBS).

The preparation of the report was supervised by the Steering Committee, whose members are Dr. Suleiman Missango (Director of Economic Research and Policy, BOT), Mr. Mafutah Bunini (Director of Research, Planning and Information Systems, TIC) and Mr. Daniel Masolwa (Acting Director of Economic Statistics, NBS).

The survey process of this report include questionnaire design, the Technical Committee led by Mr. Festo Mlele (Manager, Department of International Economics, BOT) carried out data collection, processing and report writing. Other Technical Committee members were Dr. Charles Masenya, Evarist Mgangaluma, Deodatus Mattaba, Joyce Saidimu, Villela Waane, Phillip Mboya, Paul Lauwo and Lulu Edward (from BOT); Tibenda Njoki and Brendan Maro (from TIC); and Valerian Tesha and Michael Asenga (from NBS).

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EXECUTIVE SUMMARY

Foreign Direct Investment (FDI) flows have increasingly become an important source of financing investment in developing economies in recent years. According to the World Investment Report 2018, over the past five years global FDI flows declined from USD 1867.5 billion in 2016 to USD 1429.8 billion in 2017 (equivalent to a 23.4 percent decline). The decline in FDI flows is attributed mostly by a fall in the rate of return on FDI caused by weak commodity prices and exacerbated by low demand on exports emanating from economic slowdown in 2016. Overall, the global FDI flows amounted to USD1429.8 billion in 2017. FDI flows to Africa declined significantly by 21.5 percent to USD 41.8 billion in 2017. However, there were mixed individual country performances reflecting different governments' responses to macroeconomic conditions they faced. Tanzania continued to implement policies aimed at further improving investment climate in order to further attract FDI inflows and, as a result, the country continued to benefit from private capital inflows, by recording an increase of 24.2 percent in 2017.

Main findings from the survey

...Foreign private investment increased

The stock of foreign private investment increased to USD 15,392.9 million in 2017 from USD 14,634.3 million in 2016. A large share of the investment inflows was FDI, to the tune of USD 13,499.5 million, accounting for 87.7 percent of the stock of foreign private investment.

... FDI inflows increased in 2017

Despite the global decline, FDI inflows to Tanzania were 24.2 percent higher in 2017 compared with the inflows registered in 2016, The lower FDI inflows in 2016 was consistent with the general global trend and large repayment of loans and losses retained, particularly in the manufacturing, accommodation and food as well as real estate activities.

...Financing of FDI inflows was mainly through equity

Financing of FDI inflows in 2017 was mainly through equity and investment fund shares which accounted for 65.4 percent of the total FDI inflows, implying a sign of increasing investors' confidence in the domestic investment environment.

…FDI inflows were concentrated in three economic activities

FDI inflows to the country were concentrated in three main activities namely accommodation and food services, mining and quarrying, and finance and insurance, which altogether accounted for 61.5 percent of the total inflows in 2017. Accommodation and food services became prominent in attracting FDI inflows in 2017, attributed mainly by expansion in accommodation and food service facilities following increase in tourism activities.

... FDI inflows continue to originate from few countries

FDI inflows continued to originate from few source countries mainly the United Kingdom, South Africa and the United States of America, which in aggregate accounted for more than half of the total inflows in 2017.

... Portfolio investment remained low

Portfolio investment inflows amounted to USD 0.8 million in 2017 and is lower compared to USD 2.8 million recorded in 2016 with its share in total foreign private investments remaining below one percent of the total foreign private investment inflows.

…long term loans and trade credits are prominent

Inflows of other investments mainly in the form of long term loans and trade credits amounted to USD 113.2 million in 2017 compared to USD 237.5 million recorded in 2016 on account of higher repayments relative to disbursements.

...higher profits recorded in finance and insurance

Finance, insurance, manufacturing, and wholesale and retail trade activities registered relatively high profits in 2017 compared to 2016. On the other hand, mining and quarrying, the traditional major recipient of FDI inflows reported losses.

… higher dividends declared in three major activities

During 2017, the dividends declared by companies with foreign liabilities were USD 428.8 million, slightly lower compared to USD 487.3 million declared in 2016, and were mainly from manufacturing, mining and quarrying; and information and communication activities.

Recommendations

The report findings underscore notable efforts by the government to attract and facilitate FDI inflows to the economy. The survey observed some few reaming issues requiring additional measures in order to further improve the investment climate as follows:

i. Implementation of the Blueprint regulatory reforms is of paramount importance for improving the business environment and thus pave the way for more investment inflows;

ii. Enhance efforts to strengthen promotional initiatives to attract investment from non-traditional source countries such as Vietnam, Indonesia, India and Singapore for value addition in agriculture and minerals given the country's potential in these sectors. In addition, full implementation of Investment, Customs Union and Common Market protocols in regional economic communities need to be expedited in order to facilitate trade and cross border investments to maximize the benefits associated with on-going regional integration arrangements.

iii. Further diversify sectorial distribution of FDI by promoting investment potentials and focus on attracting investments in areas where the country has comparative and competitive advantage including scaling up agriculture production and agro processing as well as providing appropriate infrastructure such as good feeder roads, electricity and water

iv. The Government, in collaboration with the private sector need to allocate more resources through the public -private partnership for providing the necessary infrastructure in the areas earmarked for export processing zones for attracting investments geared to adding value to agriculture produce; and

v. Expedite fully liberalization of the financial account and enhance participation of the public in the stock markets by enhancing financial literacy especially on investment opportunities available in the stock markets both in the primary and secondary markets.

Organisation of the report

This report consists of four chapters. Chapter one covers trends and prospects of FDI at global and regional levels as well as in Tanzania. Chapter two presents the macroeconomic developments in Tanzania. Chapter three presents national plans and investment opportunities in Tanzania. Chapter four is a discussion of the survey findings and finally chapter five presents the conclusions and recommendations emerging from the survey.

CHAPTER 1

TRENDS AND PROSPECTS OF FOREIGN DIRECT INVESTMENT

1.0 Introduction

This chapter provides an overview of global Foreign Direct Investment (FDI) flows during 2017 and prospects for 2018, focusing on regional developments and in Tanzania based on the World Investment Report, 2018.

1.1 Global FDI Trends

1.1.1 Overview

Global FDI flows declined contrary to other macroeconomic variables such as Gross Domestic Product and trade that recorded an improvement in 2017(World Investment Report, 2018). The development was attributed largely to the fall in rates of return on FDI over the past five years, owing to low commodity prices. FDI inflows declined by 23.4 percent to USD 1,429.8 billion compared to USD 1,867.5 billion recorded in 2017 (**Table 1.1**). Similarly, during the year FDI outflows declined by 31.5 percent to USD 1,009.2 billion from USD 1,473.3 billion in 2016.

Table 1.1: Global FDI Flows, 2013 – 2017

	2013	2014	2015	2016	2017
FDI inflows (USD Billion)	1,425.4	1,338.5	1,921.3	1,867.5	1,429.8
FDI outflows (USD Billion)	1,380.9	1,262.0	1,621.9	1,473.3	1,009.2
Change in FDI inflows (%)		-6.1	43.5	-2.8	-23.4
Change in FDI ouflows (%)		-8.6	28.5	-9.2	-31.5

Source: World Investment Report, 2018

1.1.2 Regional FDI Flows

FDI flows from regional sources in 2017 showed a mixed trend. FDI flows to developed and transition economies declined while those to developing economies remained almost constant. Accordingly, developing economies, accounted for 47 percent of the total global FDI inflows in 2017, compared to 36 percent in 2016.

Inflows to the developed economies decreased by 37.1 percent to USD 712.4 billion in 2017, with much of the decrease recorded in Europe and North America. FDI inflows to developing economies increased by 0.1 percent to USD 670.7 billion in 2017, with a significant increase of the flows recorded in Latin America that outweighed the decline in Africa, Oceania and in the transition economies (**Table 1.2**).

Table 1.2: FDI Flows by Region, 2013-2017

USD billion

	FDI inflows					FDI outflows				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
World	1,425.4	1,338.5	1,921.3	1,867.5	1,429.8	1,380.9	1,262.0	1,621.9	1,473.3	1,429.1
Developed economies	693.4	596.7	1,141.3	1,133.2	712.4	890.1	731.7	1,183.6	1,041.5	1,009.2
Europe	349.5	274.6	595.2	564.9	333.7	387.7	240.3	728.2	526.4	417.8
North America	343.9	322.1	546.1	568.3	378.7	502.4	491.4	455.4	515.0	591.4
Developing economies	648.5	685.3	744.0	670.2	670.7	415.0	458.0	406.2	406.7	380.8
Africa	50.8	52.4	56.6	53.2	41.8	16.1	13.6	10.8	11.2	12.1
Asia	415.4	459.1	516.4	475.3	475.8	362.1	412.0	358.7	384.7	350.1
Latin America	179.6	170.6	169.2	139.7	151.3	34.6	31.0	35.6	9.3	17.3
Oceania	2.7	2.3	1.8	1.9	1.7	2.2	1.4	1.0	1.4	1.2
Transition economies	83.7	56.5	36.0	64.1	46.8	75.8	72.3	32.7	25.2	40.0

Source: World Investment Report, 2018

The United States of America was the largest recipient of FDI in 2017 recording USD 275.4 billion, followed by China with USD 136.3 billion and Hong Kong with USD 104.3 billion.

Outflows from developed economies declined by 3.1 percent to USD 1,009.1 billion, and their share to global outward FDI flows remained unchanged at 71 percent in 2017. FDI outflows from developing economies declined by 6.4 percent to USD 380.8 billion, while those from transition economies increased by 59.0 percent to USD 40.0 billion. Activities that attracted the largest share of FDI flows in 2017 include information and communication, business, machinery and equipment.

1.1.3 Prospects of Global FDI Flows

The World Investment Report 2018 provided some positive FDI flow projections in 2018, associated with recovery in the global economy, strong aggregate demand and acceleration in world trade in major regions. Accordingly, FDI flows projection was to increase by 5 percent to USD 1,500.0 billion in 2018, with an increase expected in developed and transition economies. Meanwhile, FDI flows to developing economies were forecasted to remain at the same level as in 2017.

Developing economies particularly China, India and Indonesia projected to attract an increase of 10.0 percent in FDI flows in 2018 because of renewed efforts to attract FDI, while inflows to the developed economies were forecasted to remain more or less the same. Transitional economies are/were expected to record a moderate rise because of higher oil prices and privatization plans.

1.2 FDI Flows in Africa

According to WIR (2018), FDI inflows to Africa declined by 21.5 percent to USD 41.8 billion in 2017 from USD 53.2 billion recorded in 2016, largely driven by a decline of inflows to Southern Africa particularly South Africa amid poor performance in commodity sector and political uncertainty in the region. Generally, individual countries had mixed performance reflecting different governments' responses to macroeconomic conditions (**Table 1.3**). In 2017, FDI inflows declined across all regions in Africa, with East Africa recording the lowest decline of 3.3 percent in 2017.

Despite a decline of 4.0 percent in FDI, inflows to North Africa, Morocco registered an increase mainly due to increase in investment in new car technology and financial sector. Egypt continued to be the largest recipient of FDI in Africa.

The decline in inflows to West Africa was largely due to prolonged depressed economy of Nigeria, the largest economy in that region. However, FDI inflows to Côte d'Ivoire increased due to more investments in consumer goods while for Senegal; the increase was due to investment in truck assembly.

FDI inflows to Central Africa declined to USD 5.7 billion in 2017 from USD 7.3 billion recorded in 2016. FDI flows to the Democratic Republic of Congo increased due to investment in cobalt, resulting in the manufacturing of electric cars batteries whose demand was high during 2017.

Table 1.3: Africa's FDI Flows, 2013 – 2017

USD Billion

Region	FDI inflows					FDI outflows				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Africa	50.8	52.4	56.6	53.2	41.8	16.1	13.6	10.8	11.2	12.1
North Africa	12.0	12.0	12.3	13.8	13.3	0.4	0.8	1.4	1.5	1.3
West Africa	14.5	12.1	10.2	12.7	11.3	1.8	2.2	2.2	2.2	1.9
Central Africa	5.4	5.3	8.3	7.3	5.7	0.1	0.2	0.3	0.3	0.2
East Africa Community	4.6	3.8	3.3	2.6	3.0	0.1	0.0	0.0	0.0	0.1
o/w Tanzania	2.1	1.4	1.6	1.4	1.2	na	na	na	na	na
Kenya	1.1	0.8	0.6	0.3	0.7	0.1	0.0	0.0	0.0	0.1
Uganda	1.1	1.1	0.7	0.6	0.7	0.0	0.0	0.0	0.0	0.0
Rwanda	0.3	0.5	0.4	0.3	0.4	na	0.0	0.0	na	na
Burundi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Southern Africa	11.7	16.4	19.0	11.4	3.8	13.6	10.3	6.8	7.1	8.5

Source: World Investment Report, 2018

FDI inflows to the East Africa Community increased by 16.2 percent to USD 3.0 billion in 2017 from USD 2.6 billion recorded in 2016. Tanzania remains the major recipient of FDI inflows to East Africa Community Partner States followed by Uganda.

During 2018, FDI inflows to Africa are projected to increase in anticipation of a continued modest recovery in commodity prices and macroeconomic fundamentals, as well as developments in interregional cooperation through the signing of the African Continental Free Trade Area.

1.3 FDI Inflows to Tanzania

According to the WIR (2018), Tanzania's share in Global FDI inflows remained constant at 0.1 percent during 2013 – 2017, while in Africa, its share averaged 3.0 percent (**Table 1.4**). During 2017, FDI inflows to Tanzania were estimated to decline to USD 1.2 billion consistent with the global trend.

Table 1.4 Tanzania's Share in FDI Inflows, 2013 – 2017

	2013	2014	2015	2016	2017
World (USD billion)	1,425.4	1,338.5	1,921.3	1,867.5	1,429.8
Africa (USD billion)	50.8	52.4	56.6	53.2	41.8
Tanzania (USD billion)	2.1	1.4	1.6	1.4	1.2
Tanzania's share in Global (%)	0.1	0.1	0.1	0.1	0.1
Tanzania's share in Africa (%)	4.1	2.7	2.8	2.6	2.8

Source: World Investment Report, 2018

1.4 Investment Opportunities and Prospects for Tanzania

Tanzania is endowed with plenty of investment opportunities. Besides being a peaceful and politically stable, it has abundant natural resources and occupies a strategic geographical location in the Eastern and Central African region facilitative of trade and investments. Detailed information on investment opportunities, incentives and business environment, among other information can be accessed through Tanzania Investment Centre website namely www.tic.go.tz.

The country's strong growth of 7 percent over the past decade coupled with the ongoing air, road and rail infrastructure developments as well as utilities provision provide bright prospects for investment inflows to Tanzania. Notable projects lined up for 2019/20 include manufacturing of cement, tiles, steel, soap and detergents; and beverages as well as banking services.

1.5 Strengthening of Business and Investment Facilitation Services

During 2017, Tanzania Investment Centre (TIC) continued to undertake initiatives to improve delivery of services. To this end, a special committee, National Investment Facilitation Committee (NIFC), chaired by TIC and comprising of CEOs of Government institutions, which service investors was formed to address challenges related to provision of coordination and facilitation of services. Further, all institutions that are providing support to investors including Immigration Services Department, Tanzania Revenue Authority (TRA), Ministry of Works and Labour, Ministry of Land, Tanzania Bureau of Standards (TBS), and Tanzania Drugs and Food Authority (TDFA) now have officers capable of making necessary decisions sitting at TIC. Movements of files have also been automated, with a view to improving efficiency in the approval process. The initiative is intended to reduce the number of days for getting all the necessary facilitation and permits to three working days from an average of 14 working days in the past.

CHAPTER 2

TANZANIA'S MACROECONOMIC DEVELOPMENTS

2.0 Introduction

This chapter focuses on major domestic macroeconomic developments in Tanzania during the year under review. They include output, prices, credit, interest and exchange rate trends, external sector as well as developments of the financial sector.

2.1 Output and Prices

During 2017, Tanzania's economy continued to record strong performance with real GDP growing at 7.1 percent, up from 7.0 percent in 2016. The growth in output was supported by improvements in infrastructure, stability of power supply and favourable weather conditions. The highest growth rates were recorded in mining and quarrying, water supply, transport and storage, information and communication; and construction sub sectors. The activities that contributed mostly to real GDP growth were construction, transport and storage and agriculture, which altogether contributed about half of the total growth.

Headline inflation remained in single digit throughout 2017/18, averaging 4.3 compared with 5.3 percent in the preceding year and was slightly below the medium term target of 5.0 percent. Low inflation was underpinned mainly by improved food supply, subdued world oil prices, stability of exchange rate and fiscal consolidation.

2.2 Credit Developments

Credit to the private sector grew by 4.0 percent in 2017/18, up from 1.3 percent in the preceding year. High growth of credit was recorded in personal loans, hotels and restaurants and building and construction activities. Personal loans trade and manufacturing activities accounted for 58.5 percent of the outstanding credit to the private sector.

2.3 Government Revenue and Expenditure

Domestic revenue collection including local government own-sources amounted to TZS 16,639.8 billion in 2016/17, an increase of 19.7 percent from the amount recorded in 2015/16. Revenue collection was equivalent to 15.6 percent of GDP compared with 14.3 percent recorded in the preceding year. Tax revenue amounted to TZS 14,055.2 billion, while non-tax revenue amounted to TZS 2,072.9 billion. External grants amounted to TZS 912.0 billion or 0.9 percent of GDP.

The Government continued to align expenditure with the available resources while observing key priority programs in support of economic growth and poverty reduction. Expenditure during 2016/17 amounted to TZS 19,657.3 billion, or 18.4 percent of GDP. Recurrent expenditure was TZS 12,266.9 billion and development expenditure was TZS 7,390.4 billion, of which 69.6 percent was financed using local sources

2.4 Interest and Exchange Rates

Treasury bills rate declined to 8.19 percent in December 2017 from 15.12 percent recorded in the corresponding period in 2016. The Bank continued to promote efficient money market aimed at minimizing volatility in yields. The exchange rate remained market determined fluctuating within a range of about TZS 2,221.5 to TZS 2,237.78 against the USD.

2.5 External Sector Performance

The external sector performance remained strong recording a surplus in the balance of payments mainly characterised by increase in exports as imports remained subdued. In 2017, the overall balance of payments significantly improved to a surplus of USD 1,669.6 million from a surplus of USD 305.5 million in 2016. The outturn was a result of narrowing of the current account deficit coupled with increase in project grants and external loans received. Gross official foreign reserves rose to USD 5,906.2 million at the end of December 2017, from USD 4,325.6 million at the end of December 2016. The reserves were sufficient to cover 5.4 months of projected import of goods and services. Meanwhile, gross foreign assets of banks amounted to USD 726.7 million as at end December 2017.

Table 2.1: Tanzania's Selected Macroeconomic Indicators, 2013 – 2017

Indicator	2013	2014	2015	2016	2017
GDP growth (%)	7.3	7.0	7.0	7.0	7.1
CPI average inflation rate (%)	7.9	6.1	5.6	5.2	5.3
Investment/GDP (%)	30.3	30.1	272.0	24.6	26.1
Savinngs/GDP (%)	22.7	23.4	24.4	22.8	22.2
Exports of Goods and services/GDP (%)	19.1	17.8	19.1	19.5	16.6
Imports of Goods and services/GDP (%)	30.5	28.2	27.3	22.4	18.3
CAB/GDP (%)	(11.2)	(10.0)	(8.0)	(4.5)	(3.5)
Average Exchange rate (TZS/GDP)	1,598.7	1,652.5	1,985.4	2,177.1	2,228.9
Official reserves (USD Million)	4,689.7	4,377.2	4,093.7	4,325.6	5,906.2
Reserves months of import cover	**4.5**	**4.7**	**5.1**	**5.2**	**5.4**

Source: National Bureau of Statistics and the Bank of Tanzania

2.6 Financial Sector Stability

The primary responsibility of the Bank of Tanzania in collaboration with regulators of financial sub-sectors namely pension funds, insurance companies and the capital market authority is to safeguard stability and maintain public confidence in the financial system. During 2017, the financial sector strengthened as the banking sector remained resilient supported by a stable macroeconomic environment. However, credit risk continued to persist with low profitability in the banking sector. Nonetheless, several measures are being undertaken, including loan restructuring with a view to foster liquidity management and contain credit risk.

CHAPTER 3

NATIONAL PLANS AND INVESTMENT OPPORTUNITIES

1.1 Introduction

This chapter provides highlights on initiatives, main investment opportunities, rationale and procedures for registering and establishing businesses in Tanzania. The government of Tanzania has been undertaking several initiatives including development plans and strategies aimed at improving the country's investment climate and hence attract local and foreign investments. The initiatives are an integral component of the short and the long term development plans and visions.

1.2 National Plans

Tanzania's development goals are outlined in the Tanzania Development Vision 2025 (TDV 2025) which guides economic and social development agenda up to 2025. The plan aims at transforming Tanzania into a middle-income country characterized by among others, high quality livelihood, good governance, a well-educated society and a competitive economy capable of producing sustainable growth and shared benefits. The objective is to transform the country from a predominantly agricultural to a diversified economy with a substantial industrial sector base.

In a bid to accelerate the attainment of TDV 2025 goals, Tanzania is currently implementing the Second Five Year Development Plan 2016/17-2020/21 (FYDP II) whose theme is *"Nurturing Industrialization for Economic Transformation and Human Development"* and has three pillars of transformation namely industrialization, human development and implementation effectiveness. Investment is the primary determinant of the theme and thus Tanzania strives to attain sustainable level of foreign direct investment (FDI) inflows through building the best conducive environment for promotion of investment potentials and doing business.

In addition to the on-going initiatives, the Government has launched the National Blueprint for Regulatory Reforms in Tanzania 2018. It provides a detailed analysis of existing challenges in the business environment and articulates general and specific policy, regulations and coordination for creating a conducive investment atmosphere. Parallel to this, the government is in the process of reviewing the National Investment Promotion

Policy of 1996 and the National Investment Act 1997 with a view of aligning them with the development vision and plans.

1.3 Investment Opportunities

Tanzania is gifted with numerous investment opportunities based on her strategic comparative advantages in terms of abundance of natural resource endowments including minerals, large arable land, waters and wildlife. Furthermore, Tanzania occupies a strategic, geographical location in the region and has market access and enabling infrastructure, young and growing population and is rapidly urbanising. Detailed sector specific investment opportunities are provided in the Tanzania Investment Centre website (www.tic.go.tz). However, the government has identified strategic areas of investment that include agriculture, manufacturing, infrastructure development, tourism, and building and construction. According to the FYDP II, potential areas of investment in realizing the industrialization dream are outlined below.

i. Tanzania is fully reliant on imported automotive products (passenger cars, light commercial vehicles, heavy trucks, buses, vans, and motor cycles). Investment opportunities exist in establishing production, assembly plants and spare parts for its domestic and regional markets.

ii. Discoveries of natural gas, soda ash, and other minerals place Tanzania at an increasing comparative advantage in petrol, gas, and chemical industries. Potential areas of investment include construction of a liquefied natural gas (LNG) plants, construction of a petro chemical industrial complex and improvement of the petrochemical laboratory.

iii. There is high demand for pharmaceutical products such as medicines, medical reagents, medical equipment, diagnostic test kits; laboratory supplies, medical furniture, packaging materials and other medical supplies.

iv. Tanzania depends on import of edible oil as the annual average demand is around 400,000 tonnes while the local supply is about 40 percent. However, the country has potential areas for production and processing of oils seed such as sunflower, cotton, groundnuts, soya beans and palm.

v. Agriculture is the predominant sector in Tanzania employing more than 80 percent of the population and produce both food and industrial crops. The investment opportunities in this area include production of farm implements and inputs, construction of storage and post-harvest loss mitigation facilities.

vi. Domestic sugar production is estimated at an average of 300,000 tonnes per annum while the annual demand is about 600,000 tonnes. This creates an opportunity to invest in cane plantation and sugar production for Tanzania and the regional market.

vii. Cotton is one of the major traditional exports crop for Tanzania but is mostly exported with little value addition. Cotton is grown on small-scale farm holders with limited mechanization thus creating investment opportunities for large-scale farming and cotton processing, textile and garment industries.

viii. Tanzania has the second largest livestock population in Africa after Ethiopia. The country's tanneries industry has a total annual capacity to process 3.6 million hides and 12.8 million skins, with actual capacity utilization at around 86 percent for hides and 61 percent for skins of total annual processing capacity. The tanning industry produces mainly wet-blue leather while crust and finished leather account for a smaller share of production. Therefore, opportunities exist in producing high quality leather for high-fashion finished leather products.

ix. The government is undertaking a mega investment in the standard gauge railway (SGR) infrastructure which involves construction of over 4,600 km of railway line in the move to support industrialization agenda, The project creates investment opportunities in railway construction, production of construction materials, financing, assembling of signalling and telecommunication equipment, supply of rolling stock including wagons and engines.

1.4 Rationale for Investing in Tanzania

Due to its political stability compared to other countries in the region, Tanzania stands a better chance in terms of attracting FDI flows. The country's pro-investment top leadership acknowledges the role of private sector as an engine for growth and therefore accord the required support for private investments.

Tanzania has signed various Bilateral Investment Treaties (BITs) and Bilateral Trade Agreements (BTAs) for purposes of investment and trade protection. In addition, the country is a signatory to the Multilateral Investment Guarantees Agency (MIGA), for protection of investments against non-commercial risks.

Meanwhile, availability of skilled and semi-skilled labour force, backed with the presence of tertiary technical and vocational training institutions, have positive implications on the labour cost for investment projects. The country allows a free repatriation of funds in terms of profits, dividends, payment of royalties, servicing of foreign loans, subject to compliance to tax laws and regulations.

Tanzania has created a One-Stop-Shop for facilitation of investment registration and establishment. Services offered include; company registration, taxpayer registration and facilitation of fiscal incentives, facilitation of access to land for investment, environmental clearance certification, labor and immigration issues are all handle under in this One Stop Shop, for investor's convenience.

1.5 Procedures for Investing in Tanzania

Tanzania Investment Centre has been designated as the first point of call for all investors with interest to invest in Tanzania. Investors can register their businesses and investment projects online. Procedures for registration are available at www.tic.go.tz.

CHAPTER 4

FOREIGN PRIVATE INVESTMENT IN TANZANIA

4.0 Introduction

Foreign Private Investments (FPIs) have continued to provide support to the second five-year development plan objectives through, among others, capital formation, employment creation, poverty reduction, tax revenue and attracting foreign exchange. This chapter discusses results of the survey of FPI and its components in 2006 and 2007. The discussion focuses more on FDI given its large share in total FPI. Other components of FPI namely Portfolio Investment (PI) and Other Investment (OI) are also discussed albeit briefly.

4.1 Foreign Private Investment

The survey findings show that the stock of FPIs reached USD 15,392.9million, representing an increase of 5.2 percent from USD 14,634.3 million recorded in 2016 (**Table 4.1**). Out of this total, FDIs amounted to USD 13,499.5 million equivalent to 87.7 percent. Portfolio and other investments accounted for 0.5 percent and 11.8 percent, respectively. The results show further that, inflows of FPI increased by 5.7 percent to USD 1,052.0 million in 2017 from USD 995.5 million recorded in 2016.

Table 4.1: Foreign Private Investment, 2013 –2017

USD Million

	Inflows					Stock				
Items	**2013**	**2014**	**2015**	**2016**	**2017**	**2013**	**2014**	**2015**	**2016**	**2017**
Foreign Direct Investment	2,130.9	1,416.1	1,560.6	755.0	937.7	10,851.4	11,897.4	12,146.8	12,839.2	13,499.5
Portfolio Investment	3.5	1.2	1.5	2.8	0.8	12.3	16.3	118.0	128.0	72.2
Other Investment	47.4	106.1	2.7	237.7	113.2	1,459.4	1,509.5	1,439.8	1,667.1	1,820.9
Total FPI	**2,181.8**	**1,523.3**	**1,564.8**	**995.5**	**1,052.0**	**12,323.1**	**13,423.1**	**13,704.6**	**14,634.3**	**15,392.9**

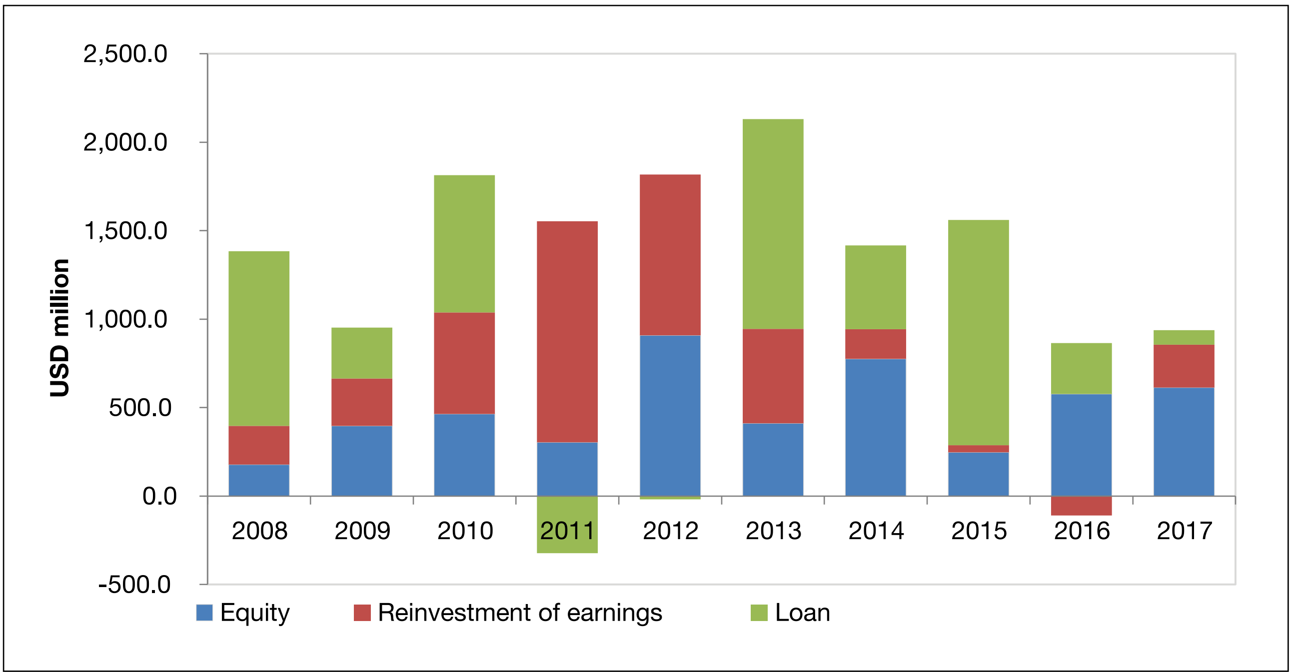
Note: Other investment mainly comprise loans from unrelated parties outside Tanzania and any other investment not covered under FDI and portfolio investment.

4.1.1 Foreign Direct Investment

During 2017, Tanzania attracted USD 937.7 million inflows of FDI equivalent to 24.2 percent increase from the inflows registered in 2016 largely underpinned by increased investments in the accommodation and food; mining and quarrying; and finance and insurance activities. However, in 2016, FDI inflows declined when compared to 2015 consistent with the general global trend exacerbated by large repayment of loans to the related parties and losses retained particularly in the telecommunications as well as electricity and gas sectors (**Table 4.2**)

FDI flows have, for the past ten years been on a positive growth trend with the highest inflow recorded in 2013 which was associated with Greenfield investments in the finance and insurance activities as well as injections of more capital by banks to comply with the new minimum capital adequacy requirements and large reinvestment of earnings (**Chart 4.1**).

Chart 4.1: Inflows of FDI, 2008-2017



4.1.1.1 Financing of Foreign Direct Investment

Financing of FDI inflows has been oscillating between equity and investment shares; and loans from related parties. In 2017, the largest source of inflows was equity and investment shares (65.4 percent), which amounted to USD 613.3 million, compared to USD 576.8 million in 2016. Financing of FDI inflows by reinvestment of earnings improved significantly from a net outflow of USD 109.1 million in 2016 to inflows of USD 242.4 million in 2017 (**Table 4.2**). The dominance of equity financing and long-term loans from related parties is normally interpreted as a sign of increasing investors' confidence in the macroeconomic stance of the host economy.

Table 4.2: Financing of Foreign Direct Investment, 2013 –2017

USD Million

	2013	2014	2015	2016	2017
Equity and investment fund shares	410.5	775.9	247.1	576.8	613.3
Reinvestment of earnings	534.2	167.1	40.3	(109.1)	242.4
Long term loans from related parties	1,105.1	461.0	967.9	268.5	34.9
Short term loans from related parties	81.7	12.1	305.3	18.8	47.1
FDI	**2,131.5**	**1,416.1**	**1,560.6**	**755.0**	**937.7**

4.1.1.2 Foreign Direct Investment by Activity

During 2017, mining and quarrying continued to be the leading activity as it accumulated a stock of FDI valued at USD 5,419.1 million accounting for 40.1 percent, followed by manufacturing, which accounted for 14.2 percent (**Table 4.3**). The mining and quarrying sector has maintained a leading role in terms of stock over the past ten consecutive years.

Dangote cement manufacturing plant in Mtwara

Table 4.3: Stock and Flows of FDI by Activity, 2013 –2017

USD Million

Sectors	Inflows									
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Agriculture, forestry and fishing	10.3	6.4	108.2	18.7	59.4	509.2	487.5	359.1	387.8	501.4
Mining and quarrying	520.4	418.9	217.7	116.3	202.5	4,885.2	5,264.9	6,650.9	6,736.5	5,419.1
Manufacturing	386.6	116.2	637.3	270.6	23.7	1,378.4	1,372.2	1,512.9	1,725.9	1,915.6
Electricity and gas	37.3	347.8	-421.4	-14.8	29.6	998.0	1,345.6	219.4	204.6	317.3
Water supply	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	13.8	16.9	22.9	20.4	26.6	80.5	108.1	110.2	129.1	132.1
Wholesale and retail trade	123.5	31.0	78.2	25.8	64.9	452.1	472.1	541.5	559.7	802.4
Transportation and storage	19.5	2.6	22.4	35.8	12.0	106.8	102.4	217.9	250.5	289.9
Accommodation and food serice	47.0	27.4	30.7	92.9	247.2	167.1	180.0	218.3	314.7	418.9
Information and communication	195.9	119.4	533.3	-3.3	99.2	706.7	761.9	751.7	817.1	1,731.2
Finance and insurance	752.2	269.2	299.1	147.1	127.1	1,215.2	1,395.1	1,199.0	1,300.6	1,582.2
Real estate	-0.6	47.2	9.6	14.1	0.5	140.0	188.3	159.3	173.0	164.9
Professional and scientific services	-0.1	3.3	2.1	-4.4	-2.7	9.7	12.2	19.6	15.2	25.7
Administrative and support services	0.0	14.3	19.9	12.9	1.3	135.0	144.3	73.1	84.8	79.5
Public administration	0.0	1.5	-0.2	0.0	0.0	2.2	3.3	0.0	0.0	0.0
Education	2.2	-0.5	-0.4	-1.5	3.4	1.8	1.2	0.1	2.1	7.2
Human health and social work	0.0	4.5	9.0	24.1	46.0	12.0	15.3	108.3	132.0	109.8
Arts, entertainment and recreation	0.0	-9.9	-8.2	0.0	-3.3	51.6	42.8	4.4	4.3	2.0
Other services	22.9	0.0	0.0	0.2	0.2	0.0	0.0	1.1	1.3	0.2
Total	**2,130.9**	**1,416.1**	**1,560.6**	**755.0**	**937.7**	**10,851.4**	**11,897.4**	**12,146.8**	**12,839.2**	**13,499.5**

The concentration of FDI flows in Tanzania during 2017 was in three main activities namely; accommodation and food; mining and quarrying; and finance and insurance. Together these activities had an aggregated average of 61.5 percent of total inflows (**Table 4.3**). Accommodation and food activities became, for the first time, the largest recipients of FDI inflows in 2017, attracting USD 247.2 million, owing to expansion in accommodation facilities. Mining and quarrying was second, attracting USD 202.5 million compared to USD 116.3 million in 2016. It is worth noting that, mining and quarrying activities have been the leading recipients of FDI inflows. Low inflows to these activities recorded in 2016 emanated from maturing loan obligations that resulted in higher repayments relative to disbursements. Meanwhile, FDI inflows to finance and insurance activities amounted to USD 127.1 million during 2017. There was a notable increase in inflow to the agriculture activity from 2015 to 2017 compared to earlier years, mainly associated with concerted government efforts to revamp this sector given its importance to the majority of Tanzanians.

In 2017, inflows received by electricity and gas activities totalled USD 29.6 million from a net outflow of USD 14.8 million registered in 2016. It should be noted that there was a substantial decline of inflows to these activities with a net outflow of USD 421.5 million in 2015, largely explained by losses reported by establishments operating in the sector coupled with repayments of loans.

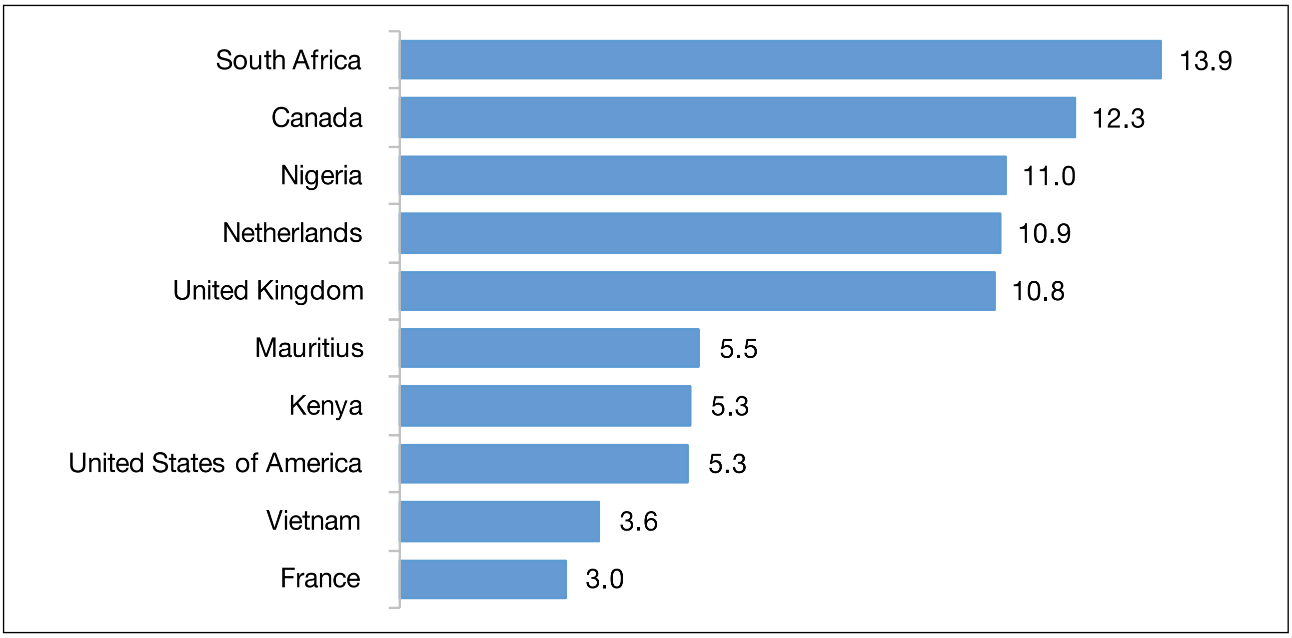
Kinyerezi 1 gas power plant

4.1.1.3 Foreign Direct Investment by Source Country

The bulk of FDI inflows to Tanzania continued to originate from few countries. Inflows from the top ten source countries accounted for an average of 81.4 percent during 2013–2017. Nigeria and Vietnam have for the first time, among the top ten source markets for Tanzania (**Chart 3.2**). These two countries were more prominent during 2015; Nigeria brought USD 521.9 million worth of FDI inflows while Vietnam recorded USD 343.1 million. Inflows from Nigeria were highly concentrated in cement manufacturing activities while flows from Vietnam were concentrated in information and communication activities. Other important source countries were Canada and South Africa, which attracted more inflows into the mining and quarrying activities. Inflows from the Netherlands were channelled to information and communication activities.

Chart 4.2: Top Ten Source Countries of FDI Inflows, Average (2013– 2017)

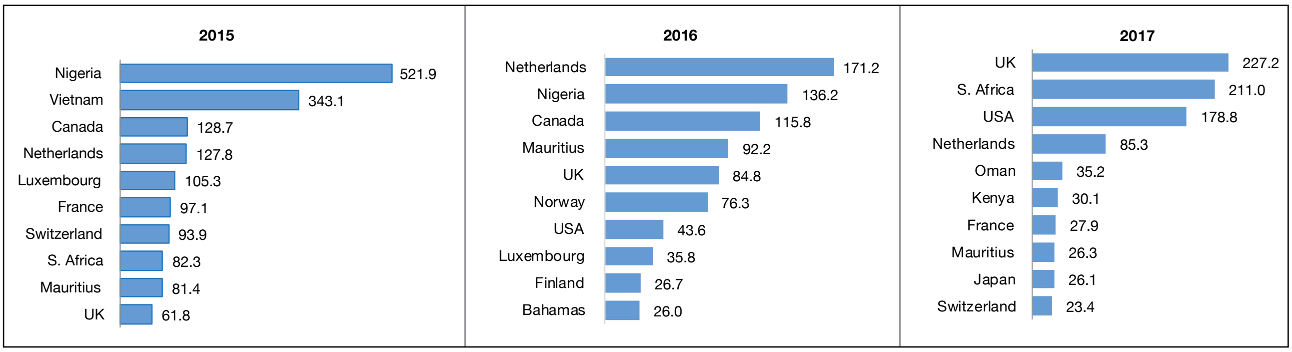
Percent



A three-year comparison of the main sources of the FDI reveals a significant year-to-year variations of the flows to Tanzania with the exception that the list of top ten source countries has almost remained the same. Nigeria, Vietnam and Japan have featured in the list of top ten from 2015 - 2017(**Chart 4.3**). Inflows from these countries were mainly concentrated in the mining and quarrying, manufacturing, finance and insurance; information and communication; and electricity, and gas activities.

Chart 4.3: Top Ten Source Countries of FDI Inflows, 2015 - 2017

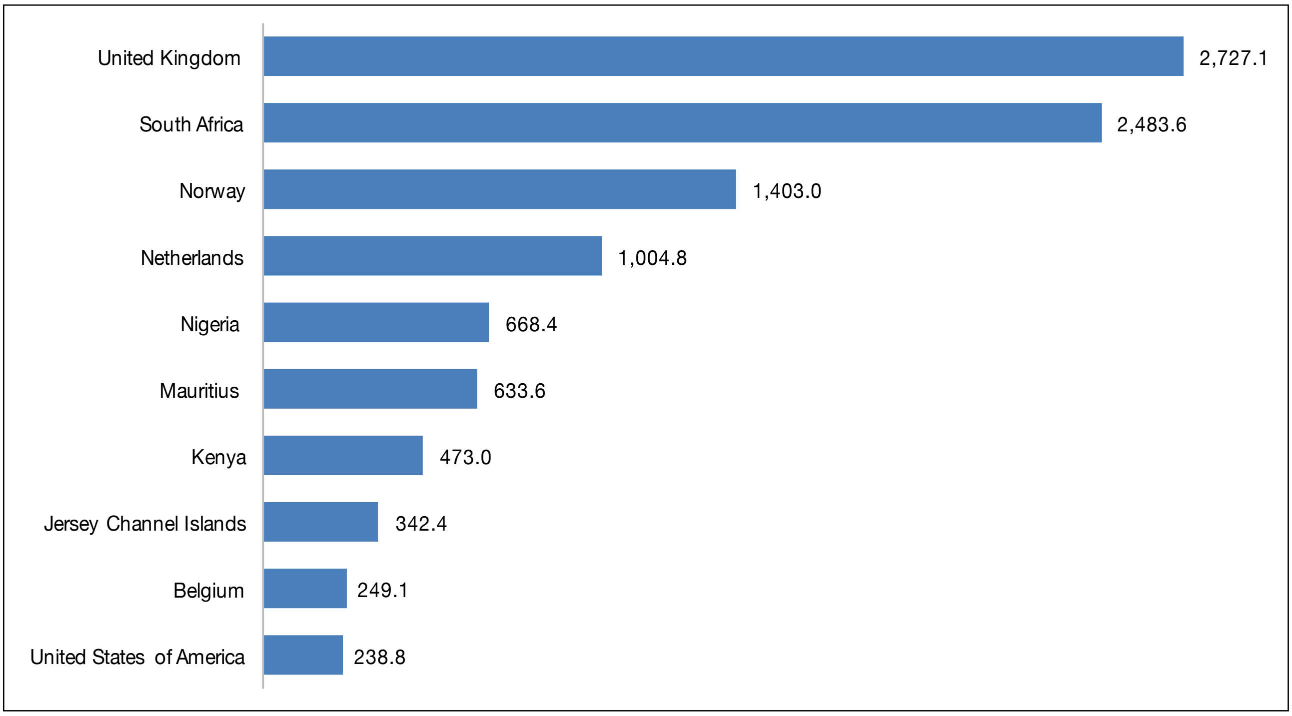
USD Million



In terms of the stock of FDI, the United Kingdom continued to take the lead with a total of USD 2,727.1 million, followed by South Africa and Canada (**Chart 4.4**). The stock of FDI continued to dominate in mining and quarrying, electricity and gas as well as manufacturing activities.

Chart 4.4: Stocks of FDI, Top 10 Source Countries, 2017

USD million



4.1.1.4 FDIs by Regional and Economic Blocs

In 2017, OECD countries continued to be the main source of FDI inflows to Tanzania, accounting for 48.7 percent of the total inflows, despite the decline by 22.6 percent to USD 456.2 million from USD 589.8 million recorded in 2016. The decline is explained by increase in loan repayment relative to the disbursement. Despite the decline, important source countries for Tanzania within OECD included the United Kingdom, the United States of America and the Netherlands recorded increase. Over the period from 2010 to 2017, the country attracted annual average FDI inflows of USD 884.1 million from OECD.

FDI inflows from the SADC region during 2017 were USD 235.2 million, an increase from USD 100.4 million recorded in 2016. The outturn resulted from the increase in inflows from South Africa, which accounts for an average of 72.5 percent of the total inflows from SADC for the period 2010 – 2017. A large share of inflows from South Africa went to mining and quarrying activities. The second prominent source from the SADC region is Mauritius whose inflows in 2017 were USD 26.3 million, which is lower than USD 92.1 million recorded in 2016. Inflows from Mauritius were mainly concentrated in the manufacturing activity. FDI inflows from the EAC were USD 28.6 million in 2017; up from a net outflow of USD 15.5 million in 2016. The increase is attributed to notable FDI inflows from Kenya during the period under review (**Table 4.4**).

Table 4.4: FDI Flows by Region, 2013 - 2017

USD Million

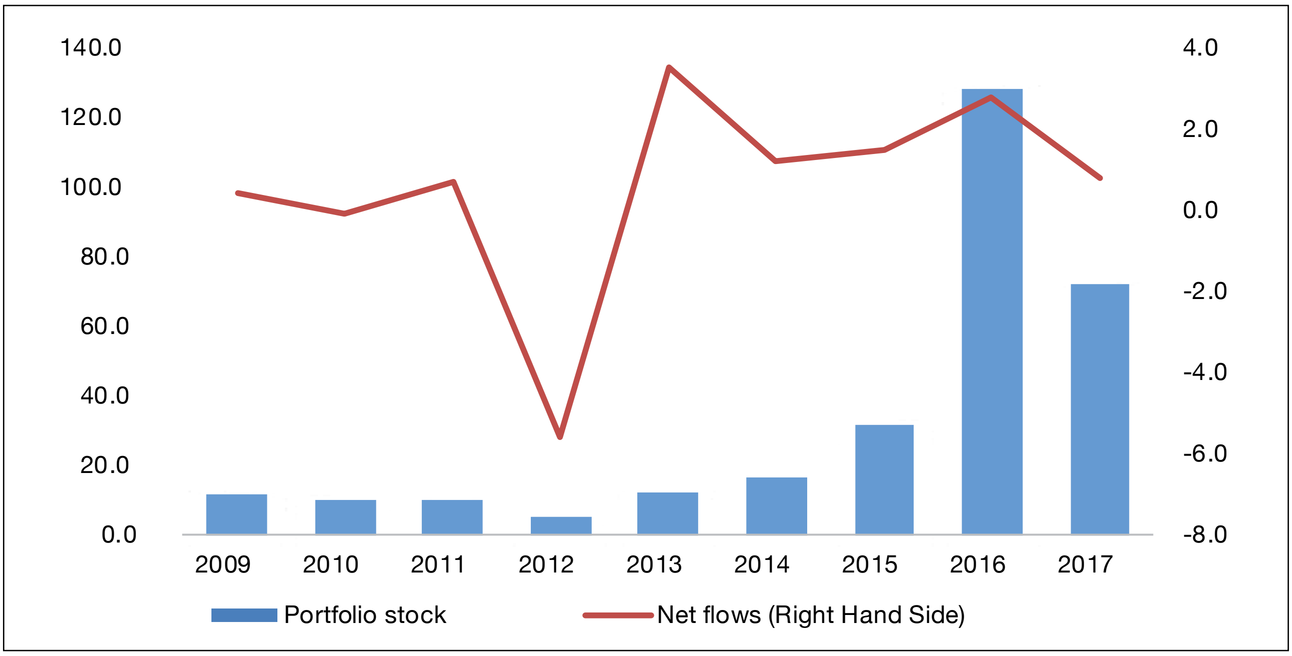
Source Country/ Multilateral Institution	2013	2014	2015	2016	2017	Average
OECD	**1,070.9**	**795.4**	**530.2**	**610.1**	**453.3**	**692.0**
Canada	472.0	116.4	128.7	115.8	3.8	167.4
Netherlands	341.9	18.7	127.8	171.2	85.3	149.0
United Kingdom	133.6	229.5	61.8	84.8	227.2	147.4
United States of America	77.0	41.5	17.4	43.6	178.8	71.7
France	27.0	38.6	97.1	15.2	27.9	41.2
Switzerland	51.8	-72.6	93.9	23.5	23.4	24.0
Germany	-2.9	12.8	27.1	23.5	12.3	14.5
Japan	20.6	-5.5	-5.6	5.7	26.1	8.3
Ireland	-1.0	0.0	0.0	3.5	11.0	2.7
Australia	0.7	16.1	11.5	-23.3	8.5	2.7
Denmark	-71.2	24.4	41.3	2.9	2.7	0.0
Other OECDS	21.3	375.4	-70.9	143.8	-153.8	63.2
SADC	**520.9**	**311.4**	**196.8**	**99.9**	**244.7**	**274.7**
South Africa	437.8	222.0	82.3	-8.1	211.0	189.0
Mauritius	57.3	115.2	81.4	92.2	26.3	74.5
Botswana	25.1	-20.9	35.8	18.8	3.1	12.4
Panama	-1.7	-5.5	0.6	0.0	0.0	-1.3
Singapore	-0.1	-2.8	0.6	-0.7	9.2	1.3
Swaziland	-0.2	4.1	0.0	1.9	0.0	1.2
Zambia	1.7	1.3	-1.3	-1.1	-3.9	-0.6
Malawi	1.1	0.3	2.5	0.0	-0.9	0.6
Mozambique	0.0	-0.2	0.8	1.0	0.0	0.3
Namibia	0.0	0.0	-0.1	0.0	0.0	0.0
Congo DRC	-0.2	0.0	0.0	0.0	0.0	0.0
Seychelles	0.0	0.0	0.0	0.0	0.0	0.0
Zimbabwe	0.0	-2.3	-5.7	-4.2	-0.2	-2.5
EAC	**195.5**	**86.8**	**70.1**	**-15.5**	**28.6**	**73.1**
Kenya	197.6	86.4	50.7	-3.3	30.1	72.3
Uganda	-2.2	0.4	19.5	-12.1	-1.5	0.8
Other regions	**343.6**	**222.5**	**763.5**	**60.9**	**211.1**	**320.3**
Grand Total	**2,130.9**	**1,416.0**	**1,560.7**	**755.4**	**937.7**	**1,360.1**

4.1.2 Portfolio Investment

Portfolio investment represents equity investment in a company with foreign liabilities accounting for less than ten percent of a company's ordinary shares or voting rights. In Tanzania, the inflows of portfolio investment have been rather cyclical partly reflecting volatility of this kind of investments. During 2017, portfolio investment inflows amounted to USD 0.8 million compared to USD 2.8 million in 2016. However, the general trend shows that the market keeps growing in terms of flows and stocks (Chart 4.5). Despite the growth, the share of portfolio in total foreign private investments has remained below one percent.

Chart 4.5: Portfolio Investment

USD Million



4.1.3 Other Investments

Other investments were mainly comprised of long and short-term loans and trade credits from unrelated parties (**Table 4.5**). During 2017, the category of inflows amounted to USD 113.2 million; much lower compared to USD 237.7 million recorded in 2016, partly explained by reduction in financing of foreign private investments through loans from unrelated parties in 2017. Large share of inflows of other investments were in the form of long-term loans and trade credits.

Table 4.5: Other Investment, 2013 - 2017

USD Million

	Inflows of Other Investments					Stock of Other Investments				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Loans	**70.4**	**41.6**	**-18.3**	**147.7**	**108.6**	**1,307.6**	**1,303.1**	**1,050.1**	**1,368.7**	**1,414.4**
Long term	-0.6	-18.9	-58.5	147.4	105.0	1,269.6	1,241.3	1,021.5	1,119.5	1,162.5
Short term	70.9	60.5	40.1	0.3	3.6	38.0	61.8	28.6	249.2	251.9
Trade credits and advances	**0.7**	**59.8**	**19.8**	**123.8**	**24.6**	**106.1**	**157.3**	**162.2**	**322.7**	**345.8**
Long term	-2.1	23.9	7.5	49.7	10.1	5.8	28.8	25.8	116.3	126.2
Short term	2.8	35.9	12.3	74.1	14.6	100.3	128.5	136.4	206.4	219.6
Other non equity	-23.6	2.4	1.4	-33.8	-20.1	27.2	29.3	227.5	80.3	59.7
Other equity	0.0	2.2	-0.2	0.0	0.07	18.5	19.8	0.0	0.91	0.98
Total other Investments	**47.4**	**106.1**	**2.7**	**237.7**	**113.2**	**1,459.4**	**1,509.5**	**1,439.8**	**1,772.6**	**1,820.8**

The leading activities in the stock of other investments in 2017 were finance and insurance, mining and quarrying; and manufacturing. In terms of inflows, the main recipient activities were finance and insurance, manufacturing and agriculture (**Table 4.6**).

Table 4.6: Stock and Flows of Other Investment by Activity, 2013 - 2017

USD Million

Sectors	Inflow of Other investments				Stock of other investments				
	2014	2015	2016	2017	2013	2014	2015	2016	2017
Financial and insurance	11.20	10.26	17.30	110.52	19.36	28.28	490.80	678.50	731.37
Mining and quarrying	-96.39	-204.40	139.84	-4.73	888.86	788.69	552.98	437.28	432.07
Manufacturing	147.05	89.07	90.01	24.53	307.15	423.09	121.68	287.21	305.35
Information and communication	0.48	43.00	-36.27	-10.93	0.54	0.96	189.87	183.92	175.57
Wholesale and retail trade	5.34	-0.03	11.33	-6.06	12.96	17.09	24.02	77.20	70.04
Transportation and storage	26.16	26.10	-2.37	-3.47	171.64	183.97	15.41	49.26	45.32
Agriculture, forestry and fishing	0.92	0.87	-0.22	7.39	2.93	3.83	11.36	9.20	16.12
Construction	-1.73	2.24	-0.40	-4.74	13.53	10.74	0.41	20.55	15.52
Electricity and gas	3.49	29.77	20.38	1.68	5.66	9.88	16.90	11.33	12.69
Accommodation and food	3.58	1.58	-1.99	-1.72	10.72	13.29	11.54	11.76	9.84
Human health and social work	0.87	0.22	-0.10	0.06	0.00	0.83	0.87	2.64	2.64
Education	1.09	0.32	0.00	-0.54	1.37	2.30	0.00	2.09	1.52
Professional, scientific and technical	0.00	0.00	0.00	0.92	0.01	0.01	0.00	0.18	1.07
Administrative and support	0.23	0.31	0.00	0.31	3.66	3.60	0.00	0.63	0.88
Real estate	3.49	4.57	0.21	0.00	19.34	21.07	3.93	0.87	0.85
Arts, entertainment and recreation	0.27	-1.18	0.00	0.00	1.42	1.56	0.00	0.00	0.00
Other activities	0.00	0.00	0.00	0.00	0.30	0.27	0.00	0.00	0.00
Water supply and waste management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**106.06**	**2.69**	**237.72**	**113.22**	**1,459.44**	**1,509.47**	**1,439.77**	**1,772.61**	**1,820.85**

4.2 Income on Investment

The overall profits after tax for the year 2017 increased by 10.5 percent to USD 575.0 million from the amount realized in 2016. Despite the increase, net profits after tax in 2016 and 2017 were lower than the amount realized in 2015 partly due to lower world market commodity prices particularly gold and manufactured goods. Sectors, which registered relatively high profits in 2017, were finance, insurance, manufacturing and wholesale, and retail trade (**Table 4.8**).

Dividends declared in 2017 amounted to USD 428.8 million, slightly lower compared to USD 487.3 million declared in 2016 (**Table 4.7**). The activities that declared higher dividends in 2017 were manufacturing, mining and quarrying; and information and communication activities.

Table 4.7: Reinvestment of Earnings and Dividends Paid, 2016 – 2017

USD Million

Activity	Income on Equity - 2016				Income on equity 2017			
	Net profit/loss after tax	Dividends declared	Dividends paid	Reinvested Earnings	Net profit/loss after tax	Dividends declared	Dividends paid	Reinvested Earnings
Accommodation and food service activities services	6.7	0.5	0.0	6.3	-9.0	1.7	0.0	-10.7
Administrative and support service activities	5.2	0.5	0.4	4.7	13.8	9.5	5.2	4.3
Agriculture, forestry and fishing	0.5	31.6	26.6	-31.2	38.6	31.3	31.2	7.3
Arts, entertainment and recreation	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Construction	4.4	0.0	0.0	4.3	10.2	0.1	0.1	10.2
Education	-1.5	0.0	0.0	-1.5	-1.4	0.0	0.0	-1.4
Electricity, gas and air conditioning supply	22.6	16.7	16.7	5.8	37.8	28.5	37.9	9.3
Finance and Insurance activities	200.6	65.2	48.7	135.4	140.6	39.3	42.4	101.4
Human Health and Social work activities	4.6	0.0	0.0	4.6	-0.8	0.0	0.0	-0.8
Information and communication	-82.8	44.3	8.4	-127.0	136.1	50.8	45.4	85.3
Manufacturing	202.5	133.5	131.4	69.0	74.4	174.8	49.8	-100.4
Mining and quarrying	97.7	165.9	163.2	-68.2	93.7	52.0	198.6	41.8
Other service activities	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.4
Professional, scientific and technical activities	0.4	0.0	0.0	0.4	-1.8	0.6	0.0	-2.4
Real estate activities	9.9	2.5	2.5	7.4	-4.9	3.2	3.2	-8.1
Transportation and Storage	12.4	13.7	13.3	-1.3	20.0	4.4	8.0	15.6
Wholesale & retail trade	37.4	12.9	11.1	24.5	27.2	32.6	30.0	-5.5
Total	**520.6**	**487.3**	**422.3**	**33.3**	**575.0**	**428.8**	**451.6**	**146.2**

4.3 Direct Employment

The survey collected information on direct employment in terms professional and non-professionals with a view to assess the number and quality jobs offered by enterprises with foreign assets and liabilities. The quality of jobs offered to locals is an important element in gauging potential for skills transfer, one of the important benefits of FDI to the host economy. The results indicate that companies with foreign liabilities in Tanzania provided employment to 105,364 people a slightly lower number compared to 108,330 persons employed in 2016. Professional employees constituting individuals with advanced diploma and above were 33.0 percent (**Table 4.8**).

Table 4.8: Direct Employment, 2013 - 2017

Category	2013	2014	2015	2016	2017	Percent (2017)
Professionals	28,247	31,787	34,245	36,830	35,165	33
Non Professionals	70,642	76,576	77,151	71,500	70,199	67
Total	**98,889**	**108,363**	**111,396**	**108,330**	**105,364**	

The survey revealed that manufacturing, agriculture, finance and insurance; and administrative services had the largest share of employees collectively accounting for 65.0 percent of total employees. Majority of professional employees were employed in finance and insurance; and; information and communication consistent with skills requirements in those activities

4.4 Turnover

The total turnover for the surveyed enterprises was USD 9,367.3 million in 2016 compared to USD 9,361.6 million reported in 2017 consistent with marginal profits realised in 2017 amid low world market commodity prices discussed earlier. Activities, which reported highest turnover, were manufacturing, wholesale and retail, finance and insurance and information and communication.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Tanzania has remained an attractive destination for investments, reflected by continued FDI inflows, which earlier dominated by Greenfield investment. The current findings show that in 2017, the stock of foreign private investment increased by 5.2 percent to USD 15,392.9 million dominated by FDI, which accounted for 87.7 percent, followed by other investments with 11.4 percent. Profits recorded during 2017 were higher than 2016 but slightly lower than the amount recorded in 2015 owing to adverse world commodity price developments.

5.2 Conclusion and Recommendations

Inflows to Tanzania increased

Inflows of FDI to Tanzania in 2017 amounted to USD 937.7 million which is 24.2 percent higher than inflows registered in 2016 largely explained by increased investments in the accommodation and food; mining and quarrying; and finance and insurance activities amid improved investment climate, specifically, conducive macroeconomic environment in the country.

These findings affirm that Tanzania sustained its brand as one of the attractive investment destinations in the region. The country's prevailing stable macroeconomic conditions and promotional efforts including missions abroad, international fora and exhibitions; international media and targeted sectors ought to continue. In addition, the Government through Blueprint for Regulatory Reforms to Improve the Business Environment (2018) has provided a detailed analysis of existing challenges in the business environment and has articulated general and specific areas of intervention by each Government Ministries, Departments and Agencies (MDAs) in terms of policy, regulations and coordination for improvement. There is hence need for relevant MDAs to expedite implementation of the Blueprint to maintain friendly business environment and thus pave way for more investment inflows.

FDI inflow continued to originate from few countries

FDI inflows in 2017 were skewed towards few source countries, namely the United Kingdom, South Africa and the United States of America. Together, the three countries accounted for more than half the total FDI inflows in the country during 2017. In addition, regional investment opportunities are yet to be fully utilized as reflected by lower FDI inflows from the EAC and SADC regions.

There is need to enhance the efforts to strengthen promotional initiatives to attract investment from non-traditional source countries like Vietnam, Indonesia, India and Singapore for value addition in agriculture and minerals given the country's potential in these sectors. Complementary investments from regional economic communities such as EAC and SADC are to be encouraged in order to maximize the benefits associated with on-going regional integration arrangements. In this regard, full implementation of investment, customs union and common market protocols in regional economic communities need to be expedited in order to facilitate trade and cross border investments.

FDI inflows are concentrated in few activities

The findings show that FDI inflows were concentrated in few activities namely accommodation and food, mining and quarrying; and finance and insurance.

There should be continued efforts to further diversify sectorial distribution of FDI by promoting investment potentials in other sectors in order to safeguard the economy against shocks on the concentrated sectors, hence expand export and tax bases and increase employment generation. It is hence of paramount importance to focus on attracting investments in the areas where the country has comparative advantage such as scaling up agriculture production and agro processing as well as providing the needed infrastructure such as permanent feeder roads, electricity and water. In the same vein, there is need for the Government, in collaboration with the private sector through the public private partnership arrangement to allocate more funds for providing the necessary infrastructure in the areas earmarked for export processing zones for attracting investments geared towards adding value to agriculture produce.

Portfolio inflows continued to be low

During the period under review, portfolio investment has remained below one percent of total FPI over the past five years. Measures aimed at optimization of this investment window are vital and need to be implemented. It is therefore, recommended that the financial account be fully liberalized and enhance participation of the public in the stock markets by creating awareness on investment opportunities available in the stock markets both in the primary and secondary markets.

APPENDIX I: METHODOLOGY

Introduction

This chapter covers the methodology used in carrying out the survey and include organization of the work, data processing and the estimation technique used to generate the results

Institutional Set Up

The survey was conducted jointly by three institutions namely; the Bank of Tanzania, Tanzania Investment Centre and the National Bureau of Statistics. The three have signed a memorandum of understanding stipulating, among other things, the mode of collaboration and roles of each institution.

Scope

The survey covered a sample of establishments known to have foreign assets and/or liabilities across all the regions and industrial activities as defined by United Nations International Standard Industrial Classification (ISIC), revision 4.

Updating of the Investors' Register

The investors' register was updated using information from the Business Registration and Licensing Authority (BRELA), Tanzania Investment Centre, National Bureau of Statistics, Ministry of Energy and Ministry of Minerals (MEM); and information from the media. In addition, physical update of the register was done in Dar es Salaam and Arusha regions to identify new establishments that qualify for the survey but have not yet been captured in the register. Updating the register through a survey was done for the first time starting with the two regions because they are the headquarters of the largest number of establishments with foreign assets and liabilities in the country. The exercise also involved updating the register by indicating companies that have been closed, liquidated, relocated, under receivership, merged or changed business names or activities.

Questionnaire

The survey used a generic standard questionnaire that is being used by Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) member countries given its alignment with MEFMI private capital monitoring system, used for data processing. A few changes were made to the questionnaire to take on board other changes resulting from changes in price, exchange rate and volume. The changes were introduced for consistency with the IMF Balance of Payments Manual, 6th edition.

Awareness Creation

A press release about the survey was issued twice through media, one prior to the commencement of fieldwork, and the other one three weeks after start of the fieldwork in order to create awareness to the targeted respondents. These releases have been instrumental in enhancing the response rate.

Training of Researchers

The fieldwork was preceded by a two-day training, which focused on familiarization, and understanding the questionnaire, researcher's manual and survey logistics. The training involved practical sessions - retrieving information from financial statement and filling dummy questionnaires. This session was useful particularly for research trainees who have been outsourced to assist in fieldwork and data processing.

Data Collection

Face- to -face interviews with chief executive officers or heads of finance of targeted companies were preceded by letters of introduction and questionnaires for familiarization. Further, respondents were requested to supply copies of audited financial statements for quality assurance and consistency check. Researchers undertook initial editing and verification of the completed questionnaires before submitting to the supervisors.

Response Rate

The response rate was 91.8 percent reflecting good cooperation from the investors. In addition, more than 95 percent of the completed questionnaires were returned with audited financial statements that are used for verification and consistency checks. The performance is attributable to the cordial relations established with the respondents over years, awareness campaign and sensitization; and feedback to the respondents by way of supplying free copies of the reports.

Data Processing

Data processing was carried out using PCMS version 3, a web-based software developed by MEFMI. This activity involved data posting, generation of outputs for validation checks and cleaning for outliers.

Estimation Technique

The survey covered companies with foreign assets and/or liabilities. Dummy questionnaires were created for the non-responses involving companies falling above the threshold of USD 2 million and above. Creation of dummy questionnaires involved use of information from previous survey and other enterprises of similar size in the same sector. Companies falling below the threshold were selected using systematic random sampling. Estimation weights were used to estimate for the selected companies below the threshold. Data was then adjusted upward by 10 percent, which is the average share for Zanzibar since the report cover both Tanzania Mainland and Zanzibar.

APPENDIX II: STATISTICAL TABLES

FDI Inflows by Source Country, 2010 – 2017

USD Million

Source country/Multilateral institution	2013	2014	2015	2016	2017
United Kingdom	133.6	229.5	61.8	84.8	227.2
South Africa	437.8	222.0	82.3	-8.1	211.0
United States of America	77.0	41.5	17.4	43.6	178.8
Netherlands	341.9	18.7	127.8	171.2	85.3
Oman	0.0	0.0	3.8	4.7	35.2
Kenya	197.6	86.4	50.7	-3.3	30.1
France	27.0	38.6	97.1	15.2	27.9
Mauritius	57.3	115.2	81.4	92.2	26.3
Japan	20.6	-5.5	-5.6	5.7	26.1
Switzerland	51.8	-72.6	93.9	23.5	23.4
Togo	41.4	0.8	-7.0	-5.0	20.4
Bermuda	0.0	2.9	11.3	8.1	14.0
Jersey	-15.3	29.1	-189.6	-1.5	13.0
Germany	-2.9	12.8	27.1	23.5	12.3
Ireland	-1.0	0.0	0.0	3.5	11.0
India	18.3	8.0	10.6	10.1	10.8
Singapore	-0.1	-2.8	0.6	-0.7	9.2
Australia	0.7	16.1	11.5	-23.3	8.5
Mauritania	0.0	0.0	0.1	0.0	8.1
United Arab Emirates	121.0	50.6	8.0	-12.7	8.0
Nigeria	74.4	10.9	521.9	136.2	7.1
Canada	472.0	116.4	128.7	115.8	3.8
Bahamas	16.3	0.5	5.2	26.0	3.7
Botswana	25.1	-20.9	35.8	18.8	3.1
Denmark	-71.2	24.4	41.3	2.9	2.7
IFC	24.0	52.7	35.0	0.8	2.3
Vietnam	0.0	34.4	343.1	-131.1	1.4
Chile	0.0	0.0	0.0	0.0	1.1
British Indian Ocean Territory	0.0	0.0	0.0	0.0	0.8
Liechtenstein	3.5	0.5	0.6	0.0	0.5
Malaysia	0.2	0.1	5.1	0.3	0.4
Greece	7.1	0.4	-1.0	0.2	0.4
Turkey	0.0	0.0	0.0	0.4	0.2
Lebanon	-1.4	-1.0	0.5	0.5	0.2

Source country/Multilateral institution	2013	2014	2015	2016	2017
United Kingdom	133.6	229.5	61.8	84.8	227.2
Cote d`Ivoire	0.1	0.0	0.0	0.3	0.2
Spain	0.0	0.0	0.0	0.0	0.2
Malta	0.0	0.0	0.0	0.1	0.1
Brazil	0.4	-0.7	1.0	0.0	0.0
Seychelles	0.0	0.0	0.0	0.0	0.0
Gibraltar	0.1	0.0	0.0	3.1	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0
Egypt	-10.7	0.6	0.7	-0.5	0.0
Congo DRC	-0.2	0.0	0.0	0.0	0.0
Angola	0.0	0.0	0.0	0.0	0.0
Mozambique	0.0	-0.2	0.8	1.0	0.0
Portugal	0.0	0.0	0.0	0.0	0.0
Cameroon	0.0	0.0	0.0	0.0	0.0
International Financial Cooperation (IFC)	0.0	52.7	35.0	0.0	0.0
European Investment Bank	0.0	-1.8	7.5	0.0	0.0
Djibouti	0.0	0.0	6.0	0.0	0.0
Finland	0.0	-0.5	2.2	26.7	0.0
Senegal	0.0	2.7	1.6	0.0	0.0
Iran	1.7	4.4	1.5	-0.3	0.0
Korea - South	0.0	0.6	0.6	0.0	0.0
Iceland	2.2	0.2	0.6	0.0	0.0
Panama	-1.7	-5.5	0.6	0.0	0.0
Yemen	0.1	0.0	0.2	0.0	0.0
Italy	0.2	0.0	0.2	0.0	0.0
Europe	0.0	0.1	0.2	0.0	0.0
Israel	0.0	0.1	0.2	0.5	0.0
USA Virgin Island	0.0	0.0	0.0	0.0	0.0
Georgia	0.0	0.0	0.0	0.0	0.0
Swaziland	-0.2	4.1	0.0	1.9	0.0
South Sudan	0.0	0.0	0.0	0.4	0.0
Latvia	0.0	0.0	0.0	0.2	0.0
African Development Bank	0.0	0.2	0.0	0.0	0.0
Barbados	-40.1	0.0	0.0	0.0	0.0
Kuwait	0.0	0.0	0.0	0.0	0.0
Libya	0.7	0.0	0.0	0.0	0.0
Poland	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0
Sierra Leone	0.3	0.0	0.0	0.0	0.0
Tajikistan	0.0	2.1	0.0	0.0	0.0

Source country/Multilateral institution	2013	2014	2015	2016	2017
United Kingdom	133.6	229.5	61.8	84.8	227.2
Colombia	0.0	0.0	0.0	-0.4	0.0
Sri Lanka	0.0	0.0	0.0	0.0	0.0
American Samoa	0.0	0.0	0.0	0.0	0.0
Namibia	0.0	0.0	-0.1	0.0	0.0
British Virgin Island	0.0	2.2	-0.7	0.0	0.0
Cyprus	60.3	0.0	-6.9	0.0	0.0
World Bank	0.0	-1.8	-9.2	0.7	0.0
New Zealand	0.0	0.0	0.0	0.2	0.0
Austria	0.0	-0.3	0.3	0.0	0.0
Zimbabwe	0.0	-2.3	-5.7	-4.2	-0.2
Hungary	0.0	0.0	0.0	0.0	-0.2
Gurnesey	0.0	10.0	22.9	0.0	-0.2
Serbia	0.0	0.0	0.0	0.0	-0.2
Ethiopia	0.0	0.0	0.0	0.0	-0.3
Malawi	1.1	0.3	2.5	0.0	-0.9
Cayman Islands	2.0	12.9	-6.2	0.2	-0.9
Sweden	-0.1	-1.5	-5.2	-17.2	-1.1
Uganda	-2.2	0.4	19.5	-12.1	-1.5
Pakistan	-0.2	0.1	-0.2	-0.4	-2.5
China	2.8	2.3	28.4	20.1	-3.0
Zambia	1.7	1.3	-1.3	-1.1	-3.9
Isle of Man	0.0	-0.9	0.7	0.1	-4.3
Belgium	3.3	3.3	2.3	0.6	-38.9
Luxembourg	0.5	21.9	105.3	35.8	-44.8
Norway	5.3	349.0	-204.7	76.3	-67.5
Others	46.4	-50.0	-39.2	21.2	93.5
Grand Total	**2,130.9**	**1,416.0**	**1,560.7**	**755.4**	**937.7**

FDI Stock by Source Country, 2010 – 2017

USD Million

Source country/ Multilateral institution	2013	2014	2015	2016	2017
United Kingdom	2,471.7	2,648.4	3,231.2	2,531.1	2,727.1
South Africa	2,130.2	2,271.6	2,056.4	2,058.7	2,483.6
Norway	534.3	874.1	1,149.2	1,476.2	1,403.0
Netherlands	526.6	512.2	760.0	940.9	1,004.8
Nigeria	36.8	44.1	468.8	684.0	668.4
Mauritius	571.6	634.2	547.5	618.1	633.6
Kenya	421.8	497.1	405.0	462.5	473.0
Jersey Channel Islands	318.6	339.5	265.9	467.9	342.4
Belgium	6.4	9.0	7.2	292.2	249.1
United States of America	237.2	255.7	151.3	228.8	238.8
Russia	0.0	0.0	142.1	206.2	231.8

Source country/ Multilateral institution	2013	2014	2015	2016	2017
United Kingdom	2,471.7	2,648.4	3,231.2	2,531.1	2,727.1
United Arab Emirates	118.6	133.6	271.7	211.6	217.8
Vietnam	0.0	33.0	168.9	209.5	210.8
Switzerland	245.9	154.9	170.5	172.6	178.5
China	182.1	191.7	161.2	178.6	173.8
France	123.7	150.3	69.7	139.7	163.6
Botswana	107.1	82.9	125.1	146.8	149.0
Ireland	0.4	0.4	109.7	137.9	148.2
Bermuda	3.1	5.7	93.2	123.5	136.3
Sweden	36.0	26.3	140.6	132.7	130.8
Japan	118.3	103.7	100.9	127.7	126.0
Denmark	75.2	107.3	110.8	120.1	119.6
India	81.8	83.8	68.3	107.5	112.5
Germany	42.9	52.5	106.4	92.5	100.4
Canada	1,192.6	1,313.7	521.6	84.7	86.4
Israel	0.4	0.4	0.5	84.8	84.5
Luxembourg	292.9	289.3	86.2	129.9	82.6
Australia	293.9	302.3	170.8	70.1	76.4
Bahamas	39.5	50.9	30.7	54.1	56.2
Oman	0.0	0.0	14.4	0.6	34.9
Togo	30.9	31.8	14.3	11.8	32.4
Kuwait	0.0	0.0	0.0	19.6	28.1
IFC	2.1	52.6	19.6	27.1	28.0
British Virgin Island	84.0	82.4	0.0	21.2	21.3
Malaysia	8.5	7.8	16.5	20.6	20.3
Mauritania	0.0	0.0	0.0	11.3	18.9
Pakistan	24.5	22.4	18.2	20.8	17.5
Zimbabwe	23.7	19.9	8.8	16.1	15.4
Uganda	1.7	1.9	21.0	14.8	13.0
Panama	39.1	36.5	10.7	13.0	12.7
Singapore	11.8	8.3	1.4	3.3	12.2
Cod'Ivoire	0.0	0.0	5.4	12.3	12.1
Chile	0.0	0.0	0.0	10.3	11.0
Isle of Man	5.5	4.7	4.0	13.9	9.4
Brazil	3.4	2.8	0.0	8.7	8.3
Cayman Islands	42.7	51.1	22.1	7.9	6.8
Gibraltar	0.0	0.0	1.8	6.8	6.7
Greece	17.3	16.4	8.8	5.9	6.1
Mozambique	4.5	4.0	4.6	5.0	5.0
Leichtenstein	2.6	3.0	0.0	4.3	4.7
Zambia	8.9	9.3	5.2	7.4	3.4
Cyprus	7.7	7.7	7.7	1.6	1.6
Turkey	0.0	0.1	0.7	1.4	1.5
Lebanon	5.0	3.6	2.8	0.9	1.1

Source country/ Multilateral institution	2013	2014	2015	2016	2017
United Kingdom	2,471.7	2,648.4	3,231.2	2,531.1	2,727.1
Seychelles	0.0	0.0	0.0	1.0	1.0
Spain	0.0	0.0	0.0	0.0	1.0
Korea - North	0.1	0.1	0.0	0.9	0.9
Finland	0.0	0.0	0.0	0.7	0.3
Gurnesey	140.0	150.0	0.0	0.6	0.3
Egypt	0.0	0.6	0.3	0.3	0.3
Malta	0.0	0.0	0.0	0.1	0.2
Serbia	0.4	0.3	0.0	0.4	0.1
Indonesia	0.2	0.2	0.0	0.0	0.1
Portugal	0.0	0.1	0.0	0.1	0.1
Austria	7.0	6.1	2.9	0.0	0.0
New Zealand	2.2	2.0	0.2	0.0	0.0
Congo DRC	0.0	0.0	0.0	0.0	0.0
African Development Bank	1.1	1.3	0.0	0.0	0.0
Barbados	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0
Djibouti	0.0	0.0	0.0	0.0	0.0
Europe	0.8	0.8	0.0	0.0	0.0
European Investment Bank (EIB)	1.9	0.0	0.0	0.0	0.0
Georgia	0.0	0.0	0.0	0.0	0.0
Hungary	0.0	0.0	0.0	0.0	0.0
Iceland	0.0	0.2	0.0	0.0	0.0
Iran	4.3	8.1	8.6	0.0	0.0
Italy and Vatican City	0.9	1.9	0.0	0.0	0.0
Korea - South	3.4	3.9	0.0	0.0	0.0
Latvia	0.0	0.0	0.4	0.0	0.0
Libya	0.0	0.0	0.0	0.0	0.0
Malawi	0.8	1.0	0.0	0.9	0.0
Namibia	0.1	0.1	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0
Senegal	4.6	6.8	0.0	0.0	0.0
Sierra Leone	0.0	0.0	0.0	0.0	0.0
Somalia	0.2	0.2	0.0	0.0	0.0
South Sudan	0.0	0.0	0.0	0.0	0.0
Sri Lanka	0.0	0.0	0.0	0.0	0.0
Swaziland	0.0	5.7	24.2	0.0	0.0
Tajikistan	0.0	24.0	0.0	0.0	0.0
USA Virgin Island	0.6	0.6	0.4	0.0	0.0
World Bank	121.6	119.5	2.4	0.0	0.0
Yemen	0.8	0.8	1.1	0.0	0.0
Others	18.6	20.5	76.8	97.8	147.7
Grand Total	**10,851.4**	**11,897.3**	**12,146.8**	**12,868.6**	**13,499.5**

Tanzania Investment Centre
P. O. Box 938 Dar es Salaam
Tel: (255) - 22 - 2230000
Fax: (255) - 22 - 2118253
Website: www.tic.co.tz

Bank of Tanzania
2 Mirambo Street, 11884 DSM
Tel: (255) - 22 - 2122722-3
Fax: (255) - 22 - 2234065
Website: www.bot.go.tz

National Bureau of Statistics
P. O. Box 796 Dar es Salam
Tel: (255) - 22 - 2116328-32
Fax: (255) - 22 - 2130852
Website: www.nbs.go.tz

QUESTIONNAIRE FOR THE SURVEY OF COMPANIES WITH FOREIGN ASSETS AND LIABILITIES

QUESTIONNAIRE TYPE: PCF/C11/2018 RESEARCHER: ……...............……………………………

PART A: GENERAL INFORMATION (All respondents should complete this Part)

A1: COMPANY DETAILS:

Company name: ………………………………………………………………………………………………		
Previous name of the Company (if any):		
Date completed :*(dd /mm/ yyyy)*………………………..………………………………………...……………..		
Company Address: P.O. Box ………………..………………………………………………....……..…………..….. Tel: ………………….…… Fax: ……..……. E-mail: ………...………….. Website: ……………….…………..……		
District: ……….......…..………	Area: ……………	Street/Plot: …………………………………………….
Date of Establishment: ………………………………		Date of Commencing operations
Particulars of the person completing this questionnaire: Name: ……………………………....……………….. Position: …………………………………………………….. Mob: ………………………………… E-mail: ……...………………………………………………………...………		
Particulars of an alternative person to be contacted: Name: ……………………..…….....…….. Position: ………………………………………………………..…….. Mob: …………………………………...…… E-mail: …………………………………………………………….…….		

A2: COMPANY AFFILIATES:

2.1 Does your company have any subsidiaries[1] within Tanzania? ☐ Yes ☐ No

2.2 If yes, are you supplying consolidated information for all the companies within the group?

2.3 If no, please fill separate questionnaires for each individual Company in the group.

A3: Acknowledgement of Receipt of questionnaire

<table>
<tr><td colspan="3">I, ______________________________ of ______________________________
(enter name of recipient) (enter name of company)

acknowledge receipt of the survey questionnaire.</td></tr>
<tr><td>Title:</td><td colspan="2"></td></tr>
<tr><td>Tel/Mobile No:</td><td colspan="2"></td></tr>
<tr><td>Signature:</td><td colspan="2"></td></tr>
<tr><td>Date:</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Researcher:</td><td colspan="2">Name:</td></tr>
<tr><td colspan="2">Mob:</td></tr>
</table>

NB: Copy of this page to be retained by the researcher.

1 A subsidiary is an enterprise whose more than 50% of voting right is controlled by another enterprise.

A4: IMPORTANT NOTICE (PLEASE READ THIS FIRST)

Purpose of survey

This questionnaire collects information on investments in your company (group) operating in Tanzania. This information will be used by the Bank of Tanzania (BOT), National Bureau of Statistics (NBS) and the Tanzania Investment Centre (TIC) for Balance of Payments and National Accounts compilation, investment promotion as well as for policy formulation and review.

Focus

You are required to complete this questionnaire from the point of view of your transactions as an investor with foreign assets and liabilities in Tanzania regardless of your nationality or registration with TIC. Please supply copies of your audited financial statements for 2017**.** Where audited accounts are not ready, *unaudited figures are acceptable for this purpose*. We would rather have your best estimates than nothing.

Inapplicable questions

Please do not leave blank spaces even where a question does not apply to you. *Please, enter **"N/A"** in the appropriate box, or at the start of the question*.

Due Date

Please complete this questionnaire within one week after its receipt and keep the 'Respondent Copy' for your reference.

Collection Authority and Confidentiality

Completion of this questionnaire is compulsory under **Tanzania Investment Act of 1997,** section 6(b); the **National Bureau of Statistics Act of 2015,** section 30 sub-sections (1), (2) and (3) and **Bank of Tanzania Act of 2006,** section 57. Failure to comply could result into legal action against your company.

The collected information will be published in aggregated form and shall be used for statistical purposes only. You are therefore assured that data for individual companies will not be made available to anyone outside BOT, TIC or NBS. A researcher failing to comply with confidentiality clause will face disciplinary action including summary dismissal in accordance with the Acts establishing these institutions.

Help Available

In case you encounter any problems in completing this questionnaire, please contact any of the following:

NBS V. Tesha (255) 713 415146) National Bureau of Statistics Tel: (255) - 22 - 2122722-3 Fax: (255) - 22 - 2130852	BOT P. Mboya (255) 754 527528 Bank of Tanzania Tel: (255) - 22 - 2233287 Fax: (255) - 22 - 2234065	TIC B. Maro (255) 713/622 660550 Tanzania Investment Centre Tel: (255) - 22 - 2116328-32 Fax: (255) - 22 - 2118253

THANK YOU IN ADVANCE FOR YOUR COOPERATION

SELECTED DEFINITIONS AND GUIDELINES

Residency: A company is a resident enterprise if it has been operating (or intends to operate) in the reporting economy for a year or more, regardless of its nationality. Non-resident individuals or enterprises constitute the rest of the world if they have lived or operated (or intend to live or operate) outside the reporting economy for a year or more (even if they hold nationality of the reporting economy). A special case of residency: international organisations

An enterprise is in a direct investment relationship with a ***Direct Investor (DI)***; if the investment is from a non-resident enterprise or individual that directly holds 10% or more of its equity or voting rights.

An enterprise is in a direct investment relationship with a ***Direct Investment Entity (DIE***); if the investment is from its non-resident subsidiary or associate enterprise that directly holds 10% or more of its equity or voting rights (Reverse investment).

An enterprise is in a direct investment relationship with a ***Fellow Enterprise (FE)***; if the investment is from a non-resident enterprise that directly holds less than 10% of its equity but also has the same direct investor. The two enterprises must have the same controlling parent company to be fellows irrespective of the parent's residency.

Foreign Portfolio Equity Investment (FPEI) represents equity investment in a company accounting for less than ten percent (10%) of that company's ordinary shares or voting rights and it's tradable.

Investment Fund Shares (IFS) are collective investment undertakings through which investors pool funds for investment in financial and/or non-financial assets. Investment funds include money market funds (MMF) and non-MMF investment funds.

Other investment relationship (Other) in this document refers to equity investment of less than 10% that is not tradable or borrowing/lending to non-affiliates.

Non-Affiliates (Non-related enterprises) are entities with which your enterprise has no equity, voting rights or equivalent and don't share a common parent

Life & Non-life Insurance Technical Reserves- consist of the reserves for unearned insurance premiums, which are prepayment of premiums and reserves against outstanding insurance claims, which are amounts identified by insurance corporations to cover what they expect to pay out arising from events that have occurred but for which the claims are not yet settled.

Pension Entitlements/Claims show the extent of financial claims both existing and future pensioners hold against either their employer or a fund designated by the employer to pay pensions earned as part of a compensation agreement between the employer and employee.

Standardised Guarantee are those guarantees that are not provided by means of a financial derivative (such as credit default swaps), but for which the probability of default can be well established. These Guarantees cover similar types of credit risk for a large number of cases *e.g.* include guarantees issued by governments on export credit or student loans.

A5: INDUSTRIAL CLASSIFICATION

Please indicate the sectors of economic activity of your company and its subsidiaries based on total investments.

Sector/Industrial Classification	Description of the economic activity	Estimated percentage contribution to company's total investment
1.		
2.		
3.		
4.		
5.		

A6: SHAREHOLDING STRUCTURE

Source Country / Multilateral Organization	Shareholders name	Percentage Shareholding		Relationship: DI, FE, FPEI, Other, IFS and Resident
		2016	2017	
1.				
2.				
3.				
4.				
5.				

PART B: EQUITY INVESTMENT IN YOUR COMPANY

Please report all values in TZS or USD and in full units (e.g. ten million units as 10,000,000 and **NOT** 10m)

Currency used (*ticks the relevant currency and refer to a table of exchange rates in the last page*): **TZS** ☐ **USD** ☐

B1. DIRECT INVESTMENT

TABLE B1: EQUITY & INVESTMENT FUND SHARES BY NON-RESEDENTS

Equity Type	A Closing Balance December 31, 2016	B Purchase/ Increase in 2017	C Sales/ Decrease in 2017	D Official Use Only 'Other' Changes due to change in D1 + D2 + D3 = E -(A + B - C)			E Closing Balance 31 Dec 2017
				D1 Price	D2 Exchange rate	D3 Volume	
Paid-up Share Capital							
Share Premium							
Reserves(Capital, Statutory, revaluation, & Other**)**							
Other Equity (e.g. Equity Debt Swaps, Shareholders Deposits)							
Accumulated Retained Earnings/ Loss							

TABLE B2: PROFITS, DIVIDENDS, RETAINED EARNINGS AND HOLDING GAINS.

A Net Profit (or Loss) After Tax in 2017	B Dividends Declared in 2017	C Dividends Paid/Profits Remitted in 2017	D Official Use Only Retained Earnings in 2017 = (A- B)

PART C: NON-EQUITY INVESTMENTS IN YOUR COMPANY

TABLE C1: NON EQUITY LIABILITIES.

Type of loan	Source Country /Multilateral organisation	Relationships: DI, FE, Other	Original Maturity LT-12months or more ST-Less than 12 months (Indicate LT or ST)	A Closing Balance December 31, 2016 (Including accrued interest not paid)	B Amount received in 2017	C Principal Repayment In 2017	D Official Use Only 'Other' changes due to change in D1+D2+D3=E-(A+B-C)			E Closing Balance 31 Dec 2017 (Including accrued interest not paid)	G Interest Paid in 2017
							D1 Price	D2 Exchange rate	D3 Volume		
Loans (*Including Financial Leases, Repos*)											
Debt securities (*Including Money Market Instruments, Bonds and notes*).											
Suppliers/ Trade Credits & Advances											
Life & Non-Life Insurance Technical Reserves											
Pension Entitlements/ Claims											
Other Accounts Payable											

PART D: INFORMATION RELATING TO FOREIGN AFILLIATES TRADE STATISTICS

S/N	Item description	2016	2017
1	Opening stock (*inventory*)		
2	Closing stock(*inventory*)		
3	Operating expenditure		
4	Sales/turnover		
5	Gross output (sales + closing stock - opening stock)		
6	Value added (sales - operating expenditure)		
7	Tax on income		
8	Total assets		
9	Total liabilities		
10	Net worth (asset - liabilities)		
11	Total number of employees		
12	o/w Professionals (with advanced diploma and above)		
13	o/w Non-professionals (ordinary diploma and below)		

TABLE C2: EXCHANGE RATES (TZS/USD)

	2016	2017
End of period	2,172.6	2,230.07
Annual average	2,177.1	2,228.86

PART E: INFORMATION ON CONSTRUCTION SERVICES

(Applicable for construction companies only)

Please read the following information about International Services (Construction services)

Introduction: This form is for only construction companies operating in Tanzania. This form collects information on the transactions in construction services of the enterprise and its Tanzania subsidiaries with non-residents.

International construction services cover creation, renovations, repairs or extension of fixed assets in the form of buildings, land improvements of an engineering nature and other engineering construction works such as roads, bridges, dams etc. Also included are related installation and assembly work, site preparations and specialized services such as painting, plumbing and demolition works. It also includes management of construction projects.

For Balance of Payments purposes, the constructions services between your entity and non-residents should be of a short-term nature not exceeding one year. This would comprise mainly of subcontracted construction works or tenders for works that do not require the establishment of a branch by the non-resident construction company providing the services to residents or the resident construction company providing services to non-residents abroad.

International Construction Services.

S/No	Particular of Services	Currency	Value	Country
1.	**Construction abroad**			
	a.1 Construction work for non-residents by enterprises resident in Tanzania (earnings).			
	a.2. Goods and services acquired from the economy in which the construction activity is being undertaken by these enterprises (expenses).			
2.	**Construction in the compiling economy**			
	b.1 Construction work for residents of Tanzania by non-resident construction enterprises (expenses).			
	b.2 Goods and services acquired in Tanzania by these non-resident construction enterprises (earnings).			
	Payments of salaries and wages to hired temporary (on contract for less than one year) foreign nationals.			




FOR MORE INFORMATION, PLEASE VISIT OUR WEBSITES

TIC
www.tic.co.tz

BOT
www.bot.go.tz

NBS
www.nbs.go.tz