

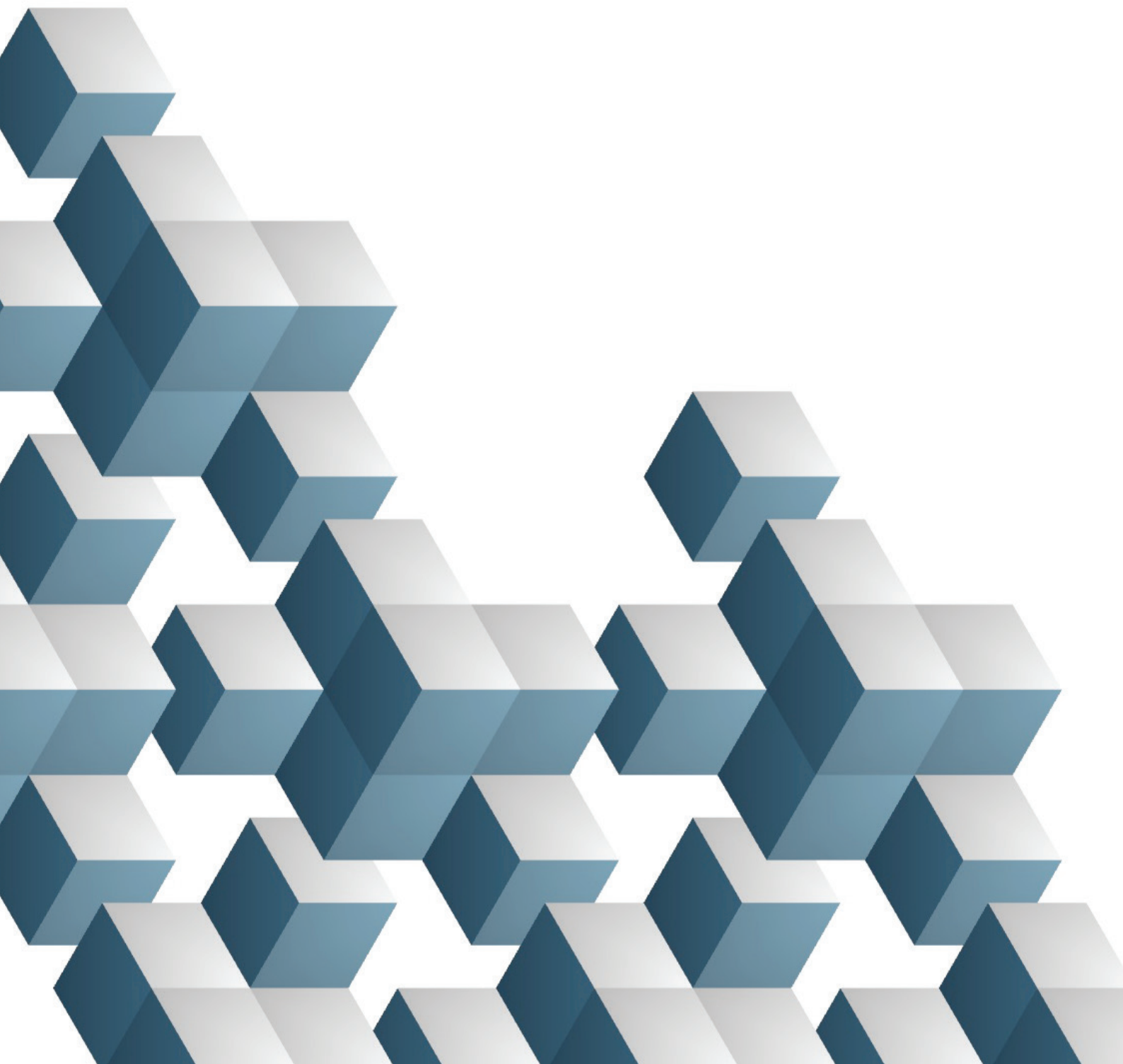


UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



Tanzania Investor Survey Report

Understanding the impact of domestic and foreign direct investment



INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

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This document is the result of a collaborative effort between the Tanzania Investment Centre (TIC) and the United Nations Industrial Development Organization (UNIDO).

All analysis, calculations and illustrations of results were prepared by UNIDO, unless otherwise noted.

This document has not been formally edited.

Foreword from the Tanzania Investment Centre (TIC)

This report is an outcome of the ongoing collaboration established between the United Nations Industrial Development Organization (UNIDO) and the Tanzania Investment Centre (TIC) which led to the organization of several joint activities aimed to explore the use of the UNIDO Investor Survey to identify areas for further research and analysis pertaining to the main topic of foreign direct investment (FDI) impact in the United Republic of Tanzania.

The main objective of the Report is to analyse the impact of foreign and domestic investment in the Tanzanian economy through the employment effect, the trade impact and the expected determinant role in productivity performance. This Report and the underlying UNIDO Investor Survey database constitute a very useful resource and input to the Tanzania Investment Centre and certainly improve our investment promotion and monitoring role with existing and prospective foreign investors. It covers crucial analysis on how foreign investment can trigger investment by domestic firms through technology and knowledge and other spillover effects. Studies conducted in Tanzania and elsewhere have shown that domestic investors account for the lion's share of capital formation in developing economies. This group of investors should therefore be encouraged through the award of appropriate incentives to enable them to contribute to investment and industrialization growth in Tanzania.

Clearly, a vibrant domestic investor regime is indeed a catalyst for attracting FDI and this study impressively underscores that the path of TIC towards a holistic investment promotion approach has yielded and is likely to continue to yield good results in the future. Investor Surveys such as the one conducted in 2011 by UNIDO and which forms the basis of this Report, create an important "hearing device" whereby the private sector is heard to influence strategy design of TIC as well as its policy advocacy role with government.

I wish to express my gratitude to UNIDO for supporting TIC for many years and it is my hope that this partnership will be further continued and expanded.



Juliet R. Kairuki
Executive Director
Tanzania Investment Centre

Foreword from UNIDO Managing Director, PTC

In its Lima Declaration of December 2013, the United Nations Industrial Development Organization reinforced its mandate to promote industrial and sustainable development which supports developing countries to fully harness the benefits of globalization.

One aspect of globalization is related to the volume and quality of foreign direct investment directed to developing countries. Investment is made by investors and investors require sound information basis from which to take decisions to define a growth trajectory of the firm and to uplift the firm to the next productivity and technology levels. The absence of reliable information increases risk perception and transaction costs and may inhibit the realization of much-needed investments.

It is against this backdrop that UNIDO has partnered with the Ministry of Industry and Trade (MIT) and the Tanzania Investment Centre (TIC) to provide a reliable information basis from which investment promotion stakeholders can define new strategies or review existing strategies in terms of their efficacy to generate new investment. This is the first report for the United Republic of Tanzania which extensively draws on the UNIDO Investor Survey conducted in 2011 database. It sheds new light on enterprise performance (both foreign and domestic) and maintains focus on the quantitative and qualitative impact of FDI, also as a result of technology and knowledge transfer from foreign to domestic enterprises. It makes an important contribution by evaluating the mechanisms and rationale for the provision of investment incentives to FDI projects and how incentives are then linked to actual enterprise performance.

It is my hope that this report will be a useful source of information for policy makers, the private sector, development partners, research institutions and academia as well as the general public.



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