TANZANIA INVESTMENT REPORT 2012

FOREIGN PRIVATE INVESTMENT AND INVESTOR PERCEPTION

ABBREVIATIONS AND ACRONYMS

BOP	Balance of Payments
BOT	Bank of Tanzania
BPM5	Balance of Payments Manual, 5th Edition – IMF
BPM6	Balance of Payments Manual, 6th Edition – IMF
CSR	Corporate Social Responsibility
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
EADB	East African Development Bank
EIB	European Investment Bank
EU	European Union
FDI	Foreign Direct Investment
FPI	Foreign Private Investment
GDDS	General Data Dissemination Standards
GDP	Gross Domestic Product
IFC	International Finance Corporation
IIP	International Investment Position
IMF	International Monetary Fund
M&A	Mergers and Acquisitions
NBS	National Bureau of Statistics
OCGS	Office of the Chief Government Statistician
OECD	Organization for Economic Co-operation and Development
PSED	Private Sector External Debt
SADC	Southern African Development Community
TIC	Tanzania Investment Centre
TNCs	Transnational Corporations
UK	United Kingdom
USA	United States of America
UNCTAD	United Nations Conference on Trade and Development
URT	United Republic of Tanzania
USD	United States Dollar
WIR	World Investment Report
ZIPA	Zanzibar Investment Promotion Authority

PREFACE

This report is an outcome of surveys on foreign assets and liabilities carried out in Tanzania, in 2010 and 2012 to cover information for the period of 2008 through 2011.

The main objective of the surveys is to monitor the inflows of foreign private investment (FPI) to the country. The results are used to assess the impact of FPI on the economy and update the country's Balance of Payments (BOP) and International Investment Position (IIP). In addition, the information collected is used as input in the design of investment promotion and facilitation strategies, as well as macroeconomic policy reviews and formulation. The report presents the sources, magnitude, composition, and direction of FPI flows into the country. It also provides assessment of investors' perception about the country's investment climate, linkages with the domestic economy and issues related to corporate social responsibility.

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

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2013

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This report was prepared under the leadership of Prof. Benno Ndulu, the chairman of the Executive Committee of the Private Capital flows Surveys. The other members of the Executive Committee were the acting Executive Director, Tanzania Investment Centre, Raymond Mbilinyi and the Director General, National Bureau of Statistics, Dr. Albina A. Chuwa,

The overall supervision of the Survey was carried out by Steering Committee consisting of Dr. Joseph L. Masawe (Director of Economic Research and Policy – BOT), Mr. John Kyaruzi (Director of Research and Information System – TIC) and Mr. Morrice Oyuke (Director of Economic Statistics – NBS).

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Rationale

Foreign private investments (FPI) particularly in the form of foreign direct investment (FDI) has, in the recent past become an important source of financing new investments especially in emerging and developing countries. This type of financing is welcome and, indeed, actively sought by virtually all emerging and developing countries. The contribution that FDI makes to country's economic development and integration into the world economy is widely recognized. For this reason Tanzania has made considerable efforts over the past three decades to improve investment climate with a view to attracting more FDI. In this regard, major policy and structural reforms were carried out since the mid-1980s targeting at improving business and investment environment in the country. These efforts have resulted into an increase in the inflow of FDI into the country in the recent years.

The increase in FDI inflows has brought in the need to monitor them with a view to ascertaining their magnitude, type and composition. In response, monitoring exercise was initiated in 2000, by conducting a pilot survey followed by a census and ultimately the first Tanzania Investment Report of 2001 (TIR01).

In 2003, the second census was carried out followed by three sample surveys. The census and the three consecutive sample surveys resulted into the publication of Tanzania Investment Reports of 2004, 2006 and 2009. The Tanzania Investment Report of 2009 contained the results for surveys that were respectively carried out in 2007 and 2009.

The current Tanzania Investment Report of 2012 contains results of census and sample survey conducted in 2010 and 2012, respectively.

Objectives

The main objective of conducting the study is to monitor foreign private investments and consolidate the gains and lessons obtained from previous surveys. The specific objectives of the survey were to:

i. Collect and analyze data on foreign private investment for 2008-2011 in order to develop a basis for development of investment promotion strategies, improve BOP statistics and establish international investment position (IIP);

ii. Enhance public-private sector dialogue through capturing private sector perceptions on Tanzania's investment climate and report results of the analysis to stakeholders for their information and decision making; and

iii. Recommend appropriate investment policies and strategies aimed at improving the country's investment climate.

Response Rate

In Tanzania Mainland, the census that was conducted in 2010 involved a population of 2,055 companies of which 1,848 (90.0 percent) were visited and the rest were not found because of various reasons including change of address and/or location, change of name, closure, merger, and becoming dormant or going under. Out of the visited companies 1,555 questionnaires (84.0 percent) were collected from the companies of which 680 (44.0 percent) were foreign companies and 875 (56.0 percent) were local companies. The 16.0 percent of the questionnaires that could not be collected were from companies that could not be located because they had been either liquidated, fallen dormant, closed or had re-located to other regions. In this regard, the response rate for Tanzania Mainland was 84.1 percent. In Tanzania Zanzibar, the census conducted in 2010 involved a distribution of questionnaires to a population of 208 foreign companies of which 206 questionnaires were collected. The response rate for Zanzibar was 99.0 percent. Therefore, on average the response rate for the census in both Tanzania Mainland and Zanzibar was 85.7 percent.

In Tanzania Mainland, a sample survey was conducted in 2012 involving 350 companies of which 299 (85.4 percent) questionnaires were collected. In Tanzania Zanzibar, another census was conducted in 2012 involving 380 companies of which 340 (89.5 percent) of the questionnaires were collected. Therefore, the overall response rate for both Tanzania Mainland and Zanzibar was 87.5 percent.

Main Findings from the Survey

...foreign private investments maintained strong growth

The survey findings indicate that the stock of foreign investments rose at an annual average rate of 10.3 percent to USD 10,393.2 million in 2011 from the amount recorded in 2008. FDI continued to dominate foreign private investment accounting for 89.3 percent of total stock in 2011, followed by other investments that accounted for 10.6 percent of the total. The stock of portfolio investments continued to be small.

...FDI inflows exhibited a mixed trend amid the global financial crisis

FDI inflows bounced back in 2010 from a sharp decrease recorded in 2009. The decline in 2009 was a result of fall in the global flows as the impact of global financial crisis deepened. Moreover, the inflows declined by almost 31.1 percent in 2011 following high repayment of short and long term loans. The inflows averaged USD 1,344.6 million per annum during the review period and accounted for 94 percent of the total foreign investment inflows.

...financing of FDI inflows changed from debt to retained earnings

The survey results indicated that FDI was mainly financed by retained earnings since 2009, which contrasts with the previous years when loans were the major source of financing. In 2011, for instance, almost 100 percent of the inflows were in the form of retained earnings. This significant shift is consistent with high levels of profits realised. It also gives an indication of increase in investors' confidence and expansion of investment opportunities in the country.

...electricity and gas activities received substantial inflows

Electricity and gas activity, which received less than USD 3.0 million in 2008 and 2009, experienced a sharp increase to USD 290.5 million in 2010 and USD 209.4 million in 2011.

...inflows to the agriculture remained sluggish

Agriculture, which accounts for the largest share of GDP continued to record low levels of FDI. Despite the increase in the inflows to this activity by nearly 50 percent between 2008 and 2011, the annual inflows to this activity were lower than that of traditional recipients namely: mining and quarrying, manufacturing, finance and insurance; and information and communication.

...few countries continued to be dominant as major sources

South Africa, the United Kingdom and Canada accounted for an average of 71.5 percent of the total FDI inflows to Tanzania between 2008 and 2011. Similar pattern was observed in the period before 2008 implying that the sources of FDI inflows remained inadequately diversified thus, exposing the country to risks originating from external shocks.

...private sector external debt was characterized by high repayments

In 2011, there were higher repayments relative to disbursements making a net outflow of USD 323.3 million to affiliates relative to a net inflow of USD 99.9 million received from non-affiliates. It is important to note that loans from affiliates constituted large share of private sector external debt (PSED) during the period under review.

...portfolio investments remained small

The share of portfolio investments remained negligible as it accounted for less than one percent of the total foreign investment inflows during the review period. This is due to the low level of development of the capital market which is characterised by a small number of market participants (listed companies and investors), inadequate tradable securities and restrictions on capital account transactions.

...manufacturing, mining finance and insurance activities recorded higher profits

The survey findings reveal that the overall net profits after tax increased consistently at an annual average rate of 79.3 percent form 2009 to 2011. The highest increase was recorded in 2011 when net profits after tax more than doubled from USD 679.0 million in 2010 to USD 1,492.7 million. Most of the increase in profits in 2011 occurred in mining and quarrying consistent with favourable developments in the price of gold in the world market that year. An average of about 82.5 percent of the net profits after tax was reinvested during the period covered. Highest profits were recorded in manufacturing, mining, finance and insurance activities.

...employment level under FDI related companies increase marginally

The survey findings indicate that total employment for the surveyed entities was 83,879 in 2009, compared to 83,473 recorded in 2008. The average total employment between 2008 and 2009 stood at 83,676 of which, 94.1 percent of the employees were local and 5.9 percent were foreign. While mining and quarrying had the largest stock of foreign investment it ranked fifth in employment. Meanwhile, agriculture which ranked seventh in foreign investment was the second largest employer. In every category of employment, locals exceeded foreigners, but the largest concentration of locals was in the skilled and unskilled categories where they accounted for 97.1 percent and 97.9 percent, respectively.

...supply and reliability of electricity remained a challenge

During the survey, investors indicated that there was a general improvement in investment climate in the country relative to the period when they commenced business operations. Banking, telecommunication, immigration, air and inland transport services were perceived by the investors to have positive effects on their business operation at the time of the survey. These findings are consistent with the findings that large proportion of respondents had intention to expand businesses in the medium-term However, about 60 percent of responding companies mentioned supply and reliability of electricity as issues of concern to their businesses.

...cost of telecommunications rated positive by most sectors

About 75 percent of the responding companies, particularly in education, real estate, information and communications, construction, accommodation, finance and insurance indicated positive effects of telecommunications on business activities during the start of operations. Likewise, about 80 percent of the companies indicated positive effect of cost of telecommunications at the time of the survey.

...banking services rated positive by most sectors

The analysis of the effects of banking services by activity revealed that banking services were rated positively at the start of business operation by most of enterprises with the highest positive impact being registered in activities related to information and communications, followed by construction, real estate, mining and quarrying, in that order. On the other hand, the highest impact of the negative effects of banking services were felt in electricity followed by administrative and support activities. Likewise, at the time when the census was conducted most of the respondents indicated that the banking services impacted their business operations positively.

...manufacturing led in contributing toward corporate social responsibility

Analysis of corporate social responsibility (CSR) by activity showed that manufacturing had the highest contribution compared to the other activities in 2009, as it accounted for about 26.7 percent (about USD 3.0 million) of surveyed companies The wholesale and retail trade industry was second contributor to CSR as it accounted for 21.2 percent (USD 2.4 million)of total CSR in 2009 by surveyed companies The other activities with high amount spent on CSR in 2009 included finance and insurance (USD 1.4 million), and health (USD 1.1 million). Relatively lower amounts were spent by transport industry that spent USD 0.2 million on CSR and mining and quarrying that spent about USD 0.1 million.

...most of the companies had plans to expand their businesses in Tanzania

The findings showed that 75.7 percent of the surveyed companies were planning to expand their businesses in the next three years. However, 19.9 percent of the respondents were planning to maintain the same level of investment while the remaining 4.4 percent would scale down investments in Tanzania in the next three years.

Recommendations

i. To consolidate the growth momentum of the private capital flows, the efforts to improve investment climate and to promote strategic investment need to be enhanced. This is necessary also to enable investors to generate higher returns and encourage reinvestment. Such measures include reducing the cost of doing business, expanding investment opportunities and promoting diversification of investments.

ii. Following the sharp increase in inflows to electricity and gas, the on-going initiatives to put in place policy and regulatory framework for governing the electricity and gas activities need to be expedited in order to provide guidance and ensure adequate benefits to the country.

iii. Efforts to make agriculture more attractive to investors need to be stepped up in order to boost inflows to agriculture, which have so far remained low compared to traditional recipients. Such efforts include investments in rural infrastructure, irrigation schemes, rural electrification to facilitate agro processing and the countrywide land mapping and categorization.

iv. To diversify the sources of capital flows, promotional efforts need to be enhanced in other regions such as Asia and Latin America. This will help to reduce risks emanating from external shocks.

v. Locally-owned companies need to be encouraged to list in the stock exchange in order to tap up more resources from the international markets. In addition, there is a need to expedite the on-going initiatives to liberalize the capital account. This can be done through fast tracking of legal and institutional reforms in the capital markets and securities authority, demutualization of DSE and encouraging private sector run stock exchanges, provision of incentives to listed companies and investors, and implementation of the roadmap on capital account liberalization designed under the EAC framework.

vi. The ongoing initiatives in electricity and gas industry need to be kept on track in order to sustainably address the problem of availability, reliability and affordability of electricity.

vii. The implementation of the skills localization policy need to be strengthen, for instance through establishment of skills programs that will be aligned with skills required by investors with a view to speeding up the transfer of skills to locals.

CHAPTER 1

OVERVIEW OF TRENDS AND PROSPECTS OF FOREIGN PRIVATE INVESTMENTS

1.0 Introduction

This chapter presents an overview of the performance of the global FDI flows during the period of global financial crisis and its aftermath (2008 – 2011). The chapter covers global and Africa FDI trends as well as distribution by region and activity. It also examines Tanzania's FDI trends and provides an assessment of the country's FDI related macroeconomic performance for past five years.

1.1 Global FDI Trends

1.1.1 Overview

The *World Investment Report (WIR, 2013)*, shows that the global FDI flows declined by 38.1 percent to USD 2,366.3 billion in 2009 compared to the amount recorded in 2008 following the global financial crisis. Afterwards the flows rose to USD 2,913.5 billion in 2010 and further to USD 3,329.5 billion in 2011. Despite the increase, the flows still remained some 23 percent below the 2007 peak. In terms of inflows, FDI dropped in 2009 and then picked up gradually in 2010 as the global economy recovered from the financial crisis (**Table 1.1**).

The previous report had predicted slower FDI growth in 2012 largely due to slow down in the cross-border mergers and acquisitions (M&As) and Greenfield investments in the first five months of 2012. However, the longer-term projections indicate a moderate but steady rise, with global FDI reaching USD 1,800 billion in 2013 and USD 1,900 billion in 2014, barring any macroeconomic shocks (WIR, 2012).

Table 1.1: Global FDI flows, 2005 – 2011

(USD Million)

FDI flows	2005	2006	2007	2008	2009	2010	2011
Total	**1,864,725**	**2,878,445**	**4,274,744**	**3,821,730**	**2,366,251**	**2,913,465**	**3,329,546**
FDI inflows	982,593	1,463,351	2,002,695	1,816,398	1,216,475	1,408,537	1,651,511
FDI outflows	882,132	1,415,094	2,272,049	2,005,332	1,149,776	1,504,928	1,678,035
Change in FDI flows (%)	-	54.4	48.5	-10.6	-38.1	23.1	14.3

Source: World Investment Report, 2013

The good performance in FDI flows in 2011 was experienced across all major economic groupings, namely advanced; developing and transition economies. Flows to developed economies increased by 21 percent during the year reaching USD 748 billion, while in the developing economies the flows increased by 11 percent, reaching a record USD 684 billion. Flows to transition economies grew at a much higher rate of 25 percent reaching USD 92 billion during the period.

The recent recovery in FDI inflows in developed economies is a response to the measures adopted such as restructuring of the banking industry that resulted in divestment of foreign assets as well as generation of new FDIs as assets changed hands among major players. The downward trend in outward FDI from developed countries that was observed up to 2009 turned around to an increase in 2010 and 2011. The reversal was mainly on account of higher values recorded under M&As, facilitated by stronger balance sheets of the transnational corporations (TNCs) and historic low rates of debt financing.

The performance of FDI flows did not match the global industrial output and trade, which bounced back to pre-crisis levels. However, FDI flows to Africa, West Asia, least developed countries, landlocked developing countries and small-island developing states all declined during the period, largely due to perceived risks and regulatory uncertainty in a fragile world economy (WIR, 2012). At the same time, growth in FDI inflows was remarkable in major emerging regions, such as East and South-East Asia and Latin America. The growth of FDI during the period under review resulted into high global production that generated value-added of approximately USD 16.0 trillion in 2010, representing a quarter of global GDP.

1.1.2 Sectoral Distribution of FDI Flows

According to the WIR (2011), FDI in services sector (business services, finance, transport and communications and utilities), and the financial industry declined in 2010. The share of manufacturing activity rose to almost half of all FDI projects except for business-cycle-sensitive industries such as metal and electronics. The food, beverages and tobacco, textiles and garments, and automobile industries recovered in 2010 but the mining and quarrying industries registered a decline compared to the growth recorded during the crisis. Likewise the chemical industry (including pharmaceuticals) remained resilient in attracting FDIs throughout the crisis period.

1.1.3 Regional Distribution of Global FDI Flows

FDI increased across advanced, developing and transition economies in 2010 and 2011 compared to 2008 and 2009 reflecting recovery from the global financial crisis. Flows to developed economies increased by 21 percent during 2011 to reach USD 748 billion, while in developing economies the flows grew by 11 percent, reaching a record level of USD 684 billion. Flows to transition economies increased by 25 percent to USD 92 billion. Developing and transition economies accounted for 45 percent and 6 percent of the global FDI, respectively in 2011.

Both FDI inflows and outflows in the developing and transition economies increased in 2010 compared to the recession in 2009. Outflows increased by 21 percent in 2010 accounting for 29 percent of global FDI outflows. Foreign investors are increasingly investing in both efficiency and market-seeking ventures in these economies to respond to the shift in the international production and consumption. As a result, these economies absorbed more than half of global FDI inflows in 2010 mostly from other developing and transition economies through South-South cooperation. The distribution of FDI flows to the developing and transition economies during the period was, however, uneven with some significant regional differences. There were declines in FDI inflows to some of the poorest regions particularly sub-Saharan Africa, least developed countries, landlocked developing countries, small-island developing states and South Asia. At the same time, the rise of FDIs was strong in major emerging regions, such as East and South-East Asia and Latin America.

Total FDI inflows to East Asia, South-East Asia and South Asia region rose by 30.8 percent in 2010 compared to 2009 reaching USD 325.8 billion and further to USD 374.4 billion in 2011 (WIR, 2012). The increase was influenced by high inflows to China and India. However, increase in inflows was not uniform across the region. While the inflows to major ASEAN economies such as Indonesia, Malaysia and Singapore more than doubled, those to East Asia rose by 17 percent, and to South Asia declined by one-fourth. During 2010, FDI inflows in West Asia fell by 12 percent and likewise, FDI outflows from the region—mainly driven by government-controlled entities—also declined by 51 percent in 2010.

WIR (2012) shows that FDI flows to Latin America and the Caribbean increased by 27 percent in 2011 compared to 13 percent during 2010. The consistent rise in FDI flows was mostly registered in South America (over 50 percent) particularly Brazil. On the other hand, FDI outflows from these economies increased by 67 percent in 2010, mostly due to large cross-border M&A purchases by Brazilian and Mexican TNCs.

1.1.4 Prospect of Global FDI Flows

The global efforts towards the reform of the financial system and the exit strategies pursued by governments are likely to have positive effects on FDI flows into the financial industry in the coming years. Estimates in the WIR 2012 indicate that the global FDI will continue with its recovery trend to its pre-crisis level in 2012. In the first quarter of 2011, FDI inflows rose compared to the same period of 2010, although this level was lower than the last quarter of 2010. The flows are expected to rise further to USD 1.7 trillion in 2012 and reach USD 1.9 trillion in 2013. This positive scenario holds, barring any unexpected global economic shocks that may arise from a number of risk factors still at play. In addition, support measures by governments of the developed economies during the crisis period as well as the record cash holdings of TNCs, on-going corporate and industrial restructuring, rising stock market valuations and gradual exits by States from financial and non-financial firms' shareholdings are expected to create new investment opportunities for companies across the globe. Hence, more FDI flows are anticipated as economic recovery continues.

1.2 Africa FDI Trends

1.2.1 Overview

The share of Africa's FDI in total inflows to developing economies for the past three years was 7.8 percent on average. The inflows to the region declined from USD 52.6 billion in 2009 to USD 43.1 billion in 2010 and to USD 42.7 in 2011. However, the inflows to sub-Saharan Africa recovered from USD 29.5 billion in 2010 to USD 36.9 billion in 2011. Africa's share in total global FDI inflows fell consistently during the period covered by the survey.

FDI to primary sectors, especially oil industry continued to dominate FDI flows to the continent. While Ghana has emerged as a major host country, Angola and Nigeria have experienced a significant decline in FDI flows. Although the continuing pursuit of natural resources, in particular by Asian TNCs, is likely to sustain FDI inflows to sub-Saharan Africa, political uncertainty in North Africa is likely to make 2012 another challenging year for the continent as a whole.

1.2.2 Regional Distribution of Africa FDI Flows

Inflows to Africa, which peaked in 2008 amidst the resource boom, continued with downward trend in 2010 through 2011, although there were significant sub-regional variations. Other developing regions outside Africa performed considerably better, causing Africa's share of FDI inflows among developing countries to fall from 4.4 percent in 2009 to 3.3 percent in 2010 and further down to 2.8 percent in 2011.

Inflows to North Africa halved to USD 7.7 billion during 2011 accounting for roughly one-third of the total in Africa (**Table 1.2**). The major recipients in the region were Libya and Egypt. In West Africa, Ghana registered significant FDI inflows as it is considered an alternative sub-regional source of oil to Nigeria following oil discovery in recent years. Ghana and Nigeria combined accounted for three quarters of the sub-region's FDI inflows. However, the region as a whole recorded a downward trend as a result of political instability in some countries.

Table 1.2: Africa's FDI Flows 2008 – 2011

(USD Billion)

Region	FDI inflows				FDI outflows			
	2008	2009	2010	2011	2008	2009	2010	2011
Africa	**57.8**	**52.7**	**43.1**	**42.7**	**7.9**	**3.2**	**7.0**	**3.5**
North Africa	23.1	18.2	15.7	7.7	8.8	2.6	4.9	1.8
East Africa	4.2	3.8	3.7	4.0	0.1	0.1	0.1	0.1
West Africa	12.6	13.5	11.8	16.1	-0.4	-1.0	-0.4	-0.3
Southern Africa	13.8	11.0	2.4	6.4	-0.7	1.5	2.4	1.8
Central Africa	4.2	6.2	9.5	8.5	0.1	-0.02	0.05	0.1

Source: UNCTAD, 2012.

FDI inflows in Southern Africa region recovered from a substantial drop in 2010 to USD 6.4 billion in 2011. However, the region's largest FDI recipient Angola recorded a decline in 2011. During 2011, FDI in Central Africa concentrated in three commodity-rich countries, namely the primarily oil-exporting Congo and Equatorial Guinea and the mineral exporting Democratic Republic of Congo (DRC). In 2010, the inflows to Central Africa took the same pattern where FDI concentrated mostly in the oil-rich countries such as Chad, Congo, Equatorial Guinea and Gabon. The downward trend of FDI inflows to East Africa region—the recipient of lowest FDI inflows in sub-Saharan Africa—was reversed in 2011. However, the discovery of gas fields is likely to change this pattern in the coming years. In 2011, FDI inflows to East Africa increased modestly by 8.1 percent led by Uganda and the United Republic of Tanzania.

FDI inflows to Africa during 2011 and 2010 were from both developed and developing countries, mainly China, India and the United Arab Emirates (UAE). During the period, most of the FDI were channelled into three sectors. The primary sector accounted for 43 percent consisting mainly coal, oil and gas; manufacturing accounted for 29 percent with almost half of it in the metal industry. Services accounted for 28 percent mainly communications and real estate.

1.2.3 Private Capital Flows to Tanzania

Private capital inflows to Tanzania dropped by 34.2 percent to USD 1,023.4 million in 2009 but rebounded to USD 1,812.5 million in 2010. The decrease in 2009 is attributable to the adverse effects of the global financial crisis that weakened the financial position of TNCs reducing their ability to expand investments globally. FDI inflows to the country fell again in 2011 albeit by a smaller magnitude, consistent with the slowdown in economic growth that year (**Table 1.3**). Other investments that include borrowing from unrelated sources declined sharply from USD 172.0 million in 2008 to USD -0.7 million in 2010 before recovering to USD 99.9 million in 2011. Portfolio investment begun by increasing from USD 0.2 million in 2008 to USD 0.4 million in 2009, then declined to USD -0.1 million in 2010 before rising to USD 0.7 million in 2011.

Despite the cyclical nature of the flows, the stock of foreign private capital increased consistently during the review period to USD 10,393.2 million in 2011. FDI and other investments are projected to rise further in line with the recovery trends of the global capital flows.

Table 1.3: Tanzania's Capital Flows and Stocks, 2008 – 2011

(USD Million)

Type of investment	Capital inflows				Capital stocks			
	2008	2009	2010	2011	2008	2009	2010	2011
Capital flows and stocks	**1,555.5**	**1,023.4**	**1,812.5**	**1,330.0**	**7,751.0**	**8,566.0**	**9,278.1**	**10,393.2**
Foreign direct investment	1,383.3	952.6	1,813.3	1,229.4	6,941.5	8,066.3	8,762.2	9,278.1
Portfolio investment	0.2	0.4	-0.1	0.7	11.0	12.5	12.7	17.6
Other investment	172.0	70.4	-0.7	99.9	798.5	487.2	503.1	1,097.5

It is important to note that the main source of capital inflows to Tanzania is the developed and emerging economies, which were significantly impacted by the crisis. However, governments in these countries took several actions including stimulative policy measures such as extending loans to the private sector; re-instituting stringent regulatory and supervisory measures on the banking systems; and reinforcing oversight on the financial and capital markets. The gradual recovery of the global economy associated with these measures and new investment opportunities in natural gas are likely to attract more capital inflows to Tanzania.

1.3 Tanzania's Macroeconomic Developments

1.3.1 Economic Development

The growth of real Gross Domestic Product (GDP) slowed down from 7.4 percent in 2008 to 6.0 percent in 2009 as a result of the global economic and financial crisis. This was followed by a recovery to a growth rate of 7.0 percent in 2010 as the global economic situation began to improve. In 2011 GDP growth slowed again to 6.4 percent in 2011 mainly due to insufficient rainfall that affected agricultural output adversely, as well as hydro power generation and power dependent activities.

1.3.2 Inflation Developments

Average annual inflation increased from 10.3 percent in 2008 to 12.1 percent in 2009 due to food shortages experienced in some parts of the country and in the eastern Africa region. In 2010, inflation eased to an average of 7.6 percent on account of improvements in food supply in the country and the eastern Africa region but rose again to 12.7 percent in 2011, mainly due to insufficient rainfall that affected food production in the eastern Africa region, and high global oil prices. At the end of 2011 inflation was at a peak of 19.8 percent. Following the fiscal consolidation measures taken by the government and tight monetary policy measures taken by the Bank of Tanzania, inflation took a downward trend throughout 2012 reaching 12.1 percent at the end of the year.

1.3.3 Monetary and Fiscal Policies

The Bank of Tanzania (BOT) continued to implement monetary policy with the objective of attaining and maintaining price stability. This involved open market operations and steady sale of foreign exchange. The period covered by the survey begun with countercyclical monetary and fiscal policy measures taken in 2009 to prevent credit crunch that could have followed the sharp decline in global demand. As a result the growth of credit to the private sector remained positive at 9.6 percent in 2009, albeit much lower than the growth of 44.6 percent that had been registered in 2008. The growth recovered gradually to 20.0 percent in 2010 and 27.2 percent in 2011. In 2012 the growth of credit to private slowed to 18.2 in line with measures taken by the Bank of Tanzania to contain inflation.

Interest rate remained market determined as BOT continued to take measures to deepen financial markets, strengthen competition and address structural impediments in the economy. Further, the BOT continued to use monetary policy instruments to sustain stability in the market.

The exchange rate remained market determined with the BOT participating in the foreign exchange market for liquidity management purposes and smoothening short-term fluctuations. In the course of implementing these measures, adequate level of international reserves was maintained.

1.3.4 Financial Sector Stability

The assessment of the financial soundness indicators of the banking system conducted in September 2011 indicated that the domestic financial sector was stable and resilient to adverse shocks. According to the Financial Stability Report (2011), this was in line with the outcome of the stress tests conducted during the period. However, dynamic vulnerabilities in the global economy and high inflationary pressures and exchange rate volatility appear to be the major threats to the domestic financial sector. The foreign exchange risk was minimized through adoption of the prudential limit in net open position of banks to foreign exchange exposure and a requirement for financial intermediaries to invest mostly in rated institutions. The report indicates that, by September 2011, Tanzanian banks had 96 percent of their foreign placements invested in "A" rated banks, 3 percent in "B" rated banks and 0.9 percent in unrated banks. In addition, the banks reduced their total investment in Euro securities by 27.2 percent of total foreign placements recorded by June 2010 to 24.8 percent by September 2011. These measures resulted into stable financial sector conducive for economic growth.

Recognizing the need for coordinated domestic efforts to secure financial and overall macroeconomic stability in the country, the BOT has been facilitating the operations of the Tanzania Financial Regulators Forum (TFRF) to achieve its set objectives. The regular consultations under the forum, have provided the regulators with a ground to develop the needed understanding of the interconnections in the financial system, both via the direct links between financial institutions and the indirect ones created in the financial markets. This understanding is crucial for guiding the regulatory responsibilities of promoting measures that will safeguard the stability of the respective sub-sectors, without affecting the stability of the financial system or compromising the growth of the economy.

1.3.5 External Sector Developments

Tanzania's exports to neighbouring as well as foreign countries maintained positive growth trend overtime and diversified towards non-traditional exports including minerals, manufactured and horticultural products. Large share of the growth came from increased investment in the mining combined with high production, particularly gold. The ratio of exports to GDP declined from 26.9 percent in 2008 to 23.8 percent in 2099 but maintained an upward trend thereafter reaching 30.6 percent in 2011 (**Table 1.4**). In addition, official reserves increased from USD 2,872.6 million in December, 2008 to USD 3,744.6 million at the end of December, 2011. This level of reserve was sufficient to cover only 3.7 months of imports in 2011. This level is however lower compared to an average of 4.9 months of imports in the past three years.

1.3.6 Investment Climate

Tanzania has enormous investment potential in a number of areas including agriculture, mining, manufacturing, transportation, tourism, education, health, and infrastructure. In view of this the Government is taking measures to improve investment climate and promote foreign as well as domestic investments in order to attain high economic growth through exploitation of the available investment opportunities. In 2010 for instance, the government adopted a roadmap aimed at improving the country's investment climate where responsible ministries, departments and agencies in collaboration with the private sector undertook to address impediments relating to the cost of doing business.

Table 1.4: Tanzania's Selected Macroeconomic Indicators, 2005 – 2011

Indicator	2008	2009	2010	2011
Population (Million)	39.3	40.7	43.2	44.5
GDP growth (%)	7.4	6.0	7.0	6.4
GDP per capita (USD)	525.0	526.0	547.0	558.0
CPI average inflation rate (%)	10.3	12.1	7.6	12.6
Exports of goods and services/GDP (%)	26.9	23.8	27.6	30.6
Imports of goods and services/GDP (%)	41.9	35.0	39.1	49.9
CAB/GDP (%)	-12.4	-8.4	-8.5	-16.5
CAB*/GDP* (%)	-15.3	-11.4	-11.9	-19.0
Average exchange rate (TZS/USD)	1,196.9	1,306.0	1,395.7	1,557.4
Official reserves (USD Million)	2,872.6	3,552.5	3,948.0	3,744.6
Reserves months of imports cover	4.0	5.6	5.2	3.7

Source: Bank of Tanzania, National Bureau of Statistics

Notes:

CAB = Current Account Balance, "pa" means period average, CAB* = CAB excluding official grants

The government has also continued with efforts to engage in regional integration initiatives with the objective of expanding markets for goods and services and increasing access to regional resources. It is currently, implementing both East African Community Customs Union (EAC - CU) and Common Market (EAC – CM) Protocols. With the EAC – CU, all the cross-border tariffs have been removed and this is expected to boost intra-EAC regional trade. In July 2010 EAC adopted the Common Market Protocol with a view to deepening cooperation and facilitating movement of goods, services, labour, people and capital. These initiatives provide potentially large market area where goods and services can be easily traded.

Tanzania is also a member of the Southern Africa Development Community (SADC) which is in the process of implementing customs union. SADC provides easy access to goods and services produced in the country. The two regional blocs provided a market of over 400 million people in 2011 (EAC and SADC, 2012).

1.3.7 Structure of the Report

This report is organised in five chapters. Chapter two presents the methodology used in carrying out the surveys, while chapter three provides an analysis of inflows and outflows of foreign private investments for the period 2008 to 2011. Chapter four discusses investors' perceptions and linkage with the domestic economy. The final Chapter highlights on the main findings with their corresponding policy implications.

CHAPTER 2

METHODOLOGY

2.0 Introduction

This chapter presents the methodology used in conducting surveys on foreign private investments in Tanzania. The surveys conducted were census in 2010 capturing data for 2008 and 2009; and the sample survey conducted in 2012 for 2010 and 2011 data. The chapter also covers the organization of the Foreign Private Capital Flows (PCF) survey, which includes institutional framework, survey funding as well as pre and post survey activities. Lastly, it provides an assessment of data quality with reference to the international best practice.

2.1 Organization of the Survey

2.1.1 Institutional Framework

In conducting foreign private investment surveys, five institutions were involved in Tanzania Mainland namely the Bank of Tanzania (BOT), Tanzania Investment Centre (TIC) and National Bureau of Statistics (NBS). In Zanzibar, the Zanzibar Investment Promotion Authority (ZIPA) and Office of Chief Government Statistician (OCGS) were involved.

2.1.2 Survey Funding

The surveys for both Tanzania Mainland and Zanzibar were fully funded by the Governments of Tanzania through the institutions involved in the survey.

2.1.3 Scope

The surveys covered companies with foreign investments both in Tanzania Mainland and Zanzibar. All industrial activities as defined by the UN International Standard Industrial Classification were covered.

Unlike in the previous surveys where only foreign liabilities were covered, for the first time, the sample survey conducted in 2012 was expanded to cover foreign assets in Tanzania Mainland. In this case, a separate questionnaire was administered for companies with affiliates operating abroad. Also, the traditional questionnaire was expanded to cover both foreign assets and liabilities, particularly on trade credits and advances. Data for assets covering the period 2009 to 2011 are reported as actual without being weighted.

2.1.4 Pre and Post Survey Activities

Compilation of Investors' Register

The investors' register provides a comprehensive list of companies with foreign asset and liabilities. The register incorporates information that includes names of companies, sectoral activities, contacts of the companies, contact persons and value and status of investment.

This register which is electronically maintained in a web based private capital monitoring system is continuously updated to facilitate implementation of surveys. The updating process involves addition of new and rehabilitated or expanded companies. It also involves removal of companies that have been closed, liquidated, relocated, under receivership, merged or have changed business names.

Major sources of information for updating the registers were; the Business Registration and Licensing Authority (BRELA), Tanzania Investment Centre (TIC), NBS and Ministry of Energy and Minerals (MEM) for Tanzania Mainland. In Zanzibar, the sources were; ZIPA, Zanzibar Commission for Tourism (ZCT), OCGS and the Office of Registrar of Companies.

Sampling Procedure

The sample size for the survey conducted in Tanzania Mainland in 2012 was largely based on the resource envelope and the level of precision desired. The sampling process involved dividing the population of 601 enterprises with foreign assets and/or liabilities into two strata namely Strata A and B. Stratum A had 262 enterprises with stock values of USD 2.0 million and above while stratum B was composed of 339 enterprises basing on 2009 stock position.

All the enterprises in stratum A were included in the sample while those in B were further sub-divided into 85 clusters with four enterprises each. The enterprises were assigned numbers one to four in each cluster. Then a systematic random sampling was applied to select 347 enterprises, 262 for stratum A and 85 enterprises from stratum B.

In the case of Zanzibar, census was carried out to cover all companies with foreign investments and some enterprises that are 100 percent local. The coverage of local enterprises was intended to keep track of the progress for the domestic investments. The coverage involved a total of 380 companies.

Questionnaire Design

The questionnaires for census and sample survey were designed based on IMF Balance of Payments Manuals 5 and 6 respectively. The two questionnaires were designed to capture information on company profile, equity and non-equity. For census, information on investor's perception and linkage to the domestic economy was also covered. The sample survey questionnaire was extended to cover assets on trade credits and advances, goods for processing and under merchanting. In addition, a separate questionnaire was designed to collect information on assets particularly for companies that have been authorised to invest abroad on special considerations. The full set of the questionnaires is appended to this report.

Awareness Creation and Sensitization

Prior to the field work, a press release was issued to the public through widely circulated newspapers in the country. The intention was to create awareness to the public and sensitize the targeted respondents about the objectives of the survey, coverage and the type of information sought.

Training of Researchers

In-house trainings were conducted prior to the commencement of the surveys with the aim of reviewing the questionnaires, researcher's manual and survey logistics. The training which involved fourteen researchers from the collaborating institutions was facilitated by local experts.

2.2 Survey Implementation

In order to monitor and evaluate survey activities smoothly, the census and sample surveys in Tanzania Mainland were implemented in two phases. Phase one involved Dar es Salaam region and phase two covered up-country regions. A face-to-face interview technique was employed in administering questionnaires with a view to improving the response rate. This technique is considered the most effective compared to other techniques. Researchers were responsible for reviewing all collected questionnaires against audited financial statements for quality and consistency checks before data entry and processing.

2.3 Response Rates

As shown in **Table 2.1**, out of 2,056 companies that were surveyed during the census, 1,761 were located and successfully interviewed representing an overall response rate of 91.6 percent. Likewise, **Table 2.2** shows the response rate during the sample survey carried out in 2012. The response rate from surveyed companies in Mainland Tanzania and Zanzibar was 87.5 percent. The response rate is partly attributable to the awareness creation and sensitization that was undertaken prior to the survey.

Table 2.1: Survey Response Rate for the 2010/11 Census

Area	Questionnaire distributed	Questionnaire collected	Response rate (%)
Mainland	1,848.0	1,555.0	84.1
Zanzibar	208.0	206.0	99.0
Overall	**2,056.0**	**1,761.0**	**91.6**

Table 2.2: Survey Response Rate for the 2012 Sample Survey

Area	Questionnaire distributed	Questionnaire collected	Response rate (%)
Mainland	350.0	299.0	85.4
Zanzibar	380.0	340.0	89.5
Overall	**730.0**	**639.0**	**87.5**

It is worth noting that, some companies could not be located due to various reasons such as relocation, closure, liquidation, mergers and acquisitions, receivership and change of names.

2.4 Data Processing

Data processing was carried out in a new web-based Private Capital Monitoring System developed by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). Two weeks training workshop was organised in Zanzibar for system customization and familiarisation.

In order to maintain consistency, completed questionnaires were subjected to a thorough screening process to identify missing values or reported values that were inconsistent. Data verification and consistency check within and across cycles were done to ensure data quality.

2.5 Change in Reporting and Estimation Technique

Two methodological changes were adopted in this report. First, the reporting has been changed from market value to book value reporting. The change to book value reporting results from a number of factors including the fact that:

- Only few companies are listed in the stock exchange which makes it difficult to estimate market value for companies that are not listed

- It will facilitate comparison with other countries in the region as they report in book values

- Book value reporting provides a more realistic reflection of the financial affairs of companies

The second change is on the estimation techniques from sample to population. In cases where sample surveys were conducted in Tanzania, population figures were obtained by creating dummy questionnaires for the enterprises that either did not respond or fell out of the sample. In creating dummy questionnaires distinct procedures were used for different components of equity and non-equity. On the equity side, the components estimated include paid up capital, reinvested earnings, revaluation reserves, share premium and shareholders' deposits. These were estimated under the following assumptions:

- *Paid up capital:* these are part of funds contributed by shareholders. Information on issued and paid up share capital was obtained from the audited financial statements. During creation of dummy questionnaires, this figure was assumed constant.

- *Revaluation reserves:* these refer to the surplus created when there is an adjustment in book value of assets to reflect the current market value. Since companies do not revalue their assets annually, this figure was assumed to be constant.

- *Share premium:* this is the excess amount by which the price at which share issued exceeds the par value and forms part of non-distributable reserves. During creation of dummy questionnaires, share premiums were assumed to be constant.

- *Shareholders deposits*: are normally interest free and were thus assumed to be constant.

- *Retained earnings* are estimated on the basis of the sectoral GDP growth rates using the following formula:

  $$RE_t = RE_{t-1}\left(1+\frac{r_t}{100}\right) \quad \text{where}$$

  RE_t is the retained earnings at time t and r_t is the growth rate of the sector in which the enterprise being estimated belong at time t.

In some cases, dummy questionnaires were created for previous years where an enterprises was found to have been existing for some years back but was not included in the register. In such cases reinvested earnings were worked backward using the formula:

$$RE_{t-1} = \frac{RE_t}{\left(1+\frac{r_t}{100}\right)}.$$

The components covered under non-equity include loan repayments, disbursements and interest payments, other changes related to non-equity and other charges. The estimation of non-equity largely depended on the information provided in the audited financial statements in the previous survey and were arrived at as follows:

$OB_0 + R_t - PR_t \pm OC_t = CB_t$ where

OB_0 stands for opening balance at the beginning of the period

R_t stands for receipts or disbursements during the period

PR_t stands for principle repayments during the period

OC_t stands for other changes during the period, and

CB_t stands for closing balance at the end of the period.

The treatment of interest payments and any other transactions depended on the information provided in the financial statement.

2.6 Challenges Related to the Creation of Dummy Questionnaires

The dummy questionnaires covered statistics on equity and non-equity only. Attitude questions mostly relating to the investors' perceptions could not be worked out to obtain population estimates. This restricted the analysis.

Company's ability to generate profits was pegged to the sectoral GDP growth rates. However, it is widely accepted that the company's ability to generate profits depends on other aspects such as the productivity and efficiency of the factors of production, costs of production and markets. The procedure assumed that big and small enterprises grow at the same rate ignoring the effects of the economies of scale.

The assumptions on constant components of equity ignored new FDI inflows. In addition, disbursements of new loans were not reflected which could result to underestimations.

2.7 Estimation for Non-response and Boosting for Population

The new estimation technique involved two steps. In the first step, all enterprises in the population were categorized into their relevant sectors while keeping them in their respective strata (i.e. strata A and B). Since all the enterprises in strata A were included in the sample, the estimation was made only for non-response. In this case different weighting factors for non-response were applied for each sector. The same procedure was applied in estimating non-response for the enterprises belonging to stratum B. In addition, sector weights were applied to boost for population. Therefore a combination of two weighting factors, one to estimate non-response and the second to estimate sample were used in stratum B. The weights were obtained by taking the inverse of the fraction of the sample divided by population for each sector. For instance, if the total number of enterprises in agriculture activity is β, and a sample of δ enterprises were selected, then the weighting factor under the agriculture sector would be

$$w_t = \left(\frac{\delta}{\beta}\right)^{-1}$$

The second step involved adjusting the data for connecting data series from the census which covered data for 2008 and 2009 to those obtained from the sample survey which covered 2009 - 2011. The adjustment factor of 0.34 was obtained by taking the ratio of the stock position of 2009 from the two survey cycles (census and the sample survey). The data for the sample survey was then weighted using the adjustment factor.

2.8 Adherence to International Standards

2.8.1 Analytical Methods

The surveys were conducted in accordance with the acceptable international standards. Economic activities were classified based on International Standard for Industrial Classification with some customization to meet country specific requirements. For census, data compilation procedures followed closely the IMF's Balance of Payments Manual, 5th Edition (BPM5). However, following the revision of BPM5, sample survey was compiled in line with BPM6.

2.8.2 Timeliness

The survey results were released about 12 months after completion of fieldwork. The focus has been to meet timeliness criteria for data dissemination as guided by IMF's framework in the General Data Dissemination Standard

(GDDS), which is between six to nine months after fieldwork. Noteworthy, the fieldwork for the sample survey was completed in September 2012 and the output tables were produced in February 2013 which is fairly within GDDS requirements.

2.8.3 Causal Information

During the survey implementation, researchers were taking note of additional relevant information provided by the respondents but not captured by the questionnaire. Such information has been analysed and included in the report.

2.8.4 Summary

This chapter has presented the methodology used in conducting the sample surveys of foreign private investment in Tanzania during 2008 and 2011. It shows that the survey was conducted in accordance with the international best practices as provided in the IMF BPM5 and BPM6. Response rates of 85.6 percent and 87.5 percent were attained during the 2010 Census and 2012 sample survey, respectively; showing significant cooperation from the respondents.

CHAPTER 3

FINDINGS ON FOREIGN PRIVATE INVESTMENTS

3.0 Introduction

This chapter discusses findings of the survey on foreign private investments (FDI) in Tanzania for the period 2008 - 2011. The discussion focuses on the main components of FPI namely foreign direct investments (FDI), portfolio equity investments and other investments.

3.1 Foreign Private Investments

The findings indicate that Tanzania recorded a notable increase in the stock of foreign private investments during the period covered. The value of the total stock of foreign investments increased at an average of 10.3 percent per annum from USD 7,751.0 million at the end of 2008 to USD 10,393.2 million at the end of 2011 (**Table 3.1**). FDI continued to dominate inflows as it accounted for 89.3 percent of the total stock of foreign investments in 2011 followed by other investments that accounted for 10.6 percent. The share of portfolio investments was small, reflecting the low level of development of the capital market and existence of capital account restrictions.

Foreign private investment inflows to Tanzania declined by 34.2 percent in 2009 in the wake of the global financial crisis. The decline was reversed to an increase of 77.1 percent in 2010 due to huge inflows to the electricity and gas industry as well as recovery from the global financial crisis. In 2011, foreign private investments net inflows declined by 26.6 percent on account of large loan repayments to related companies (**Chart 3.1**). It is pertinent to mention that opening stocks and flows during a year do not necessarily add up to closing stocks because changes in stocks include not only transactions (which are captured as flows), but also holding gains and losses, debt-equity swaps and sampling differences.

3.1.1 Foreign Direct Investments

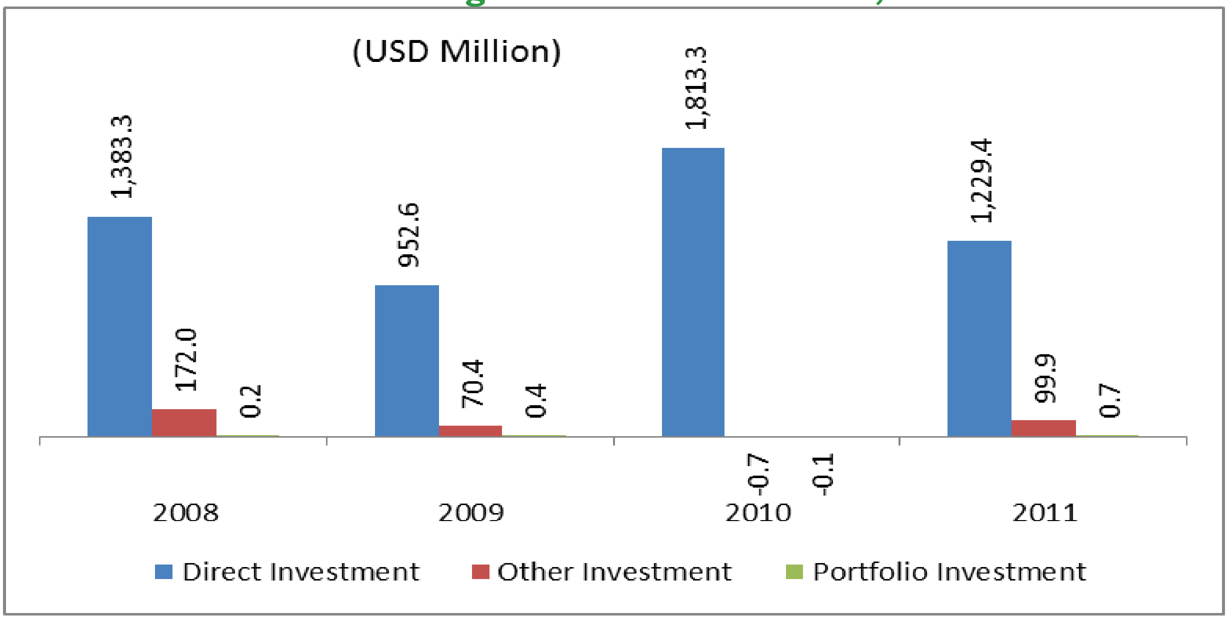
During the period, FDI inflows averaged USD 1,344.6 million, accounting for about 94 percent of the total foreign private investment inflows. However, there was a decline of FDI inflows by 31.1 percent to USD 952.6 million in 2009 compared to USD 1,383.3 million recorded in 2008. The decline is associated with low disbursements from the related companies. This is consistent with the global economic and financial crisis prevailing around that time which weakened the financial position of related companies. In 2010, Tanzania recorded the highest FDI inflows amounting to USD 1,813.3 million as the recovery of the global economy coincided with large inflows for natural gas exploration activities. As a result, the stock of FDI grew at an average of 10.2 percent per annum from USD 6,941.5 million in 2008 to USD 9,278.1 million in 2011 (**Table 3.1**).

Table 3.1: Foreign Private Investments, 2008 – 2011

(USD Million)

Items	2008		2009		2010		2011	
	Inflows	Stock	Inflows	Stock	Inflows	Stock	Inflows	Stock
Direct Investment	**1,383.3**	**6,941.5**	**952.6**	**8,066.3**	**1,813.3**	**8,762.2**	**1,229.4**	**9,278.1**
Equity capital	178.4	2,896.4	397.2	1,902.8	464.7	2,343.0	304.2	2,656.3
Reinvested earning	219.2	653.1	267.3	972.8	573.5	1,232.0	1,248.6	1,953.0
Loans from related parties	985.7	3,392.0	288.2	5,190.7	775.0	5,186.4	-323.3	4,668.7
Long-term	722.2	3,033.0	257.7	3,715.3	162.5	3,128.1	-252.2	2,776.9
Short-term	263.4	359.0	30.4	1,475.3	612.5	2,058.3	-71.2	1,891.8
Portfolio Investment	**0.2**	**11.0**	**0.4**	**12.5**	**-0.1**	**12.7**	**0.7**	**17.6**
Other Investments	**172.0**	**798.5**	**70.4**	**487.2**	**-0.7**	**503.1**	**99.9**	**1,097.5**
Long-term	129.6	614.5	81.5	319.7	-2.1	291.0	-54.2	257.4
Short-term	6.9	87.9	0.9	7.4	-1.6	23.9	9.2	31.4
Trade credit and advances	35.5	94.0	-12.0	106.2	3.7	141.0	91.7	325.1
Currency and deposits	0.1	2.0	0.0	27.7	0.1	26.1	60.5	467.8
Other equity	0.0	0.0	0.0	26.4	-0.7	21.2	-7.2	16.0
Total Private Investments	**1,555.5**	**7,751.0**	**1,023.4**	**8,566.0**	**1,812.5**	**9,278.1**	**1,330.0**	**10,393.2**

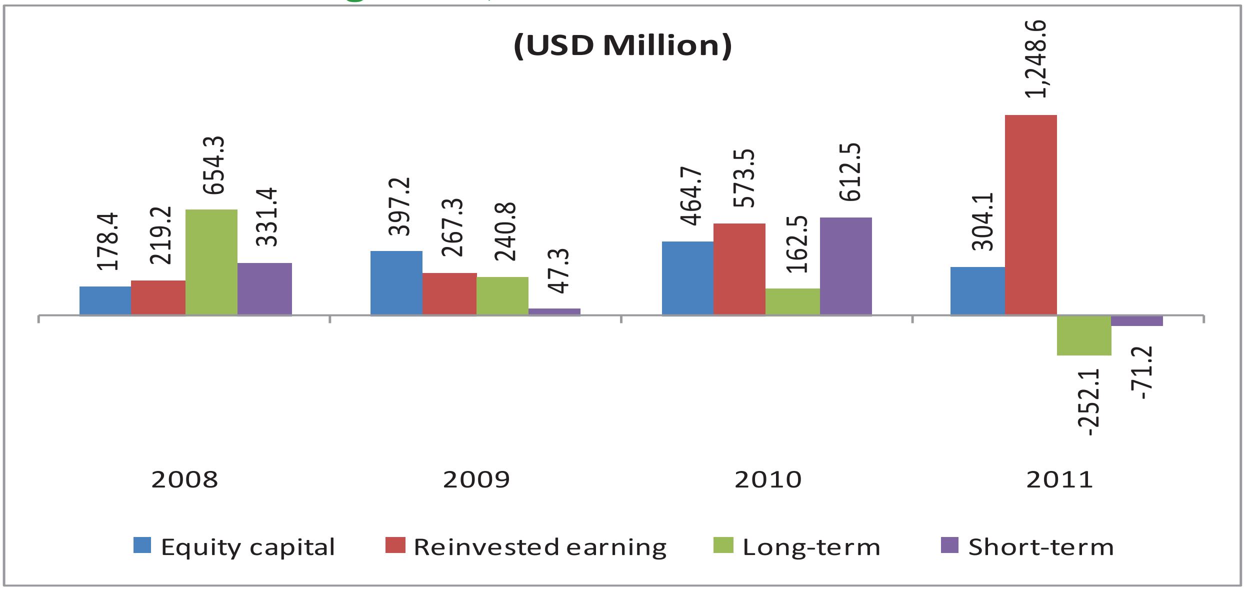
Chart 3.1: Inflows of Foreign Private Investments, 2008 – 2011



Financing of FDI

Prior to 2008, FDI inflows in Tanzania were mostly financed through long and short-term loans from related companies. However, the current results show a significant shift to financing of FDI through retained earnings (**Chart 3.2**). Retained earnings financing is among the preferred modes of financing as it reduces debt exposure and debt service burden to investors and the economy. This significant shift is consistent with higher levels of profits realised in 2011. It also gives some indication of increased investor confidence and investment opportunities in the country. These developments occurred at a time when companies were facing borrowing constraints as most of affiliate and non-affiliate sources of loan were adversely impacted by the global financial crisis.

Chart 3.2: Financing of FDI, 2008 – 2011



FDI Stocks and Flows by Activity

During the period under review, the share of the stock of FDI in mining and quarrying was the largest, averaging 43.7 percent of the total (with a high of 53.5 percent in 2008 and a low of 34.3 percent in 2009). The second largest share was in manufacturing that accounted for an average of 14.9 percent (with a high of 16.4 percent in 2011 and a low of 12.5 percent in 2008). The next largest shares were in accommodation; finance and insurance; and information and communications (**Table 3.2** and **Chart 3.3**). The dominance of mining and quarrying is in line with WIR2010, which indicates that most FDI in the less developed countries particularly sub-Saharan Africa are directed towards natural resource based activities.

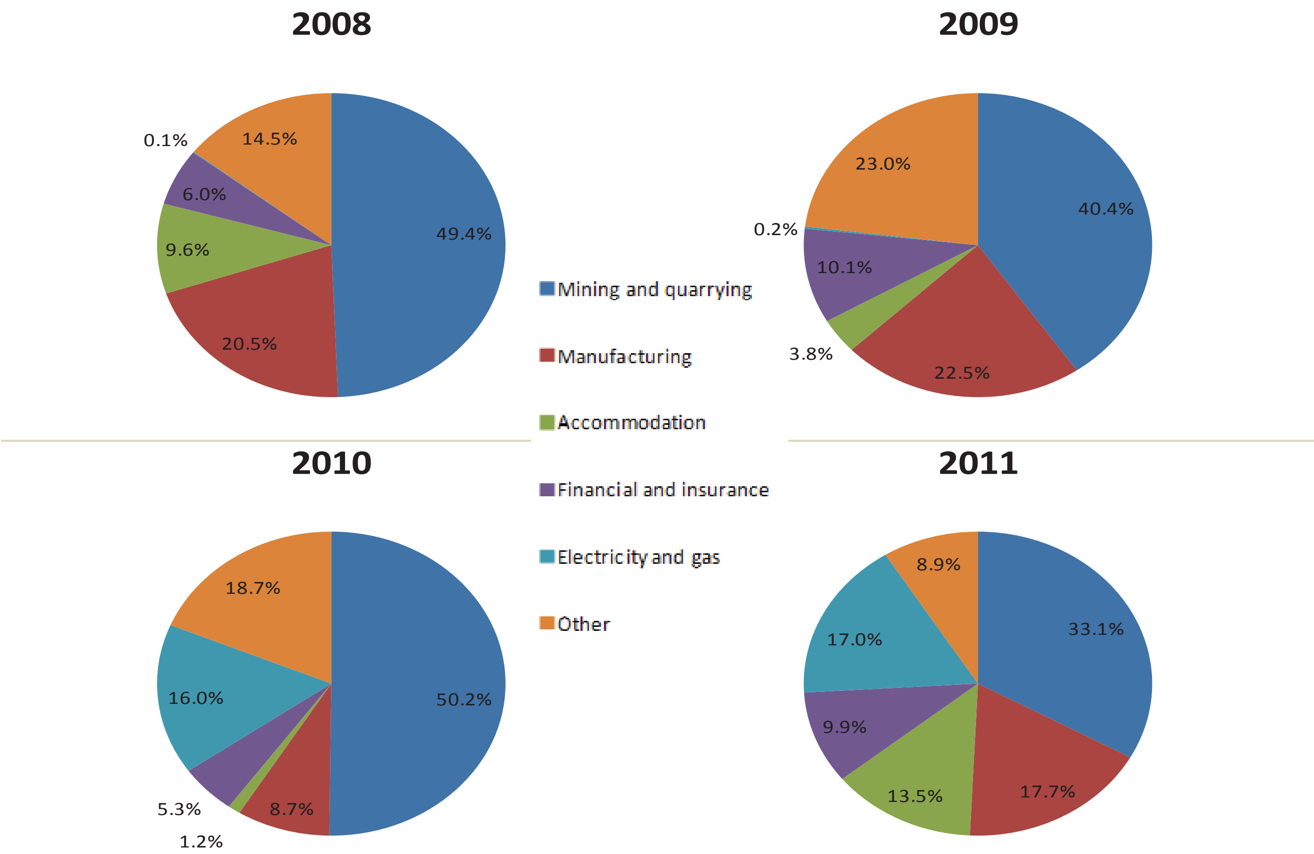
With respect to inflows, electricity and gas activity rose from among the least recipients in 2008 and 2009—when it received under USD 3.0 million annually—to the second largest recipient in 2010 (USD 290.5 million) and third in 2011 (USD 209.4 million). The high inflows to this activity followed the discoveries of gas and oil deposits in Songo Songo in Lindi and Mnazi bay in Mtwara. These discoveries have attracted more exploration activities in Mkuranga in Coast region, Msijute in Mtwara region as well as at the deep sea.

Table 3.2: Stock and Flows of FDI by Activity, 2008 – 2011

(USD Million)

Activity	2008		2009		2010		2011	
	Inflow	Stock	Inflow	Stock	Inflow	Stock	Inflow	Stock
Mining and quarrying	669.8	3,714.1	385.1	2,770.1	909.9	3,738.3	406.5	4,123.0
Manufacturing	277.6	870.7	214.5	1,235.8	157.1	1,332.9	217.3	1,520.5
Accommodation	129.7	388.7	35.9	671.7	21.1	747.0	165.6	872.8
Financial and insurance	81.7	416.3	95.9	687.9	95.5	700.7	121.1	756.6
Information and communication	127.6	532.4	185.1	1,545.2	83.5	909.9	-98.3	627.8
Electricity and gas	1.0	24.7	2.1	111.3	290.5	328.6	209.4	539.8
Wholesale and retail trade	21.1	372.0	-16.9	296.8	36.9	328.3	114.5	400.5
Agriculture	21.2	202.3	29.0	308.8	22.9	304.5	31.4	355.4
Construction	-3.7	119.5	14.9	150.6	-23.5	123.6	30.7	142.5
Real estate activities	26.5	79.7	1.5	89.7	1.5	89.1	12.0	99.2
Professional activities	-0.7	1.1	0.5	26.9	213.0	27.6	6.1	30.1
Other service activities	1.4	3.8	1.4	15.1	-0.7	16.6	0.7	15.0
Education	0.4	2.0	0.3	18.2	1.6	20.6	1.8	10.8
Public administration and defense	0.0	0.0	0.0	0.5	0.0	0.4	0.4	0.8
Transportation and storage	2.7	28.8	3.9	137.8	4.0	94.2	10.4	-216.7
Grand Total	**1,356.4**	**6,945.6**	**953.1**	**8,066.3**	**1,813.3**	**8,762.2**	**1,229.4**	**9,278.1**

Chart 3.3: Composition of FDI Inflow, 2008 – 2011

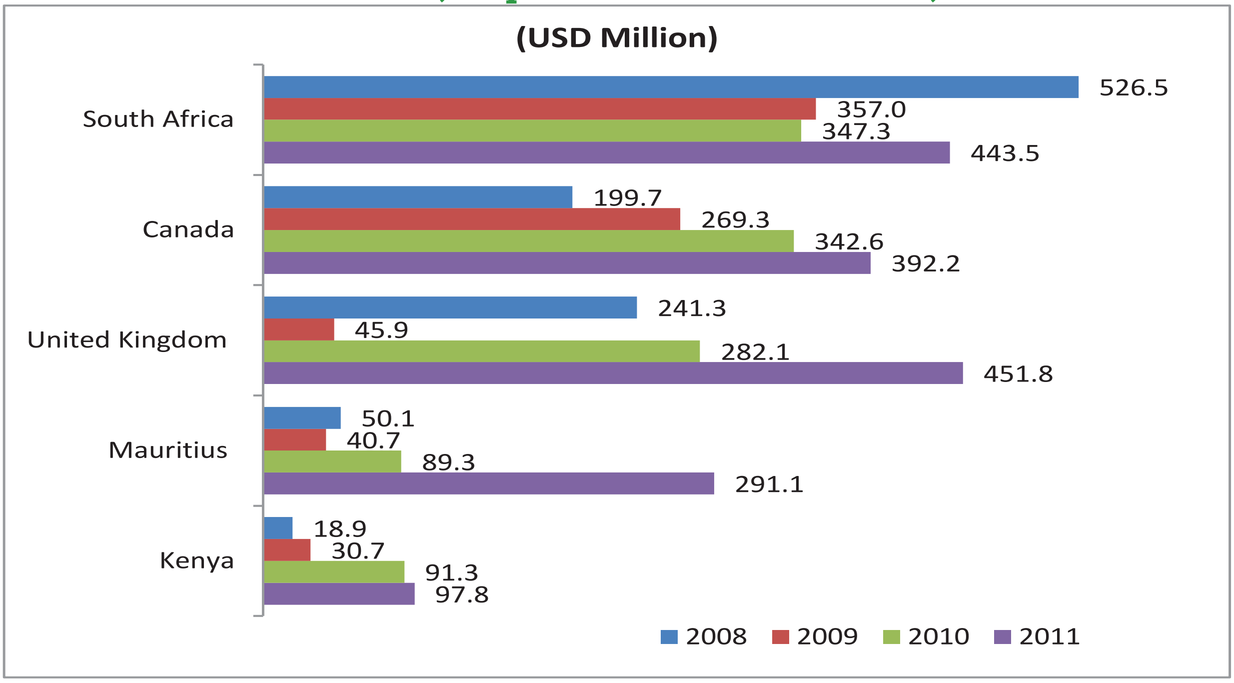


FDI inflows to agricultural activity continued to rise in 2011 reaching USD 31.4 million (48.5 percent) compared to USD 21.2 million in 2008, consistent with the government's agricultural programs including *Kilimo Kwanza*. Information and communications, construction and other service activities recorded net negative inflows in 2010 and 2011, largely on account of losses incurred as well as repayments to their affiliates abroad which exceeded disbursements.

Sources of FDI

Between 2008 and 2011, South Africa, the United Kingdom and Canada accounted for an average of 71.5 percent of the total FDI inflows. Inflows from South Africa accounted for an average of 32.5 percent of total inflows (**Chart 3.4**).

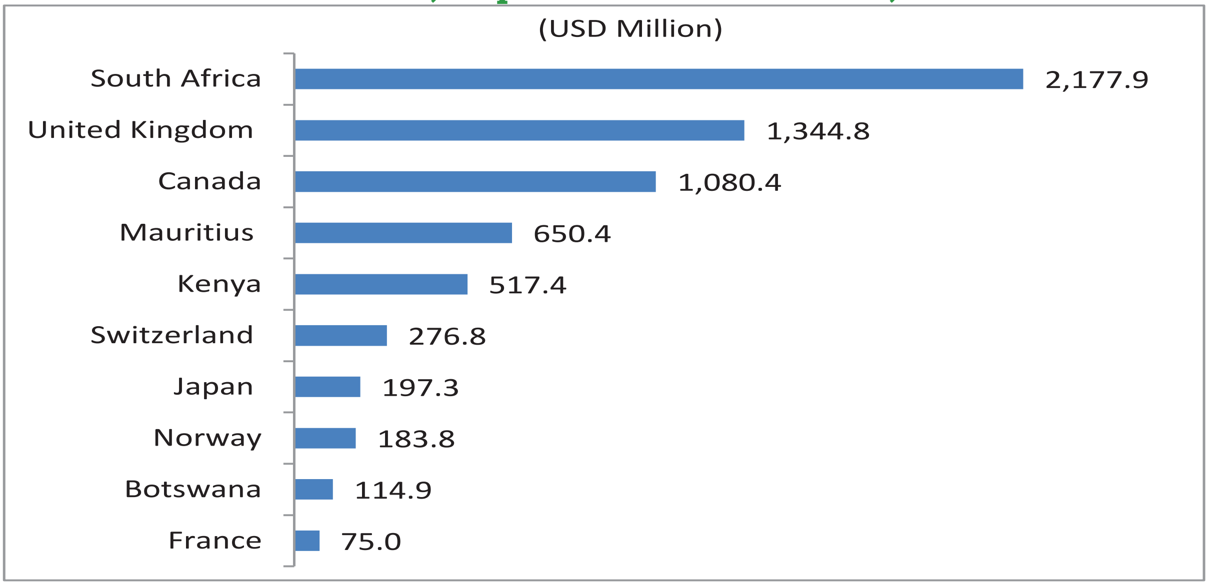
Chart 3.4: Inflows of FDI, Top Five Source Countries, 2008 – 2011



The stock of FDI from South Africa, UK and Canada increased to USD 3,087.2 million in 2011, representing 49.6 percent of the total for the year (**Chart 3.5**). Most of the FDI from these countries are in the mining and quarrying, manufacturing and finance and insurance activities.

Looking at the sources of FDI by regional groupings, the findings show that the largest share of FDI inflows originated from the OECD which registered an annual average of USD 750.6 million (56.0 percent) during the period under review. Canada and the United Kingdom accounted for 74.1 percent of the total inflows from OECD. SADC was the second in prominence, with South Africa contributing an average of 76.1 percent of the total inflows from SADC during the four years. Within the EAC region, Kenya continued to be the dominant source accounting for 86.8 percent of the average FDI inflows from the region between 2008 and 2011 (**Table 3.3**). It is worth noting that in 2011, negative FDI inflows of USD 783.9 million from other regions were reported reflecting large repayments of loans and loses incurred by companies originating from those regions.

Chart 3.5: Stocks of FDI, Top 10 Source Countries, 2011



Note: The list of source countries exclude international financial centers

3.1.2 Portfolio Investment

Portfolio investments related to tradable debt or equity securities, continued to account for less than 1.0 percent of the total stock of foreign private investments in 2011. In particular, portfolio investment inflows averaged USD 0.3 million per annum for the period covered by the survey with a minimum of USD -0.1million in 2010 and a maximum of USD 0.7 million in 2011. This finding is consistent with capital account restrictions and the low level of development of the country's capital market which is characterised by a single stock exchange, a few number of market participants (listed companies and investors), inadequate tradable securities and restrictions on capital account transactions.

Large share of the portfolio investment was recorded in the accommodation and manufacturing activities. Most of the portfolio investment inflows came from United Kingdom, Kenya and the United States. The inflows from Kenya are partly associated with the on-going initiatives to enhance economic cooperation under the East African Community.

3.1.3 Other Investments

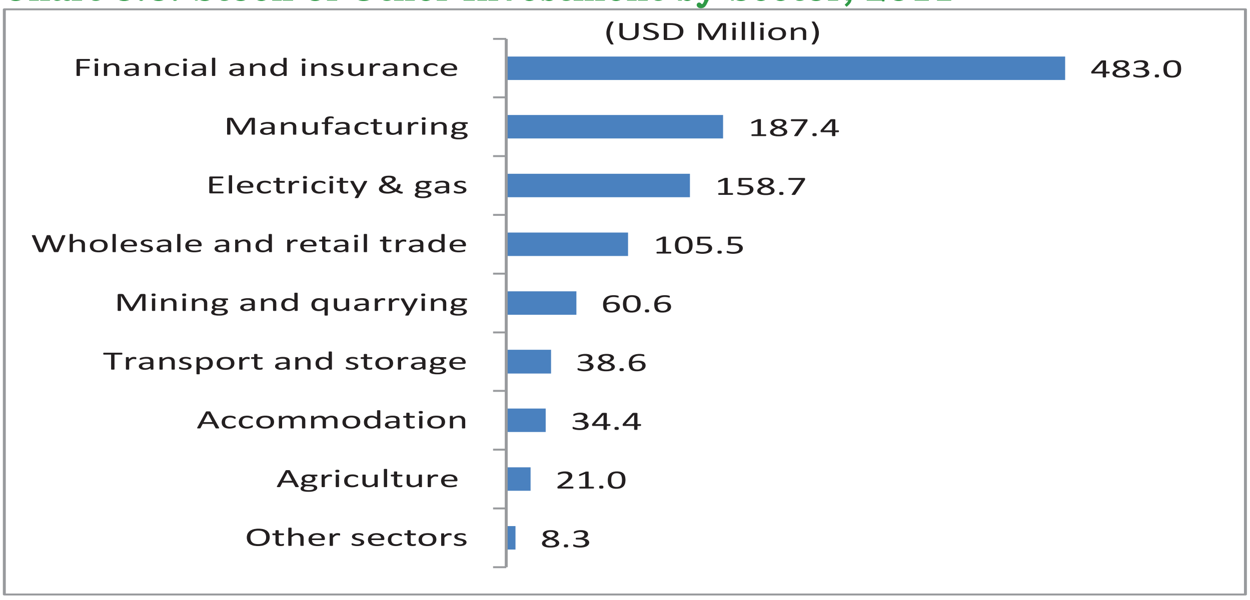
The other investment category which includes long and short-term loans from unrelated parties, currency and deposits and other equity was the second largest component of foreign private investments after FDI (**Table 3.1**). During 2011, the stock of other investments increased to USD 1,097.5 million compared to USD 798.5 million recorded in 2008. Inflows of other investments decreased significantly from USD 172.0 million recorded in 2008 to USD 99.9 million in 2011, largely due to decline in long-term disbursements from unrelated parties. Large share of the investments under this category were directed to finance and insurance, manufacturing, and electricity and gas activities (**Chart 3.6**).

Table 3.3: FDI Inflows by Regional Groupings

(USD Million)

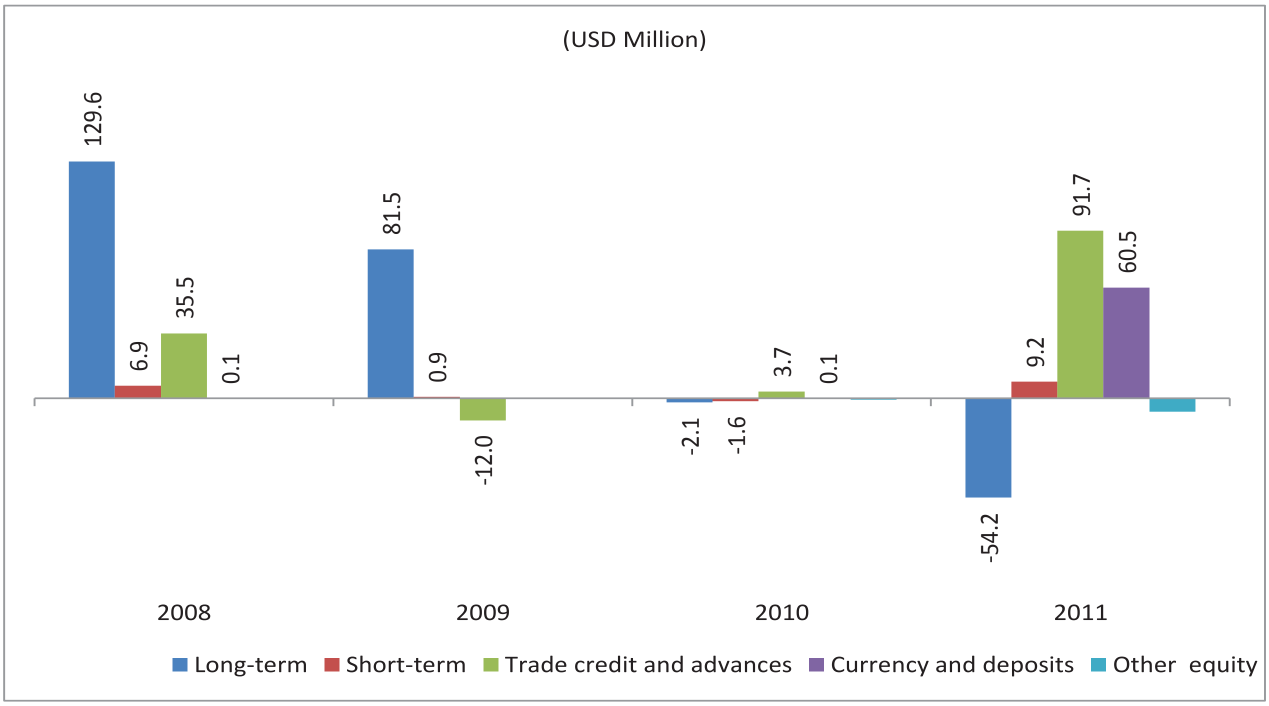
	2008	2009	2010	2011	Average
OECD	**591.5**	**398.8**	**875.9**	**1,136.3**	**750.6**
Canada	199.7	269.3	342.6	392.2	300.9
United Kingdom	241.3	45.9	282.1	451.8	255.3
Switzerland	16.3	11.1	10.5	153.4	47.8
Netherlands	24.3	22.1	110.0	14.5	42.7
Norway	41.3	-0.5	21.2	66.3	32.1
Denmark	10.4	9.3	49.3	7.6	19.2
Japan	-11.6	5.3	32.7	31.3	14.4
United States	33.9	8.7	-2.1	1.2	10.4
Sweden	10.7	5.1	16.4	0.8	8.2
France	6.2	2.6	2.4	13.7	6.2
Luxembourg	0.8	10.1	3.0	3.5	4.3
Italy and Vatican City	3.6	12.7	-0.3	-0.3	3.9
Other OECD	3.2	2.4	8.2	0.3	3.6
SADC	**603.3**	**400.2**	**445.0**	**751.3**	**549.9**
South Africa	526.5	357.0	347.3	443.5	418.6
Mauritius	50.1	40.7	89.3	291.1	117.8
Botswana	25.6	2.1	7.0	16.4	12.8
Zambia	1.9	1.0	2.5	1.6	1.7
Other SADC	-0.9	-0.6	-1.1	-1.3	-1.0
EAC	**24.6**	**33.9**	**90.8**	**125.7**	**68.7**
Kenya	18.9	30.7	91.3	97.8	59.7
Uganda	5.6	3.2	-0.5	27.9	9.1
Other EAC	0.0	0.0	0.0	0.0	0.0
Other regions	**159.3**	**107.0**	**401.5**	**-783.9**	**-29.0**
Grand Total	**1,378.7**	**939.9**	**1,813.3**	**1,229.4**	**1,340.3**

Chart 3.6: Stock of Other Investment by Sector, 2011



The mining and quarrying, manufacturing, and information and communications recorded negative flows due to higher repayments of debts relative to disbursements during the period. Prior to 2009, long-term borrowing from unrelated companies constituted the dominant source of investments under this category. However, in 2010 and 2011, this trend shifted to trade credits and advances (**Chart 3.7**).

Chart 3.7: Source of Financing of Flows of Other Investments, 2008 – 2011



3.2 Profits and Dividends

The overall net profits after tax increased consistently at an annual average rate of 79.3 percent between 2008 and 2011. The highest increase was recorded in 2011 when the net profits after tax more than doubled from USD 679.0 million in 2010 to USD 1,492.7 million. Most of the increase in profits occurred in mining and quarrying consistent with favourable developments in the price of gold in the world market that year (**Chart 3.8**). Other activities that recorded high profits were manufacturing, and finance and insurance, while information and communications, agriculture, accommodation and administrative and support services recorded losses. An average of about 82.5 percent of the profits was reinvested during the period (**Chart 3.9**). This resulted into a shift in FDI financing from loan to retained earnings particularly from 2009 onwards.

A total of USD 190.0 million was paid to shareholders as dividends in 2011, representing a decline from USD 194.5 million in 2010 but much higher compared to an average of USD 59.3 million paid in 2008 and 2009 (**Table 3.4**).

Table 3.4: Retained Profits and Dividend Payments, 2008 – 2011

(USD Million)

Sector	Income on Equity - 2008		Income on Equity - 2009		Income on Equity - 2010		Income on Equity - 2011	
	Reinvested Earnings	Divide-nds paid	Reinvested Earnings	Divide-nds paid	Reinvested Earnings	Divide-nds paid	Reinvested Earnings	Divide nds paid
Agriculture,	-17.1	0.8	-0.1	0.9	-1.5	8.5	0.3	15.4
Mining	17.0	0.0	-2.5	0.0	359.9	15.7	864.5	42.6
Manufacturing	111.9	39.6	160.4	30.2	249.4	120.2	322.5	107.0
Electricity and gas	2.1	0.0	5.1	0.0	25.7	0.0	36.6	0.0
Water supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	-13.8	0.0	1.0	0.0	-2.1	0.0	-6.8	0.0
Wholesale and retail trade	12.0	2.7	3.4	0.6	16.1	9.4	40.9	17.5
Transportation and storage	7.4	1.7	6.4	2.1	4.5	3.6	4.0	-2.3
Accommodation	-3.4	0.0	-12.3	0.0	-37.4	0.0	-8.0	0.0
Information & com	16.8	0.1	24.8	0.5	-201.2	21.3	-203.6	0.0
Finance	95.4	10.8	84.4	24.1	114.0	10.4	169.0	5.8
Real estate	-2.3	0.1	2.1	0.1	6.9	0.0	26.2	0.0
Professional activities	-1.1	0.0	-0.1	0.0	40.4	0.1	2.0	0.5
Administrative and support	-9.0	2.2	-7.5	0.4	0.0	0.0	0.0	0.0
Education	0.3	0.0	0.4	0.0	0.7	0.0	0.2	0.0
Health activities	0.5	0.0	0.8	0.0	0.0	0.0	0.0	0.0
Arts, entertainment	0.9	0.7	-0.1	1.3	0.0	0.0	0.0	0.0
Other service	1.5	0.0	1.2	0.0	-1.3	5.2	0.5	3.5
Total	**219.2**	**58.6**	**267.4**	**60.1**	**574.0**	**194.5**	**1,248.2**	**190.0**

Chart 3.8: Average Net Profit after Tax by Sector, 2008 – 2011

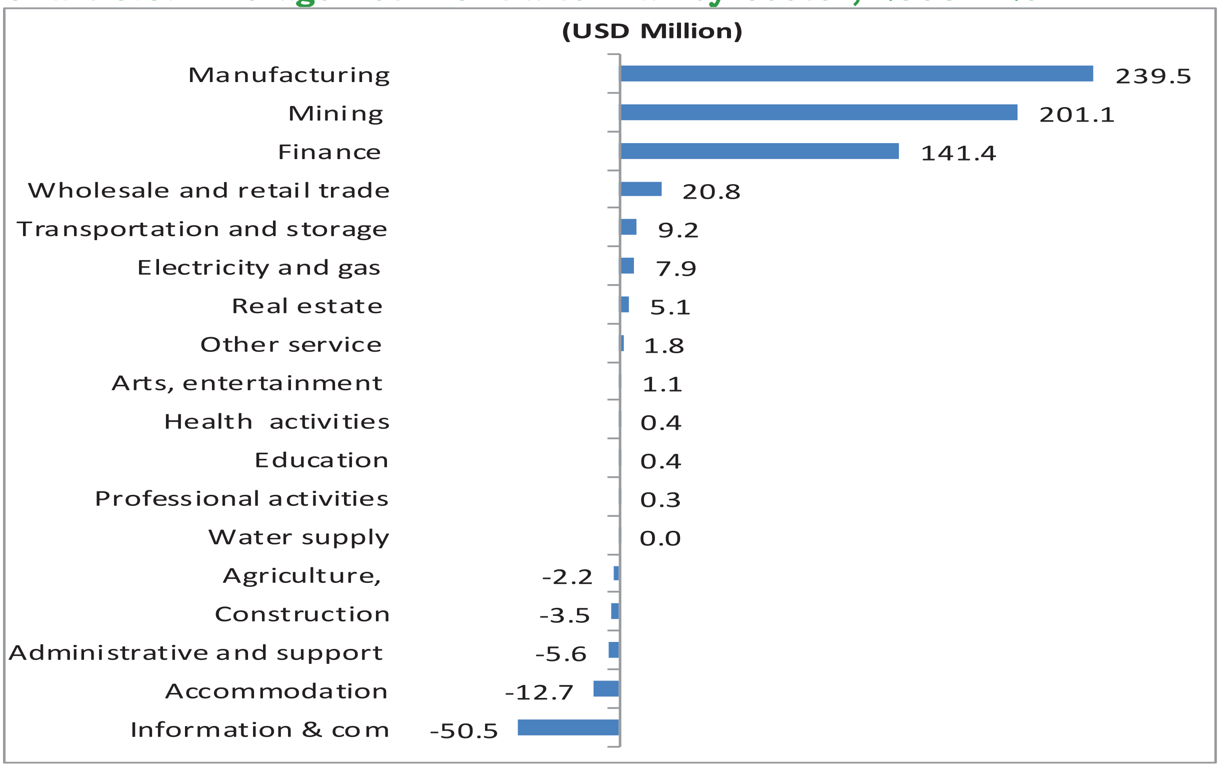
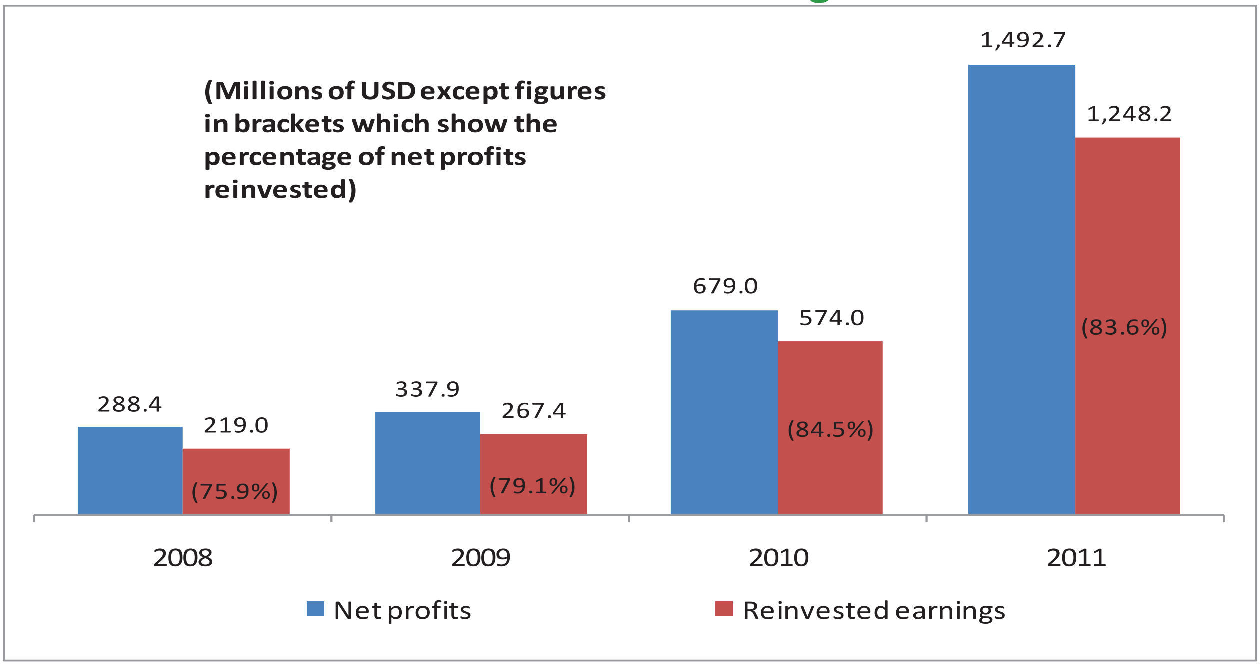


Chart 3.9: Net Profits and Reinvested Earnings



3.3 Private Sector External Debt

In 2011, the stock of private sector external debt (PSED) was USD 5,766.3 million, an increase of 37.6 percent compared to USD 5,689.5 million in 2010 (**Table 3.5**). About 81 percent of the total stock in 2011 was sourced from related companies implying that PSEDs were mostly driven by FDI related activities. This may be associated with difficulties in obtaining loans from non-affiliates such as banks as companies and banks strived to recover from the adverse effects of the global financial crisis. Large part of the debt disbursements were received by the companies operating in the finance and insurance, manufacturing, and electricity and gas activities. The major sources for PSED were the United Kingdom, South Africa, Norway, Netherland and the United Arab Emirates.

Table 3.5: The Composition of PSED, 2008 – 2011

(USD Million)

Components	2008		2009		2010		2011	
	Inflows	Stock	Inflows	Stock	Inflows	Stock	Inflows	Stock
Loans from affiliates	**985.7**	**3,392.0**	**288.1**	**5,190.7**	**775.0**	**5,186.4**	**-323.3**	**4,668.7**
Long-term	722.2	3,033.0	257.7	3,715.3	162.5	3,128.1	-252.1	2,776.9
Short-term	263.4	359.0	30.4	1,475.3	612.5	2,058.2	-71.2	1,891.8
Loans from non-affiliates	**172.0**	**798.5**	**70.4**	**487.2**	**-0.7**	**503.1**	**99.9**	**1,097.5**
Long-term	129.6	614.5	81.5	319.7	-2.1	291.0	-54.2	257.4
Short-term	6.9	87.9	0.9	7.4	-1.6	23.9	9.2	31.4
Supplier credits	35.5	94.0	-12.0	106.2	3.7	141.0	91.7	325.1
Currency and deposits	0.1	2.0	-	27.7	0.1	26.1	60.5	467.8
Other equity	-	-	-	26.4	-0.7	21.2	-7.2	16.0
Total Private External Debt	**1,157.7**	**4,190.5**	**358.5**	**5,677.9**	**774.3**	**5,689.5**	**-223.4**	**5,766.3**

CHAPTER 4

INVESTORS' PERCEPTIONS AND LINKAGES TO THE ECONOMY

4.0 Introduction

This chapter provides analysis on investors' perceptions on the country's investment climate, linkages to the domestic economy and likely direction of investments. Investor perceptions show their level of confidence in the economy and how various services affect their business operations. Among others, the perceptions play a vital role in determining the country's competitiveness in attracting and sustaining investments.

In making investment decisions, business enterprises take into account a number of factors prevailing in the country's economic, social and political environments. The survey sought investors' feedback on a list of selected factors with a view to determine how such factors changed between the time when the business started and when the survey was conducted and how they affect their current and future investment decisions.

4.1 Investors' Perceptions

The assessment of investors' perceptions was based on information obtained from the qualitative questions on the impact of selected factors on the investments as part of 2010 private capital flow census. The respondents were requested to identify the extent to which factors including inland and air transport, cargo clearing at seaport, electricity and water supply, telecommunications, municipal and banking services affect their business.

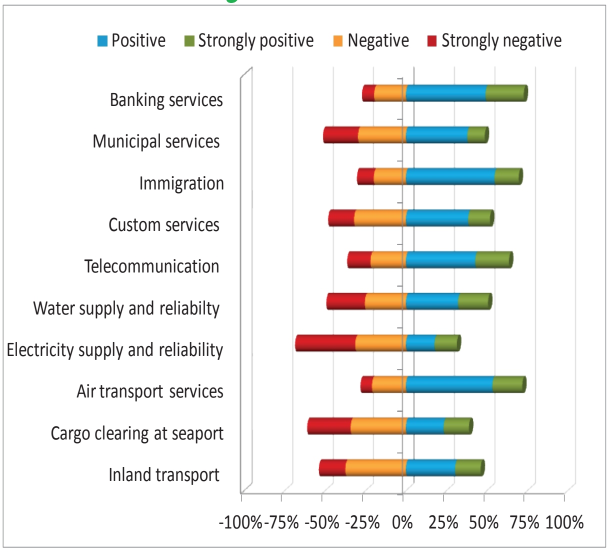
Investors were requested to rank the impact of each of these factors on their investments and day-to-day operations at the time of commencement of operations (at start-up) and at the time when the survey was conducted (now). The factors which captured investors' perceptions were to be gauged by ranking them on the scale of positivity (where the factor is supporting the investment in realising its plans) or negativity (where the factor is hindering the investment from realising its plans) ranging from 1 for strongly negative to 5 for strongly positive.

In investors' view, there were improvements in the provision of services such as banking, telecommunication, air transport, immigration and inland transport and these services had positively affected their businesses. The improvements in these services included easy accessibility of banking services, increased number of telephone service providers, increased number of flights, reduced bureaucracy in the immigration approvals, improved road networks as well as increased number of cargo haulage operators.

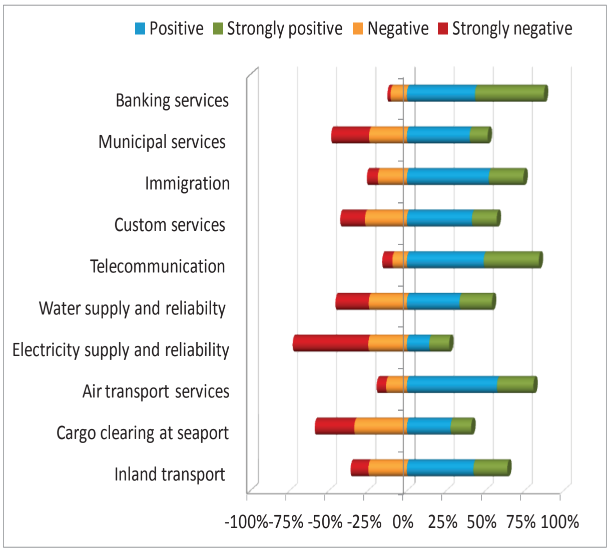
On the other hand, investors showed negative concerns on electricity supply and reliability, delays in cargo clearing at seaport and the number of days spent on customs clearance (**Chart 4.1**).

Chart 4.1: Overall Investors' Perceptions on Main Factors affecting Investments

A. At start of business



B. Now

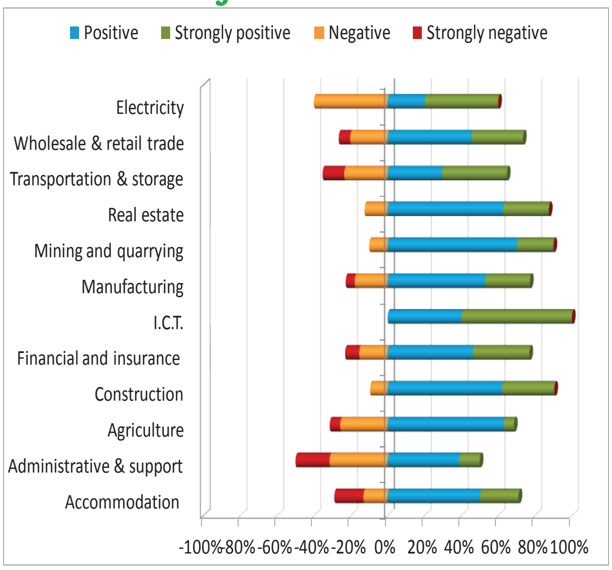


4.1.1 Factors Affecting Investments by Activity

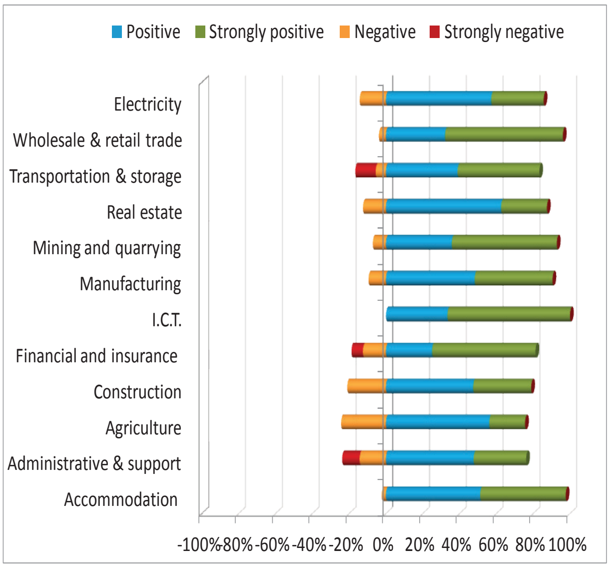
This section presents an assessment of three factors that in investors' view have stronger impact on investment through cost of operations, production or sales. These factors are banking, telecommunications and electricity services.

Chart 4.2: Impact of Banking Services by Activity

A: At start of business



B: Now



Banking Services

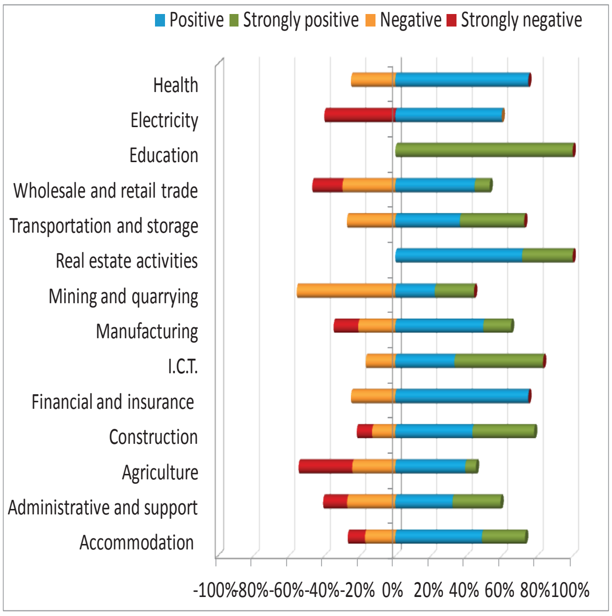
The increase in the number of banks and associated facilities and products such as automated teller machines, mobile phone banking, mobile banking, and internet banking coupled with extended working hours have positively impacted investment operations. The stronger positive impact was reported by companies operating in the mining and quarrying, information and communications, real estate and construction activities (Chart 4.2). Despite the improvements in the banking services investors complained about high cost of borrowing.

Telecommunications services

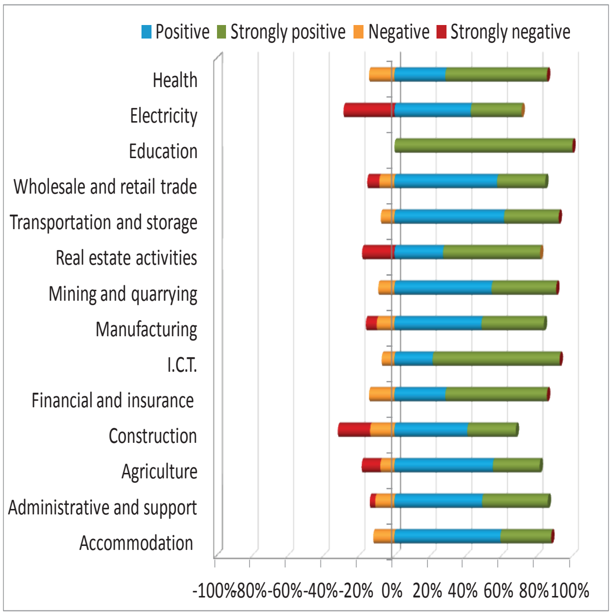
The increase in number of mobile phone service providers together with coverage and the availability of more products like internet access, were reported to have positive impact on investment operations at the time the survey was conducted compared to the time when they started business (**Chart 4.3**). Mining and quarrying, agriculture and wholesale and retail trade activities reported strong positive effects following developments in the telecommunication services.

Chart 4.3: Impact of Telecommunications Services by Activity

A. At start of business



B. Now

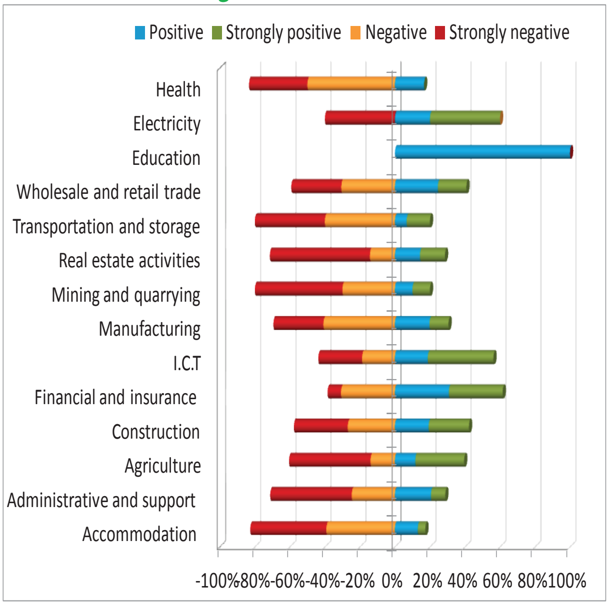


Electricity Supply and Reliability

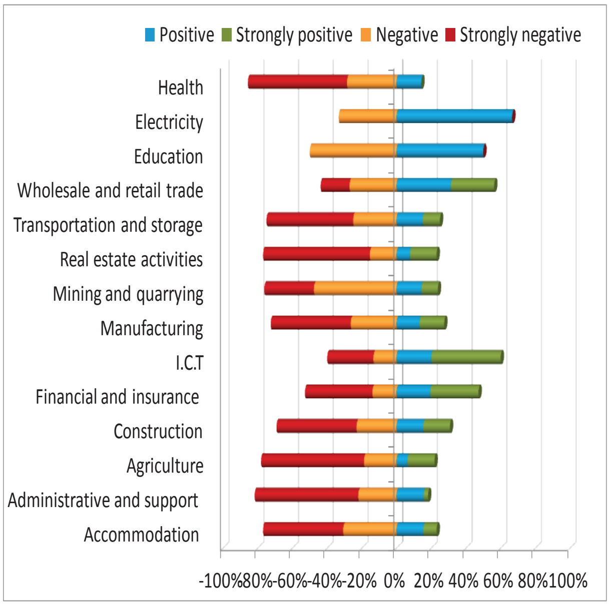
Investors indicated that poor and unreliable electricity supply affected their business negatively both at the time when they started operations and at the time when the survey was conducted. Limited power supply, fluctuation and rationing compelled investors to use standby generators which increased their cost of operations. It is worth noting that, during the time when the survey was conducted (2010/11) the country was facing power supply shortage due to drought which had affected hydro power generation. Activities which reported strong negative impact were manufacturing, mining and quarrying, transportation and storage, and horticulture (**Chart 4.4**).

Chart 4.4: Impact of Electricity Supply and Reliability by Activity

A. At start of business



B. Now



4.2 Linkages to the Domestic Economy

This section discusses the extent to which foreign businesses operating in the country are linked to the domestic economy through employment creation, sourcing of raw materials, and corporate social responsibilities. This section reports the findings of the census which was conducted in 2010 covering the years 2008 and 2009.

4.2.1 Employment

The findings indicate that the total jobs increased to 83,879 in 2009 from 83,473 recorded in 2008. In terms of employment categories, the largest number of local employees was unskilled[1], while the largest number of foreign employees was professionals (**Table 4.1**).

[1] In this study, an unskilled employee is a person who has not undergone any formal training

Results also show that a total of 752 and 815 foreign employees were recorded under unskilled category in 2008 and 2009, respectively. Most of unskilled foreign employees were those who have acquired special skills through on the job training. The largest number of unskilled foreign employees was recorded in the manufacturing and agriculture activities.

While mining and quarrying had by far the largest stock of foreign investment it came fifth in average total employment for 2008 and 2009. Meanwhile, agriculture which ranked seventh in the stock of foreign investment was the second largest employer. In every category of employment, locals exceeded foreigners, but the largest concentration of locals was in the skilled and unskilled categories.

Table 4.1: Distribution of Employment by Job Category and Residency 2008 – 2009

Type category	2008		2009		Total		Percentage Change
	Domestic	Foreign	Domestic	Foreign	2008	2009	
Management	1,769	1,431	1,709	1,363	3,200	3,072	-4.0
Professionals (excluding Management)	8,668	1,042	7,291	2,509	9,710	9,800	0.9
Skilled	31,737	965	31,796	940	32,702	32,736	0.1
Unskilled	37,109	752	37,456	815	37,861	38,271	1.1
Total	**79,283**	**4,190**	**78,252**	**5,627**	**83,473**	**83,879**	**0.5**

Table 4.2: Distribution of Employment Levels by Activity 2008 – 2009

	2008	2009	Average	Percentage
Manufacturing	36,373	36,233	36,303	43.4
Agriculture	10,657	10,780	10,719	12.8
Administrative activities	7,304	7,457	7,381	8.8
Finance and insurance	6,170	5,609	5,890	7.0
Mining and quarrying	5,285	4,987	5,136	6.1
Accommodation	4,647	5,000	4,824	5.8
Wholesale and retail trade	3,766	3,749	3,758	4.5
Information and communication	2,374	2,675	2,525	3.0
Transportation and storage	2,340	2,432	2,386	2.9
Construction	1,936	2,073	2,005	2.4
Others	1,389	1,403	1,396	1.7
Energy	984	1,249	1,117	1.3
Real state activities	248	232	240	0.3
Total	**83,473**	**83,879**	**83,676**	**100.0**

4.3 Corporate Social Responsibility

The respondents were requested to provide monetary value of the amount spent on corporate social responsibility (CSR) activities during 2008 and 2009. The findings showed that the amounts spent on CSR activities in 2008 and 2009 were USD 12.3 million and USD 11.5 million, respectively (**Table 4.3**). The activities which attracted substantial CSR expenditures were health and welfare; and education which on average accounted for 48.4 percent.

Table 4.3: Corporate Social Responsibility by Activity 2008 – 2009

(USD Million)

Area of support	2008	2009	Average	Percent of average
Health and welfare	2.8	4.0	3.4	28.4
Education	2.4	2.3	2.4	20.0
Arts and Culture	2.2	1.0	1.6	13.3
Road	1.9	1.1	1.5	12.9
Safety and security	1.4	1.2	1.3	11.2
Water	0.4	0.3	0.3	2.9
Environment	0.2	0.3	0.3	2.3
Religious	0.1	0.1	0.1	1.0
Others	0.7	1.1	0.9	7.8
Total	**12.3**	**11.5**	**11.9**	**100**

Corporate Social Responsibility by Activity

The results showed that the manufacturing activity had the highest contribution to CSR in 2009 as it accounted for about 30.5 percent of the average amount spent on CSR in 2008 and 2009, followed by wholesale and retail trade activity. The least contributing activity was mining and quarrying (**Table 4.4**).

Table 4.4: Corporate Social Responsibility by Sector 2008 – 2009

(USD Million)

	2008	2009	Average	Percentage
Manufacturing	4.2	3.0	3.6	30.5
Wholesale and retail trade	1.5	2.4	2.0	16.5
Construction	1.8	1.1	1.5	12.3
Finance and Insurance	1.3	1.4	1.4	11.5
Health	0.5	1.1	0.8	6.8
Agriculture	0.9	0.7	0.8	6.8
Administrative activities	0.5	0.5	0.5	4.3
Accommodation	0.6	0.4	0.5	4.2
ICT	0.3	0.3	0.3	2.6
Transport and storage	0.2	0.2	0.2	1.9
Other services	0.2	0.1	0.2	1.3
Mining and quarrying	0.2	0.1	0.2	1.3
Total	**12.3**	**11.3**	**11.8**	**100.0**

4.4 Source of Raw Materials

Sourcing of raw materials is one of the basic linkages to the domestic economy. The findings indicated that there were marginal changes in the sources of raw materials between 2007 and 2009. The companies that used more than 50 percent locally produced raw materials remained around 24 percent of respondents, while those sourcing more than 50 percent of their raw materials from local market fluctuated around 11 percent. Companies using more that 50 percent imported raw materials rose from 20 percent in 2007 to stay around 21 in 2008 and 2009 (**Table 4.5**). These developments call for more efforts to encourage domestic linkages including through supporting creation of production value chains.

Table 4.5: Sourcing of Raw Materials 2007 - 2009

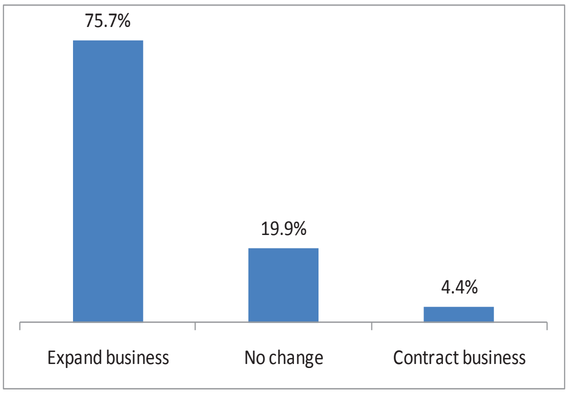
(Percent)

More than 50 percent of raw materials	2007	2008	2009
Produced locally	23.6	23.5	23.7
Sourced from local market	11.6	10.8	11.5
Imported	20.0	21.1	20.6

4.5 Likely Direction of Investments

Out of total respondents, 75.7 percent indicated their intentions to expand business while 19.9 percent would maintain the same level of investments. Those who intended to reduce their businesses were 4.4 percent. This is an indication of investors' confidence in the country's investment climate (**Chart 4.5**).

Chart 4.5: Likely Investment Direction in the Mid-Term



CHAPTER 5

MAIN FINDINGS AND POLICY IMPLICATIONS

5.0 Introduction

The objective of this chapter is to draws policy implications and recommendations from the survey findings. It identifies areas that need interventions in order to further improve the investment climate with a view to maintaining and attracting more investments into the country.

5.1 The growth of foreign private investments remained strong

The survey findings indicated that the stock of foreign investments rose at an annual average rate of 10.3 percent to USD 10,393.2 million in 2011 from the amount recorded in 2008. FDI and other investments continued to be the dominant components of foreign private investments accounting for 89.3 percent and 10.6 percent of the total stock in 2011, respectively. This in part, reflects the impact of the Government's efforts to improve the investment climate. These efforts need to be enhanced and targeted on strategic investments.

5.2 Financing of FDI inflows changed from debt to retained earnings

FDI was found to be mainly financed by retained earnings since 2009 compared to the previous years when loans were the major source of financing. In 2011, for instance, almost 100 percent of the total inflows were in the form of retained earnings. This significant shift is consistent with high levels of profits realised. It also gives an indication of increased investors' confidence and investment opportunities in the country. It is generally perceived that equity financing is better than debt financing as it reduces the volatility of the capital flows and the risks associated with debt servicing.

It is therefore recommended to continue with efforts to improve investment climate further so that investors can generate higher returns and reinvest. The measures being taken in the area of reducing cost of doing business are in line with the objective of encouraging re-investment and therefore, they need to be strengthened The efforts also need to aim at expanding investment opportunities and promote diversification.

5.3 Electricity and gas activities received substantial inflows

Electricity and gas activity, which received less than USD 3.0 million in 2008 and 2009, experienced a sharp increase to USD 290.5 million in 2010 and USD 209.4 million in 2011.

There is therefore a need to expedite the on-going initiatives to put in place policy and regulatory framework governing the electricity and gas activities in order to provide guidance and ensure adequate benefits to the country.

5.4 Inflows to the agriculture remained sluggish

Agriculture, which accounts for the largest share of GDP continued to record low levels of FDI. Despite the increase in the inflows to this activity by nearly 50 percent between 2008 and 2011, the annual inflows were lower than that of traditional recipients namely: mining and quarrying, manufacturing, finance and insurance; and information and communication.

It is therefore necessary to step up efforts to make agriculture more attractive to investors. Such efforts include investments in rural infrastructure, irrigation schemes and rural electrification to facilitate agro processing; and expediting the countrywide land mapping and categorization to build up a reliable land bank.

5.4 FDI continued to originate from few countries

South Africa, the United Kingdom and Canada accounted for an average of 71.5 percent of the total FDI inflows to Tanzania between 2008 and 2011. Similar pattern was observed in the period before 2008 implying that the sources of FDI inflows remained inadequately diversified, thus exposing the country to risks emanating from external shocks.

There is a need to continue with efforts to diversify the source countries of FDI through enhanced promotional activities in other regions of the world such as Asia and Latin America.

5.5 Portfolio investments remained small

The share of portfolio investments remained negligible as it accounted for less than one percent of the total foreign investment inflows during the review period. This is due to the low level of development of the capital market which is characterised by a small number of market participants (listed companies and investors), inadequate tradable securities and restrictions on capital account transactions.

Efforts need to be continued to: encourage locally-owned companies to list in the Stock Exchange in order to tap up more resources from the international markets; strengthen capital market authority and encourage establishment of regional stock exchanges. Further, there is a need to expedite the on-going initiatives to liberalize the capital account. This can be done through fast tracking the legal and institutional reforms in the capital markets and securities authority, demutualization of DSE and encourage private sector run stock exchanges, provision of fiscal incentives to listed companies and investors, and implementation of the roadmap on capital account liberalization designed under the EAC framework.

5.6 Supply and reliability of electricity remained a challenge

Generally, investors' perception on factors affecting investment climate in the country was relatively favourable with exception of supply and reliability of electricity. However, this challenge is expected to be resolved following the government's efforts to expand and diversify power generation capacity. The on-going investments in natural gas production and construction of gas pipeline are expected to support more reliable and affordable energy. Implementation of these initiatives needs to be kept on track in order to ensure that the objective of making supply of electricity reliable, affordable and accessible is achieved in good time.

5.7 The largest number of domestic employees in the FDI related activities was unskilled

The findings indicated that total employment for the surveyed companies increased to 83,879 in 2009, from 83,473 in 2008. In terms of job categories, the largest number of domestic employees was unskilled, while foreign employees were concentrated more in professional category. The results further show that the number of unskilled foreigners increased to 815 in 2009 from 752 in 2008. These results are contrary to the existing national laws that restrict employment of foreigners to the professional category.

There is a need to strengthen the implementation of the skills localization policy for instance through establishment of skills programs that will be aligned with skills required by investors with a view to speeding up the transfer of skills to locals.

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APPENDIX 1: GLOSSARY OF KEY CONCEPTS

Balance of Payments Statistical statement designed to provide, for a specific period, a systematic record of an economy's transactions with the rest of the world. It brings together inflows and outflows of transactions between residents and non-residents classified under appropriate components, in two accounts--the current account and capital and financial accounts.

Book value Value of an asset as recorded in the books of account of an organization, usually the historical cost of the asset reduced by the amounts written off for depreciation. If the asset has ever been revalued, the book value will be the amount of the revaluation less amounts subsequently written off for depreciation. With the exception of the value at the time of purchase of the asset, the book value will rarely be the same as the market value of the asset.

Country of origin of an investment The residence of the shareholders where main decisions on the operations of a company are made.

Debt equity ratio Total debt divided by equity. Debt equity ratio measures the extent to which investments are financed by either loan and or equity.

Direct investment International investment by a resident entity of one economy ("direct investor") in an enterprise resident in another economy ("direct investment enterprise"), made with the objective of obtaining a lasting interest in the direct investment enterprise. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence by the direct investor on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.

Direct investor An individual, incorporated or unincorporated, private or public enterprise, a government, or a group of related enterprises (incorporated or unincorporated) or individuals, that have a direct investment enterprise (that is, a subsidiary, associate or branch) operating in an economy other than the economy of residence of the direct investor.

Direct investment enterprise An incorporated enterprise in which a direct investor owns 10 percent or more of the ordinary shares or voting power, or an unincorporated enterprise in which a direct investor has equivalent ownership. Direct investment enterprises comprise: subsidiaries (enterprises in which a non-resident investor owns more than 50 per cent); associates (enterprises in which a non-resident investor owns between 10 and 50 per cent); and branches (unincorporated enterprises wholly or jointly owned by a non-resident investor) that are either directly or indirectly owned by the direct investor.

Dividends Part of profits paid to shareholders. Dividends are recorded at the moment the shares go ex-dividend

Ex-dividend A status given to dividend when a person receiving the dividend is confirmed to have received the dividend payment.

Equity Shares in companies, and equivalent ownership interest in unincorporated enterprises. Foreign Direct Equity Investment denotes ownership of 10 percent or more of the ordinary shares, voting power, or equivalent in an enterprise, by someone resident in another economy.

Market value The amount of money that a willing buyer pays to acquire something from a willing seller, when such an exchange is one between independent parties and on the basis of commercial considerations only. This is the best measure of economic value. The actual price at which transactions are recorded in the books of the transactors will be the market price, or a close approximation thereof. Market values are usually difficult to estimate. The preferred techniques of calculating market values (particular to equity) include stock exchange valuations of listed companies, auditor's estimates of market values, a recent purchase or sale between directors of the company, director's estimate, financial manager's estimate, and accountant's estimate.

Foreign direct investment flow Movement of private investments between two countries in a specified period.

FDI inflow An increase in international indebtedness (liabilities) to a country's private sector during a specified period of time.

FDI outflow An increase in country's investment (assets) abroad during a specified period of time. This also implies investments abroad by a domestic enterprise.

Financial instruments Instruments/special documents that are used to facilitate financial transactions such as treasury bills, bonds, debentures and stocks.

Foreign portfolio equity investment (FPEI) A case where a shareholder owns less than 10 percent of equities in an enterprise. The flow include also purely financial assets, such as investments in bonds, money market instruments and financial derivatives other than the items included in the definition of foreign direct investment.

International standard industrial classification (ISIC) A standardized way of disaggregating economic activities for international data comparison purposes. For the current census, this has been modified with further disaggregation to better cover activities in Tanzania but keeping consistent with international norms.

Net asset value The difference between assets and liabilities.

Non-equity All other financial instruments including loans, trade credit and supplier credit (for goods and services), bonds, debentures, notes, money market instruments, shareholder and inter-company loans, arrears of debt or interest, and deposits.

Private sector external debts (PSED) Loans contracted by the domestic private sector covering long and short-term loans from related and unrelated companies; and suppliers' credit from related and unrelated companies.

Other Investments Borrowings mainly long and short-term loans from unrelated companies.

Reinvested (or retained) earnings The direct investors' shares of the earnings (after tax on earnings) that are not distributed as dividends.

Related companies Subsidiaries (where a non-resident owns more than 50 percent of the shares), associates (where a non-resident owns 50 percent or less) or branches (where unincorporated enterprises is wholly owned by non-residents).

Resident Any individual, enterprise, or other organisation ordinarily residing in a country and whose centre of economic interest is in the country. All other entities are regarded as non-residents. For statistical purposes, an individual who lives in a country for more than a year is considered a resident of that country, regardless of the individual's citizenship or nationality. An enterprise incorporated in a country is considered a resident of that country irrespective of the domicile of the owners of the enterprise. A branch of a foreign company operating in country for more than one year is treated as a resident company.

Return on investment A measure used to evaluate the efficiency of investment calculated as gain from investments less cost of investment divided by the cost of investment.

Shareholder and inter-company borrowing The borrowing or lending of funds (among related companies) between the direct investor (non-resident) and the direct investment enterprise (resident). These transactions can create or dissolve investment as well as maintain, expand or contract it.

Stock Assets and liabilities position at a point in time--for instance end of year position.

Suppliers' credits Claims from the direct extension of credit by suppliers of goods and services to buyers. This concept also includes advance payments for work in progress, or to be undertaken, associated with such transactions. Most of them are of short-term nature.

Systematic Random Sampling
A method of selecting a random sample from among a larger population. It involves first selecting a fixed starting point in the larger population and then obtaining subsequent observations by using a constant interval between samples taken.

Unrelated companies
Companies that are not related in terms of shareholding

Table 1: Stock and Flows of FDI by Source Country

(USD Million)

Countries	Stock 2009	2010		2011	
		Flows	stock	Flows	Stock
South Africa	2,330.3	347.3	1,891.1	443.5	2,177.9
Barbados	1,661.2	530.7	2,155.3	-242.4	1,926.0
United Kingdom	824.4	282.1	1,077.3	451.8	1,344.8
Canada	295.9	342.6	705.3	392.2	1,080.4
Mauritius	379.4	89.3	434.2	291.1	650.4
Kenya	330.9	91.3	420.5	97.8	517.4
Switzerland	184.5	10.5	180.6	153.4	276.8
Japan	159.2	32.7	179.6	31.3	197.3
Norway	126.0	21.2	124.3	66.3	183.8
Botswana	100.6	7.0	105.0	16.4	114.9
Jersey Channel Islands	55.4	2.8	52.2	2.3	94.3
France	82.9	2.4	73.6	13.7	75.0
US	71.7	-2.1	73.7	1.2	72.2
India	49.2	2.3	63.3	4.9	71.0
Denmark	55.8	49.3	57.1	7.6	56.3
Germany	37.3	5.7	35.6	-3.3	50.9
China	47.7	1.4	40.1	5.6	48.7
Sweden	44.8	16.4	48.4	0.8	46.3
Panama	31.5	8.5	36.1	6.0	37.9
Cayman Islands	5.8	23.6	9.4	31.6	34.9
International Financial Cooperation (IFC)	33.1	2.8	30.3	2.0	31.7
Isle of Man	437.9	-40.7	399.3	-433.8	30.5
Netherlands	175.7	110.0	170.7	14.5	24.7
Libya	18.6	-15.6	27.7	-0.8	24.7
United Arab Emirates	282.4	-117.5	158.8	-146.6	22.8
Uganda	37.1	-0.5	35.4	27.9	20.5
Belgium	11.2	2.9	13.9	0.8	14.2
Cyprus	7.8	4.8	11.3	4.4	14.0
Kuwait	21.1	-2.7	17.0	-5.5	13.7
Finland	14.6	-0.4	13.3	-0.4	12.4
Nigeria	24.2	-2.9	16.5	-3.8	11.8
Gibraltar	12.5	0.0	11.3	0.0	10.3
Pakistan	4.2	-0.6	6.5	2.3	9.7
Ireland, Republic of	10.5	0.0	9.4	-0.1	8.6
Australia	12.4	-0.1	11.1	3.1	6.4
Luxembourg	7.6	3.0	9.5	3.5	6.1
Italy and Vatican City	7.1	-0.3	6.3	-0.3	5.7
Greece	6.3	0.2	5.9	0.0	5.4
Zambia	4.5	2.5	5.0	1.6	5.2
Malaysia	3.3	2.0	5.9	0.3	4.6
Oman	5.1	0.0	4.4	-0.2	3.9
Lebanon	3.2	-0.6	2.4	2.1	3.9
Yemen	3.9	-0.1	3.4	-0.6	2.6
Liechtenstein	1.8	0.6	2.1	0.4	2.3

Malawi	1.6	-0.2	1.1	0.4	1.5
Swaziland	1.6	-0.4	1.0	0.8	1.5
Iran	4.8	-1.7	2.8	-1.7	1.1
Saudi Arabia	3.8	-0.4	3.0	0.6	1.0
Ivory Coast	0.7	0.1	0.8	0.1	0.8
Others	4.6	2.6	6.5	-4.9	0.7
New Zealand	0.3	-0.2	0.1	0.2	0.3
Serbia	0.2	0.0	0.2	0.0	0.1
Chile	0.0	0.0	-0.2	0.0	0.0
African Development Bank	0.0	0.3	0.0	0.0	0.0
USA Virgin Island	0.0	1.2	0.0	0.0	0.0
Seychelles	-0.5	-0.5	-0.9	-2.5	-2.9
Bahamas	28.9	0.5	7.9	-6.2	-78.7
Grand Total	**8,066.3**	**1,813.3**	**8,762.2**	**1,229.4**	**9,278.1**

Table 2: Income on Equity

(USD Million)

Sector	Income on Equity - 2008				Income on Equity – 2009				Income on Equity - 2010				Income on Equity - 2011			
	Net Profit/Loss	Reinvested Earnings	Dividends declared	Dividends paid	Net Profit/Loss	Reinvested Earnings	Dividends declared	Dividends paid	Net Profit/Loss	Reinvested Earnings	Dividends declared	Dividends paid	Net Profit/Loss	Reinvested Earnings	Dividends declared	Dividends paid
Agriculture	-16.3	-17.1	0.0	0.8	0.7	-0.1	1.4	0.9	5.8	-1.5	0.6	8.5	14.9	0.3	8.7	15.4
Mining	17.1	17.0	0.0	0.0	-2.6	-2.5	0.0	0.0	359.8	359.9	0.0	15.7	907.1	864.5	42.6	42.6
Manufacturing	151.5	111.9	1.7	39.6	192.9	160.4	14.0	30.2	350.4	249.4	102.2	120.2	409.5	322.5	79.2	107.0
Electricity and gas	2.1	2.1	0.0	0.0	5.1	5.1	0.0	0.0	-2.1	25.7	0.0	0.0	38.4	36.6	0.0	0.0
Water supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	-14.2	-13.8	0.1	0.0	1.4	1.0	0.0	0.0	-0.9	-2.1	0.3	0.0	6.7	-6.8	0.5	0.0
Wholesale and retail trade	16.9	12.0	0.1	2.7	9.0	3.4	0.1	0.6	25.5	16.1	9.5	9.4	50.1	40.9	16.9	17.5
Transportation and storage	9.1	7.4	1.7	1.7	8.5	6.4	2.1	2.1	9.4	4.5	6.1	3.6	10.2	4.0	7.3	-2.3
Accommodation	-3.0	-3.4	0.0	0.0	-12.1	-12.3	0.0	0.0	-37.4	-37.4	0.0	0.0	-8.0	-8.0	0.0	0.0
Information & com	17.0	16.8	0.0	0.1	25.3	24.8	0.0	0.5	-207.6	-201.2	0.0	21.3	-203.1	-203.6	0.0	0.0
Finance	113.6	95.4	6.6	10.8	113.9	84.4	14.5	24.1	164.4	114.0	64.4	10.4	233.8	169.0	61.6	5.8
Real estate	-2.3	-2.3	0.0	0.1	2.1	2.1	0.0	0.1	7.3	6.9	0.0	0.0	26.2	26.2	0.0	0.0
Professional activities	-1.1	-1.1	0.0	0.0	-0.1	-0.1	0.0	0.0	2.1	40.4	0.1	0.1	2.3	2.0	0.3	0.5
Administrative and support	-6.1	-9.0	0.0	2.2	-9.9	-7.5	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education	0.3	0.3	0.0	0.0	0.4	0.4	0.0	0.0	0.7	0.7	0.0	0.0	0.2	0.2	0.0	0.0
Health activities	0.5	0.5	0.0	0.0	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arts, entertainment	1.9	0.9	0.0	0.7	1.2	-0.1	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other service	1.2	1.5	0.0	0.0	1.2	1.2	0.0	0.0	1.6	-1.3	3.6	5.2	4.5	0.5	1.2	3.5
Total	**288.4**	**219.0**	**10.2**	**58.6**	**337.9**	**267.4**	**32.0**	**60.1**	**679.0**	**574.0**	**186.9**	**194.5**	**1,492.7**	**1,248.2**	**218.3**	**190.0**

APPENDIX 3: QUESTIONNAIRE COMPANIES WITH FOREIGN ASSETS AND LIABILITIES

National l Bureau of Statistics	Bank of Tanzania	Tanzania Investment Centre
P. O. Box 796 DAR ES SALAAM	P. O. Box 2939 DAR ES SALAAM	P. O. Box 938 DAR ES SALAAM
Tel: (255) – 22 - 2116328-32	Tel: (255) – 22 - 2122722-3	Tel: (255) – 22 - 2230000
Fax: (255) – 22 - 2130852	Fax: (255) – 22 - 2234065	Fax: (255) – 22 - 2118253
Website: www.nbs.go.tz	Website: www.bot-tz.org	Website: www.tic.co.tz

QUESTIONNAIRE FOR THE SURVEY OF COMPANIES WITH FOREIGN ASSETS & LIABILITIES

QUESTIONNAIRE TYPE: PCF/C7/2012 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[2] within Tanzania? Yes ☐ No ☐

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

2.2 If yes, are you supplying consolidated information for all the companies within the group? Yes ☐ No ☐

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

A3: ACKNOWLEDGEMENT OF RECEIPT OF QUESTIONNAIRE

I, ______________________________ of ________________________

(enter name of recipient) *(enter name of company)*

acknowledge receipt of the survey questionnaire.

Title:	
Signature:	
Date:	
Researcher:	Name:
	Mob:

NB: Original copy of this page must be returned to the office by the Researcher upon receipt of this questionnaire by the company.

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 Tanzania Investment Centre (TIC) for Balance of Payments compilation, investment promotion and national 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 2010 and 2011. Where audited accounts are not ready, *unaudited figures are acceptable for this purpose*. We would rather have your best estimate 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 2002, section 47 sub-sections (1), (2) and (4) and Bank of Tanzania Act of 2006, section 57. Failure to comply could result in legal action against your company.

This information will be published in aggregated form and 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	BOT	TIC
V. Tesha (0713 415146) National Bureau of Statistics Tel: (255)-22-2122722-3 Fax: (255)-22-2112352/2135601	Z. Kiwelu (0754 293570) P. Mboya (0754/15/84/ 527528) Bank of Tanzania Tel: (255)-22- 2233305 Fax: (255)-22 2234065	N. Tibenda (0784 568030) 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.

Financial Derivatives

A financial derivative contract is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks (*such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, and so on*) can be traded in their own right in financial markets.

Options-in an option contract (option), the purchaser acquires from the seller a right to buy or sell (depending on whether the option is a call (buy) or a put (sell)) a specified underlying item at a strike price on or before a specified date.

A forward-type contract (forward) is an unconditional contract by which two counterparties agree to exchange a specified quantity of an underlying item (real or financial) at an agreed-on contract price (the strike price) on a specified date. Forward type contracts include *futures* and *swaps*.

Ultimate controlling company - For direct investment, there can be chains of voting power, such as when a direct investor in economy A has a subsidiary in economy B, which in turn has a subsidiary in economy C. In this case, for the direct investment in economy C, (a) the economy of immediate ownership is Economy B; and (b) the ultimate controlling economy is economy A.

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.		

PART B: EQUITY INVESTMENT IN YOUR COMPANY DURING 2010 and 2011

Please report all values in TZS or USD, and in 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 BI: EQUITY & INVESTMENT FUND SHARES BY NON-RESEDENTS, 2010

Equity Type	**Source Country /Multilateral organisation**	**Percentage Shareholding**	**Relationship: DI , DIE, or FE, FPEI, Other and IFS**	**A Closing Balance 31 Dec 2009**	**B Purchase/ Increase in 2010**	**C Sales/ Decrease in 2010**	**D Official Use Only 'Other' Changes D=E-(A+B-C)**	**E Closing Balance 31st Dec 2010**
Paid-up Share Capital	1.							
	2.							
	3							
	4.							
	Tanzania							
Share Premium	1.							
	2.							
	3							
	4.							
	Tanzania							
Reserves(Capital, Statutory, revaluation, & Other)	1.							
	2.							
	3							
	4.							
	Tanzania							
Other Equity (e.g. Equity Debt Swaps, Shareholders Deposits)	1.							
	2.							
	3							
	4.							
	Tanzania							
Accumulated Retained Earnings/Loss	1.							
	2.							
	3							
	4.							
	Tanzania							
Investment Fund Shares (Shares)	1.							
	2.							
	3							

	4.							
	Tanzania							
Investment Fund Shares (Accumulated Retained Earnings)	1.							
	2.							
	3							
	4.							
	Tanzania							

TABLE B2: EQUITY & INVESTMENT FUND SHARES BY NON-RESEDENTS, 2011

Equity Type	**Source Country /Multilateral organisation**	**Percentage Shareholding**	**Relationship: DI , DIE, or FE, FPEI, Other and IFS**	**A Closing Balance 31 Dec 2010**	**B Purchase/ Increase in 2011**	**C Sales/ Decrease in 2011**	**D Official Use Only 'Other' Changes D=E-(A+B-C)**	**E Closing Balance 31st Dec 2011**
Paid-up Share Capital	1.							
	2.							
	3							
	4.							
	Tanzania							
Share Premium	1.							
	2.							
	3							
	4.							
	Tanzania							
Reserves(Capital, Statutory, revaluation, & Other)	1.							
	2.							
	3							
	4.							
	Tanzania							
Other Equity (e.g. Equity Debt Swaps, Shareholders Deposits)	1.							
	2.							
	3							
	4.							
	Tanzania							
Accumulated Retained Earnings/Loss	1.							
	2.							
	3							
	4.							
	Tanzania							
Investment Fund Shares (Shares)	1.							
	2.							
	3							
	4.							
	Tanzania							
Investment Fund Shares (Accumulated Retained Earnings)	1.							
	2.							
	3							
	4.							
	Tanzania							

1. If you are a fellow enterprise, please indicate the residence of the ultimate controlling parent of your enterprise, that is, the enterprise at the top of the control chain ___________________

INCOME ON INVESTMENTS

TABLE B3: PROFITS, DIVIDENDS, RETAINED EARNINGS AND HOLDING GAINS, 2010

A Source Country /Multilateral organisation	B Percentage Shareholding	C Relationship: DI , DIE, or FE, FPEI, Other and IFS	D Net Profit (or Loss) After Tax in 2010	E Dividends Declared	F Dividends Paid/Profits Remitted	G Official Use Only Retained Earnings = (D-E)	H Holding gain (*FPEI and Other only)* = D-E
1.							
2.							
3							
4.							
Tanzania							
TOTAL							

TABLE B4: PROFITS, DIVIDENDS, RETAINED EARNINGS AND HOLDING GAINS, 2011

A Source Country /Multilateral organisation	B Percentage Shareholding	C Relationship: DI , DIE, or FE, FPEI, Other and IFS	D Net Profit (or Loss) After Tax in 2011	E Dividends Declared	F Dividends Paid/Profits Remitted	G Official Use Only Retained Earnings = (D-E)	H Holding gain (*FPEI and Other only)* = D-E
1.							
2.							
3.							
4.							
Tanzania							
TOTAL							

PART C: NON EQUITY INVESTMENTS IN YOUR COMPANY DURING 2010 & 2011

TABLE CI: NON EQUITY LIABILITIES, 2010

Type of loan	Source Country /Multilateral organisation	Relationships: DI, DIE, or FE, Other	Original Maturity LT-12months or more ST-Less than 12 months (Indicate LT or ST)	A Closing Balance 31 Dec 2009	B Amount received during 2010	C Principal Repayment during 2010	D Official Use Only 'Other' changes D=E-(A+B-C)	E Closing Balance 31 Dec 2010 (Including Accrued interest Not Paid)	G Interest Paid in 2010
Loans (*Including Financial Leases, Repos*)	1.								
	2								
	3								
	4								
	Tanzania								
Debt securities (*Including Money Market Instruments, Bonds and notes*).	1.								
	2								
	3								
	4								
	Tanzania								
Suppliers/Trade Credits & Advances	1.								
	2								
	3								
	4								
	Tanzania								
Currency and Deposits	1.								
	2								
	3								
	4								
	Tanzania								
Life & Non-Life Insurance Technical Reserves	1.								
	2								
	3								
	4								
	Tanzania								
Pension Entitlements/Claims	1.								
	2								
	3								
	4								
	Tanzania								
Standardised Guarantees	1.								
	2								
	3								
	4								
	Tanzania								
Other Accounts Payable	1.								
	2								
	3								
	4								
	Tanzania								
TOTAL									

TABLE C2: NON EQUITY LIABILITIES, 2011

Type of loan	Source Country /Multilateral organisation	Relationships: DI , DIE, or FE, Other	Original Maturity LT-12months or more ST-Less than 12 months (Indicate LT or ST)	A Closing Balance 31 Dec 2010	B Amount received during 2011	C Principal Repayment during 2011	D Official Use Only 'Other' changes D=E-(A+B-C)	E Closing Balance 31 Dec 2011 (Including Accrued interest Not Paid)	G Interest Paid in 2011
Loans (*Including Financial Leases, Repos*)	1.								
	2								
	3								
	4								
	Tanzania								
Debt securities (*Including Money Market Instruments, Bonds*).	1.								
	2								
	3								
	4								
	Tanzania								
Suppliers/ Trade Credits & Advances	1.								
	2								
	3								
	4								
	Tanzania								
Currency and Deposits	1.								
	2								
	3								
	4								
	Tanzania								
Life & Non-Life Insurance Technical Reserves	1.								
	2								
	3								
	4								
	Tanzania								
Pension Entitlements/Claims	1.								
	2								
	3								
	4								
	Tanzania								
Standardised Guarantees	1.								
	2								
	3								
	4								
	Tanzania								
Other Accounts Payable	1.								
	2								
	3								

	4								
	Tanzania								
TOTAL									

PART D: OTHER TRANSACTIONS

Please complete table D1 if you have trade credits with your foreign counterparts

TABLE D1: TOTAL TRADE/SUPPLIERS CREDIT ASSETS FOR 2010 AND 2011

Type of Borrowing	**Source Country /Multilateral organisation**	**Relationships: DI , DIE, or FE, Other**	**Original Maturity LT-12months or more ST-Less than 12 months (Indicate LT or ST)**	**A Closing Balance 31 Dec 2009**	**B Value of goods/services supplied during the year 2010**	**C Value of goods/services paid during the year 2010**	**D Official Use Only Changes due to 'Other' changes D=E-(A+B-C)**	**E Closing balance**
Suppliers/ Trade Credits & Advances	1.							
	2							
	3							
	4							
	Tanzania							
				A Closing Balance 31 Dec 2010	**B Value of goods/services supplied during the year 2011**	**C Value of goods/services paid during the year 2011**	**D Official Use Only Changes due to 'Other' changes D=E-(A+B-C)**	**E Closing balance**
	1.							
	2							
	3							
	4							
	Tanzania							

GOODS FOR PROCESSING AND MERCHANTING AND DEBT CLAIMS ON NON RESIDENTS

1. Is your company buying and selling goods in other countries without the goods entering Tanzania?
   Yes................No...................
2. Is your company processing goods owned by non-residents? Yes........No.........

TABLE D2: STOCK OF DEBT CLAIMS ON NON RESIDENTS, 2011 (Currency composition)

	Debt claim from related parties	Debt claim from unrelated parties
Currency		
Total Domestic currency		
Foreign currency		
Total US Dollar		

Total Euro		
Total Yen		
Total Other currencies		
Of which less than one year[3]		
Domestic currency		
Foreign currency		
US Dollar		
Euro		
Yen		
Other currencies		

TABLE D3: EXCHANGE RATES (TZS/USD), 2010 AND 2011

	2010	2011
End of period	1,453.5	1,566.7
Annual average	1,395.7	1557.4

[3] Original maturity

FOR MORE INFORMATION, PLEASE VISIT OUR WEBSITES

TIC
www.tic.co.tz

BOT
www.bot.go.tz

NBS
www.nbs.go.tz