TANZANIA INVESTMENT REPORT 2013

FOREIGN PRIVATE INVESTMENT

List of Acronyms

BIT	*Bilateral Investment Agreement*
BOP	*Balance of Payments*
BOT	*Bank of Tanzania*
BPM5	*Balance of Payments Manual, 5th Edition - IMF*
BPM6	*Balance of Payments Manual, 6th Edition – IMF*
DTT	*Double Taxation Treaties*
EAC	*East African Community*
FDI	*Foreign Direct Investment*
FPI	*Foreign Private Investment*
GDDS	*General Data Dissemination Standards*
GDP	*Gross Domestic Product*
IFC	*International Finance Corporation*
ICSID	*International Centre for Settlement of Investment Dispute*
IIP	*International Investment Position*
IMF	*International Monetary Fund*
M&A	*Mergers and Acquisitions*
MIGA	*Multilateral Investment Guarantee*
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*
SAGCOT	*Southern Agricultural Growth Corridor of Tanzania*
TIC	*Tanzania Investment Centre*
TNCs	*Transnational Corporations*
UK	*United Kingdom*
USA	*United States of America*
UNCITRAL	*United Nations Commission on International Trade Law*
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 the sixth in the series of publications that are jointly produced by the Bank of Tanzania (BOT), Tanzania Investment Centre (TIC) and National Bureau of Statistics (NBS), The Tanzania Investment Report 2013 is a joint effort by the Bank of Tanzania (BOT), Tanzania Investment Centre (TIC) and the National Bureau of Statistics (NBS). It contains results of surveys that were conducted in Tanzania Mainland and Zanzibar in 2013 to confirm and collect data for 2011 and 2012 respectively. However, analysis of data is based on statistics covering the period 2008 – 2012.

The main objective of the surveys is to continue monitoring the inflows of Foreign Private Investment (FPI) to Tanzania and assess their impact on the economy. The results of the surveys are used in updating the country's Balance of Payments (BOP) and International Investment Position (IIP). Also, the collected information is used in designing effective investment promotion and facilitation strategies, as well as macroeconomic policy reviews and formulation. The report presents the survey results by indicating the sources, magnitude, composition and direction of FPI flows into the country.

It is my sincere expectation that this publication will remain a useful source of information to various stakeholders including policy makers, private sector, development partners, research institutions, academia and the general public.

Prof. Benno J. Ndulu
Governor, Bank of Tanzania
Chairman, Executive Committee (PCF Surveys)
2013

Acknowledgement

The Tanzania Investment Report 2013 is a joint effort by the Bank of Tanzania (BOT), Tanzania Investment Centre (TIC) and the National Bureau of Statistics (NBS). The preparation of the report was facilitated and guided by the Executive Committee of the Private Capital Flows (PCF) Surveys chaired by Prof. Benno Ndulu, Governor (BOT). Other members are Julieth Kairuki, Executive Director (TIC) and Dr. Albina A. Chuwa, the Director General (NBS).

The Steering Committee which undertook the overall supervision of the preparation of the report consisted of Dr. Joseph L. Masawe, Director of Economic Research and Policy (BOT), Anna Lyimo, the Acting Director of Research and Information System (TIC) and Morrice Oyuke, Director of Economic Statistics Division (NBS).

The Technical Committee which was in charge of data collection, processing and report writing was led by Johnson Nyella, the then Manager, Department of International Economics and Trade (BOT) and Neema Moshy, the new Manager, Department of International Economics and Trade (BOT). Other members of the Committee are Festo Mlele, Zabadiah Kiwelu, Emiliana Rweyemamu-Ngirwa, Phillip Mboya, Geoffrey Mwambe, Joyce Saidimu, Dr. Charles Masenya, Villela Kejo, Peter Stanslaus and Deodatus Mattaba (BOT). Others are Njoki Tibenda (TIC); Valerian Tesha and Michael Assenga (NBS).

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Executive Summary

Rationale

Tanzania, like many other countries continued to implement policies geared towards attracting FDI inflows through improvement of investment climate. Some of the efforts included policy and structural reforms which targeted improving business and investment environment in the country. The periodic publications of the findings of the survey of foreign private investments have shown that there was an increase in FDI inflows into the country in recent years. The collaborating institutions monitor FDI inflows through the periodic surveys to ascertain their type, magnitude, direction and composition. It is important to note that the monitoring exercise was initiated in 2000, by conducting a pilot survey followed by three census (2001, 2003 and 2010) and five sample surveys (2005, 2007, 2009, 2012, 2013). So far the following Tanzania Investment Reports (TIRs) have been published 2001, 2004, 2006, 2009 and 2012.

Objectives of the survey

The main objective of conducting the survey was to monitor foreign private investment flows 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 2011 and 2012 in order to develop basis for development of investment promotion strategies, improve BOP statistics and establish international investment position (IIP); and

ii. Recommend appropriate investment policies and strategies aimed at improving country's investment climate and ultimately attract more foreign private investments.

Main findings from the Survey

… Foreign direct investments maintained growth trend overtime

Findings from the survey reveal that FDI remained a dominant type of financing of foreign private investment and its inflows grew sharply by 46.4 percent in 2012 to USD 1,799.6 million. The increase was notable particularly in share capital and reinvested earnings which, together accounted for the total FDI inflows for the year. Loans from related parties which form part of FDI inflows recorded net outflows of USD 17.8 million during the year. Large FDI inflows to Tanzania during 2012 corroborate the findings reported by UNCTAD in the World Investment Report (WIR2013). The findings associated this trend with the changing pattern of the global investment flows in which developing economies surpassed developed economies as recipients of FDI. The findings shows that Africa is an example of those regions as it attracted USD 52.0 billion of FDI inflows in 2012, about USD 7.5 billion more than the amount received in the previous year.

… Shareholders' funds were the major sources of financing FDI inflows

The survey results indicated that, during 2012, FDI inflows were fully financed by shareholders funds mostly retained earnings. The share of retained earnings in the total inflows during 2011 was 100 percent but it fell by half in 2012 following increase in equity as source of financing of the inflows. Compared to the previous year, equity financing tripled during the year largely resulting from Greenfield investments, particularly, in the electricity and gas activities. Shareholders' funds are more preferred to the other types of financing because of their high degree of resilience to shocks and also an indication of investors' confidence in the economy.

… Electricity and gas activity attracted large FDI inflows

FDI inflows to electricity and gas activity tripled as it received USD 618.3 million compared to the amount received in 2011 following increased oil and gas exploration activities in the country. It is worth noting that the activity attracted only USD 1.0 million in 2008. The government is thus advised to step up efforts to institute appropriate policy and regulatory framework to govern the activity. The framework ought to provide guidance and ensure adequate benefits to the country.

… FDI inflows to Agriculture activity remained low

The survey findings indicated that the agricultural activities received less than half the amount received in 2011 despite its significant contribution to GDP. The activity has huge potentials of attracting substantial FDI and the government should endeavour to rigorously promote the activity, undertake land mapping and re-categorization, and enhance rural electrification and infrastructure upgrading.

… FDI inflows continued to originate from few countries

Over 80 percent of total FDI inflows during 2012 originated from only four countries, namely the United Kingdom, Canada, Switzerland and the USA. These investments were directed towards mining and quarrying, manufacturing, finance and insurance, wholesale and retail trade, and information and communication activities. Other important sources were South Africa and Mauritius. South Africa, which was the second largest source in 2011, fell by more than half making it the fifth. Efforts are required to diversify the source countries of FDI through enhanced promotional 'campaigns' in other regions such as Asia and Latin America.

… Portfolio investment still low

The share of portfolio investments in 2012 fell by 1.5 percent and remained less than one percent of the total foreign investment inflows during the review period. Low portfolio investment may reflect underdevelopment of the domestic capital market which is characterized by few market participants, inadequate tradable securities and existence of restrictions on capital account transactions. In this regard, promoting and encouraging privately owned companies to list in the stock exchange is crucial in order to tap available resources both international and local. Further, there is a need to expedite the on-going initiatives to undertake further liberalization of the capital account under the EAC framework; and continue to strengthen capital market authority and encourage establishment of regional stock exchanges.

… Profits and dividends took a mixed trend

The overall net profits (after tax) increased by 8.1 percent during 2012 relative to 2011 profit levels. It is worth noting that the overall net profits for the companies with foreign assets and/or liabilities were consistently increasing during the period under review. This is consistent with the fact that dividends worth USD 239.1 million were paid in 2012 – much higher than USD 190.0 million paid in 2011. Mining and quarrying activity generated highest profits during the year followed by manufacturing and finance and insurance. However, information and communication, transport and storage, construction and agriculture generated low profits.

… Private sector external debts continued to increase though marginally

The stock of private sector external debts (PSEDs) increased by 1.1 percent in 2012 compared to 2011. Long-term loans from related companies remained the largest share of PSEDs. Loan and interest repayments were higher than disbursements resulting to net outflows of USD 132.5 million during the year. However, most of the disbursements in 2012 came from USA, South Africa and Barbados and were directed towards mining and quarrying, manufacturing and information and technology activities.

Chapter 1

Overview of Trends and Prospects of Foreign Private Investments

1.0 Introduction

This chapter presents an overview of the global performance of the Foreign Direct Investments (FDI) flows in 2012 with a focus on Africa. It also analyses Tanzania's FDI performance vis-a-vis the global trends as well as Tanzania's investment climate, Foreign Private Investments (FPI) and macroeconomic performance in the same year.

1.1 Global FDI Trends

1.1.1 Overview

The World Investment Report (WIR, 2013) indicates that the global FDI flows declined by 17.6 percent to USD 2,741.9 billion in 2012 compared with USD 3,329.5 billion recorded in 2011 ***(Table 1.1).*** This development was mainly attributed to continued macroeconomic fragility and policy uncertainty for investors in major economies specifically Europe and USA.

Table 1.1: Global FDI flows, 2005 – 2012 (USD Millions)

	2008	2009	2010	2011	2012
FDI inflows	1,816.4	1,216.5	1,408.5	1,651.5	1,350.9
FDI outflows	2,005.3	1,149.8	1,504.9	1,678.0	1,391.0
Change in FDI inflows (%)	_	-33.0	15.8	17.3	-18.2
Change in FDI outflows (%)	_	-42.7	30.9	11.5	-17.1

Source: World Investment Report, 2013

1.1.2 Regional Distribution of Global FDI Flows

During 2012, FDI inflows declined across all major economic groupings namely developed, transition and developing economies compared to 2011. FDI inflows to developed economies dropped by 31.6 percent from USD 820.0 billion recorded in 2011 mainly driven by a decrease in inflows to Europe and the United States of America ***(Table 1.2).*** The decline in the United States was explained by the fall in cross-border mergers and acquisitions (M&As), while in Europe it was due to sovereign debt problems. Likewise, inflows to transition economies went down by 9.4 percent to USD 87.4 billion from USD 96.3 billion registered in 2011 largely due to falling value of cross border M&As coupled with reduced investment from EU countries. FDI inflows to developing economies declined by 4.4 percent to USD 702.8 billion in 2012, from USD 735.2 billion recorded in 2011. Despite the decline, the inflows to developing economies were higher by USD 142.1 billion compared with the amount received by developed economies in 2012.

Table 1.2: FDI Flows by region, 2010-2012 (USD billions)

Region/economy	FDI inflows			FDI outflows		
	2010	2011	2012	2010	2011	2012
World	1,408.5	1,651.5	1,350.9	1,504.9	1,678.0	1,391.0
Developed economies	696.4	820.0	560.7	1,029.8	1,183.1	909.4
Developing economies	637.1	735.2	702.8	413.2	422.1	426.1
Africa	43.6	47.6	50.0	9.3	5.4	14.3
Asia	400.7	436.2	406.8	284.0	310.6	308.2
Latin America and Caribbean	189.9	249.4	243.9	119.2	105.1	103.0
Transition economies	75.1	96.3	87.4	61.9	72.9	55.5

Source: World Investment Report, 2013

In 2012, FDI inflows to Asian countries went down by 6.7 percent to USD 406.8 billion partly due to political uncertainty and subdued economic prospects globally. Amidst the declining global FDI inflows, the inflows to Latin America and the Caribbean remained almost at the level attained in 2011. During the year, Africa was the only region in which inflows rose, reaching USD 50.0 billion compared to USD 47.6 billion in the preceding year, explained partly by the increase in investments in the extractive sector.

FDI outflows from developed economies declined by 23 percent to USD 909.4 billion in 2012 mainly due to Euro zone crisis. According to the WIR (2013), the continuing Euro zone crisis appeared to have discouraged United States investors from investing in Europe. Outflows from transition economies declined to USD 55.5 billion in 2012 from USD 72.9 billion recorded in 2011. In contrast, outflows from developing economies rose to USD 426.1 billion in 2012 compared to USD 422.1 billion recorded in 2011. As a result, the share of developing economies in global outflows increased to a record level of 31 percent. Outflows from Africa nearly tripled to USD 14.3 billion mainly driven by huge investments from South Africa which were channelled to the mining, wholesale and retail trade and health activities. In contrast, outflows from Asia declined to USD 308.2 billion from USD 310.6 billion registered in 2011. Despite the fall, Asian countries remained the largest source accounting for 75 percent of the total FDI outflows from developing countries.

1.1.4 Prospects of Global FDI Flows

The forecasts in the WIR (2013) show that FDI growth in 2013 would remain close to the amount recorded in 2012, mainly due to structural weaknesses in the global financial system, deterioration of the macroeconomic environment and significant policy uncertainty. As macroeconomic conditions improve and investors regain confidence in the medium term, transnational corporations are expected to convert their record levels of cash holdings into new investments and thus the global FDI inflows are projected to increase to USD 1,600 billion in 2014 and further to USD 1,800 billion in 2015.

FDI inflows in developed economies are anticipated to flow more into business services such as software development and consultancy. In Africa, inflows are projected to increase in agriculture, while in Latin America increase in inflows is expected in the extractive industry, tourism and services. In Asia, FDI inflows are expected to increase in a wide range of industries including agriculture, oil, gas, food products, construction and transport. In transition economies, FDI inflows are expected to increase in the machinery and textiles industries.

1.2 FDI Trends in Africa

Inflows to Africa increased to USD 50.0 billion in 2012 from USD 47.6 billion registered in 2011. Africa's share of FDI inflows among developing economies rose to 7.1 percent from 6.5 percent recorded in 2011.

Although inflows to Africa increased in 2012, there were significant variations among sub-regions ***(Table 1.3).*** Much of the growth in North Africa was due to a rise in investments in Egypt, Morocco and Tunisia. In West Africa particularly Nigeria, the inflows declined as a result of political instability. There was an increase of inflows to Central Africa particularly the Democratic Republic of Congo, where large inflows were directed towards expansion of the copper-cobalt mine.

Table 1.3: Africa's FDI Flows 2008 – 2012 (USD Billion)

Region	FDI inflows					FDI outflow				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Africa	58.9	53.0	43.6	47.6	50.0	10.1	6.3	9.3	5.4	14.3
North Africa	23.1	18.2	15.7	8.5	11.5	8.8	2.6	4.9	1.6	3.1
East Africa	4.4	3.9	4.5	4.6	6.3	0.1	0.1	0.1	0.1	0.1
West Africa	12.5	14.7	12.0	17.7	16.8	1.7	2.1	1.3	1.5	3.0
Southern Africa	13.9	10.1	2.0	8.7	5.4	-0.6	1.4	2.4	1.9	7.3
Central Africa	5.0	6.0	9.4	8.1	10.0	0.1	0.1	0.6	0.3	0.7

Source: WIR, 2013.

In East Africa, FDI inflows rose by about 37.0 percent to USD 6.3 billion in 2012, owing to increased investments in oil and gas in Tanzania and Uganda. In contrast, the inflows to Southern Africa declined to USD 5.4 billion in 2012 compared to USD 8.7 billion in the preceding year due to low levels of inflows recorded in Angola and South Africa as a result of divestments.

1.2.3 Foreign Direct Investment Inflows to Tanzania

Tanzania's share in Africa FDI inflows improved to 3.4 percent in 2012 from 2.5 percent recorded in 2011, while that of global inflows remained at 0.1 percent ***(Table 1.4).***

Table 1.4 FDI Inflows, 2008 – 2012

	2008	2009	2010	2011	2012
Global (Billions of USD)	1,816.3	1,216.5	1,408.5	1,651.5	1,350.9
Africa (Billions of USD)	58.9	52.9	43.6	47.6	50.0
Tanzania (Billions of USD)	1.3	0.9	1.8	1.2	1.7
Tanzania's share in Africa (%)	2.2	1.7	4.1	2.5	3.4

Source: World Investment Report 2013 and Tanzania Investment Report 2012

FDI inflows to Tanzania increased by 46.4 percent to USD 1,799.6 million in 2012 from USD 1,229.4 million recorded in 2011 ***(Table 1.5).*** The increase was mainly on account of equity and investment fund shares as well as reinvestment of earnings which together accounted for about 100 percent of the total inflows of FDI. The activities which attracted more inflows were mining and quarrying, manufacturing, gas and electricity; and finance and insurance. The top five main source countries of FDI inflows to Tanzania in 2012 were United Kingdom, Canada, Switzerland, United States and South Africa.

Table 1.5: Tanzania's Capital Flows and Stocks, 2008 – 2012 (USD Million)

	Inflows					Stocks				
Items	**2008**	**2009**	**2010**	**2011**	**2012**	**2008**	**2009**	**2010**	**2011**	**2012**
FDI	1,383.3	953.1	1,813.3	1,229.4	1,799.6	6,945.6	7,898.7	9,712.0	10,941.4	12,741.0
Portfolio Investment	0.2	0.4	-0.1	0.7	-5.6	11.0	11.4	11.3	12.0	6.4
Other Investment	172.0	70.4	-0.7	99.9	72.3	798.5	868.9	868.2	968.1	1,040.4
Total FPI	**1,555.5**	**1,023.9**	**1,812.5**	**1,330.0**	**1,866.3**	**7,751.1**	**8,775.0**	**10,587.5**	**11,917.5**	**13,783.8**

1.3 Tanzania's Macroeconomic Developments

1.3.1 Output and Prices

During 2012, the growth of real GDP picked up to 6.9 percent from 6.4 percent recorded in 2011 ***(Table 1.6)*** driven by increase in agriculture and industrial production supported by favourable weather, timely supply of inputs and stable power supply. Other activities that contributed to growth include communication, trade, real estate and business services.

Average annual inflation increased to 16.0 percent in 2012 from 12.6 percent in 2011 due to food shortages experienced in some parts of the country and in the Eastern Africa region. Inflationary pressure eased progressively to a single digit of 9.8 percent in March, 2013 and further down to 6.2 percent in November, 2013 on account of improved food supply in the EAC region following favourable weather conditions. In addition, fiscal consolidation and tight monetary policy contributed to the slow down in inflation.

1.3.2 Money and Credit

In 2012, Tanzania continued to pursue tight monetary policy to anchor inflation expectation. Consistent with this, the minimum reserve requirements on government deposits was raised from 30 percent to 40 percent in December 2012. The open market operations and sale of foreign exchange in the interbank foreign exchange market were enhanced in order to mop up excess liquidity in the economy.

Consistent with the anti-inflationary policy pursued, the growth of credit extended to the private sector slowed down to 18.2 percent in 2012 from 27.2 percent recorded in 2011. The deceleration was recorded in all major economic activities, except for transport and communication. In 2012, trade activities accounted for the largest share of credit to the private sector followed by personal, manufacturing and agricultural activities.

1.3.3 Interest and Exchange Rates

During the period under review, the Treasury bills market continued to provide an anchor to market determined interest rates. The Bank continued to promote an efficient money market with the view to minimizing volatility in yields.

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

1.3.4 External Sector Developments

In 2012, the overall balance of payments recorded a surplus of USD 326.1 million, compared with a deficit of USD 202.0 million recorded in 2011, reflecting a net increase in inflows in the form of capital grants, foreign direct investments and foreign borrowing.

This performance resulted to an increase in gross official reserves of USD 4,068.0 million from USD 3,744.6 million in 2011, sufficient to cover about 4 months of imports of goods and services ***(Table 1.6).***

The current account deficit narrowed to USD 3,494.5 million in 2012 from USD 3,994.7 million in 2011. The performance was largely driven by an increase in export volumes for most of the traditional cash crops including coffee, cotton and tobacco coupled with improved non-traditional exports particularly manufactured goods, fish and fish products, horticultural products and re-exports. It is worth noting that the increase in export volumes was on account of improved production for most of the agricultural commodities following favourable weather conditions. On the other hand, the value of import of goods and services was 5.3 percent above USD 12,678.0 million recorded in 2011, following a rise in oil prices in the world market.

Table 1.6: Tanzania's Selected Macroeconomic Indicators, 2008-2012

Indicator	2008	2009	2010	2011	2012
Population (Million)	39.3	40.7	43.2	44.5	44.9
GDP growth (%)	7.4	6	7	6.4	6.9
GDP per capita (USD)	524.1	525.2	538.1	550.1	628.9
CPI average inflation rate (%)	10.3	12.1	7.6	12.6	16.0
Exports of goods and services/GDP (%)	26.9	23.8	27.6	30.6	30.4
Imports of goods and services/GDP (%)	41.9	35	39.1	49.9	44.4
CAB/GDP (%)	-12.4	-8.4	-8.5	-16.5	-12.2
Average exchange rate (TZS/USD)	1,196.9	1,306.0	1,395.7	1,557.4	1,571.7
Official reserves (USD Million)	2,872.6	3,552.5	3,948.0	3,744.6	4,069.1
Reserves (months of imports cover)	4.0	5.6	5.2	3.7	3.9

Source: Bank of Tanzania, National Bureau of Statistics

1.3.5 Financial Sector Stability

According to the Financial Stability Report of March 2013, the financial sector remained stable and sound despite the challenging global macro-economic and financial environment. The payments and settlement systems operated smoothly and efficiently. In monitoring resilience, stress tests were conducted on the banking system balance sheet against extreme shocks on a quarterly basis. The results for the quarter ending March 2013 indicated that major banks, which accounted for 73.2 percent of bank loans, were generally resilient to adverse shocks from interest rate, exchange rate and credit risks. The capital adequacy ratio of the banks remained above the regulatory requirements

1.3.6 Investment Climate

The Government continued with efforts to improve the existing investment climate by reviewing the existing policies as well as instituting new ones. For example, the Government is currently in the process of reviewing the investment policy of 1997 in order to accommodate new developments. Following the discoveries of large deposits of gas in the country, the Government in 2013 developed a new National Gas Policy that will provide a comprehensive framework for guiding the development of gas industry in the country.

Promotional and Protection Efforts

With regard to promotional efforts, the Government continued to promote investments by offering a well-balanced and competitive package of fiscal incentives to investors both international and domestic with a view to attract new investments. In addition, the Government signed new bilateral investment agreements (BITs) which are aimed at promoting and protecting new and existing investments. It also signed double taxation treaties (DTTs) with various countries.

As of now, the government of Tanzania has already signed BITs with the Governments of Germany, Italy, Finland, South Korea, The Netherlands, United Kingdom, Sweden, Denmark, Canada, Switzerland, Thailand, China, Oman and Kuwait. On the other hand, the Government of Tanzania has entered into DTTs with the Governments of United Kingdom, Italy, Sweden, Norway, Denmark, Finland, South Korea, Switzerland, Oman, Malaysia, Thailand, Canada, The Netherlands, and Kuwait. Also, Tanzania is a member of Multilateral Investment Guarantee Agency (MIGA), International Centre for Settlement of Investment Disputes (ICSID) and is signatory to the United Nations Commission on International Trade Law (UNCITRAL).

Investment Opportunities

Tanzania has investment potentials in various areas including agriculture and agro-business, infrastructure development, manufacturing, tourism, financial services, mining, water resource development, non-mineral natural resources, human capital and skills development and community based services. For example, the Government is currently promoting investments in the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). This is a public private partnership aimed at transforming the corridor into a high agricultural productivity area and deliver rapid and sustainable agricultural growth. Within the corridor, opportunities exist for investment in rice, sugar and livestock.

1.3.7 Structure of the Report

This report is organised in four chapters. Chapter two presents the methodology used in carrying out the surveys, while chapter three provides the analysis of foreign private investments. Chapter four provides conclusions and policy recommendations.

Chapter 2

Methodology

2. 0 Introduction

This chapter discusses the methodology used in conducting the 2013 Foreign Private Investment (FPI) sample survey which collected information for 2011 and 2012. It covers the activities undertaken during the survey as well as the organisation of the survey, data processing and adherence to the international standards.

2.1 Organization of the Survey

2.1.1 Institutional Framework

In conducting foreign private investment surveys five institutions were involved namely; the Bank of Tanzania, Tanzania Investment Centre and the National Bureau of Statistics in Tanzania Mainland while the Zanzibar Investment Promotion Authority and the Office of Chief Government Statistician were involved in Zanzibar.

2.1.2 Scope

The sample survey involved collection of data for 2011 and 2012 from companies with foreign investments both in Tanzania Mainland and Zanzibar covering industrial activities as defined by the UN International Standard Industrial Classification (ISIC Rev. 3). It covered companies located in both urban and rural areas.

2.1.3 Survey Implementation

Compilation of Investors' Register

Prior to the fieldwork, the investors' register was updated to facilitate sampling process. The register provides a comprehensive list of companies with foreign private investments. It contains company particulars, main activities, value and status of investment. Information about companies that were either rehabilitated, expanded, relocated merged or had their business names changed was updated. In addition, companies that were either closed, liquidated or under receivership were removed and the new ones added. The register is stored in a web based private capital monitoring system.

The main sources of information for updating the register in Tanzania Mainland were Business Registration and Licensing Authority, Tanzania Investment Centre, National Bureau of Statistics and Ministry of Energy and Minerals. In Zanzibar, sources for this information were Zanzibar Investment Promotion Authority, Zanzibar Commission for Tourism, Office of Chief Government Statistician and the Office of Registrar of Companies.

Sample Size and Sampling Procedure

The sampling process involved a population of 601 enterprises with foreign assets and/or liabilities. The population was subdivided into strata (A and B). Stratum 'A' comprised 261 enterprises with stock values of USD 2.0 million and above. Stratum 'B' had 340 enterprises with stock value less than USD 2.0 million as per the 2009 stock position.

All the enterprises in stratum 'A' were selected while for stratum 'B', a systematic random sampling procedure was applied to obtain a sample of 84 enterprises.

Questionnaire

The questionnaire (Appendix 2) for the sample survey was designed in conformity with IMF Balance of Payments Manuals, 5th and 6th editions. It was designed to capture information on company particulars, industrial classification, equity, income on investments and non-equity.

Awareness creation

Prior to the field work, a press release was published in selected local newspapers. 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 training was conducted prior to the commencement of the survey with the aim of reviewing the questionnaire; researcher's manual and survey logistics. The training was facilitated by local experts and involved researchers from the collaborating institutions.

2.3.5 Fieldwork

In order to have a smooth monitoring and evaluation of survey activities the fieldwork was implemented in two phases. Phase one involved Dar es Salaam region where headquarters of most of the companies are located while phase two covered the remaining regions. A face-to-face interview technique was employed in administering the questionnaire. This technique is considered to be the most effective compared to other techniques since it provides an opportunity for the researcher to clarify any issue requested by respondents. The collected information was verified against financial statements to ensure the collected data is of acceptable quality before processing.

2.3.6 Response Rate

In Tanzania Mainland 345 companies were surveyed out of which 284 responded (equivalent to 82.3 percent). It is worth noting that information from some sampled companies could not be collected as they had relocated, closed, liquidated; merged and acquired, put under receivership, changed their names and new companies that had not started operation during the survey.

2.4 Data Processing

Data processing was carried out in a web-based Private Capital Monitoring System developed by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). Two weeks workshop was organised for questionnaire editing, data entry and verification. In order to ensure data quality, completed questionnaires were reviewed to identify missing values or inconsistencies.

2.5 Data Weighting

In estimating the data for non response and boosting for population, two steps were involved. 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 stratum 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 were used, one to estimate non-response and the second to estimate samples that 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 is selected, then the weighting factor under the agriculture was:

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

The second step involved adjusting the data in order to link the series with those obtained from the sample survey which covered 2010 and 2011. The adjustment factor of 0.15 was obtained by taking the ratio of the stock position of 2011. The data for the sample survey was then weighted using this adjustment factor. Data for Zanzibar could not be obtained as there was a delay in implementing the survey. Since the report covers the United Republic of Tanzania (URT), estimation for Zanzibar was made by adjusting the data for Mainland by 8.7 percent which is the average share of Zanzibar in the total foreign private investment in URT from 2009 to 2011.

2.8 Adherence to International Standards

2.8.1 Analytical Methods

The survey was conducted in accordance with the acceptable international standards. Economic activities were classified based on ISIC Rev.3 with some customization to meet country specific requirements.

2.8.2 Timeliness

The survey results were disseminated about 6 months after completion of fieldwork. The focus has been to meet timeliness criteria for data dissemination as guided by IMF's framework in the Special Data Dissemination Standard (SDDS), which is within six months after fieldwork. Noteworthy, the fieldwork for the sample survey was completed in September 2013 and the output tables were produced in November 2013 making Tanzania meet SDDS requirements for the first time.

Chapter 3

Analysis of Foreign Private Investments

3.0 Introduction

This chapter presents the analytical findings resulting from the sample survey of companies with foreign assets and liabilities in Tanzania. It analyses foreign private investments (FPI) which comprise foreign direct investments (FDI), portfolio investments (PI) and other investments (OI) with focus on their magnitude and trends. It also examines the distributions of FPI by activity, source of financing and regional groupings between 2008 and 2012.

3.1 Foreign Private Investments

The findings of the survey conducted in 2012 reveal that the stock of FPI reached USD 13,783.8 million in 2012. This represents an increase of 16.4 percent compared to 12.7 percent in 2011 ***(Table 3.1).*** Foreign direct investments, which increased faster than other forms of FPI in 2012, accounted for 92.4 percent of total stock of FPI while portfolio and other investments accounted for 0.1 percent and 7.5 percent, respectively.

Table 3.1: Foreign Private Investments, 2008 – 2012 (USD Million)

	Inflows					Stocks				
Items	**2008**	**2009**	**2010**	**2011**	**2012**	**2008**	**2009**	**2010**	**2011**	**2012**
FDI	1,383.3	953.1	1,813.3	1,229.4	1,799.6	6,945.6	7,898.7	9,712.0	10,941.4	12,741.0
Portfolio Investment	0.2	0.4	-0.1	0.7	-5.6	11.0	11.4	11.3	12.0	6.4
Other Investment	172.0	70.4	-0.7	99.9	72.3	798.5	868.9	868.2	968.1	1,040.4
Total FPI	**1,555.5**	**1,023.9**	**1,812.5**	**1,330.0**	**1,866.3**	**7,751.1**	**8,775.0**	**10,587.5**	**11,917.5**	**13,783.8**

3.1.1 Foreign Direct Investments

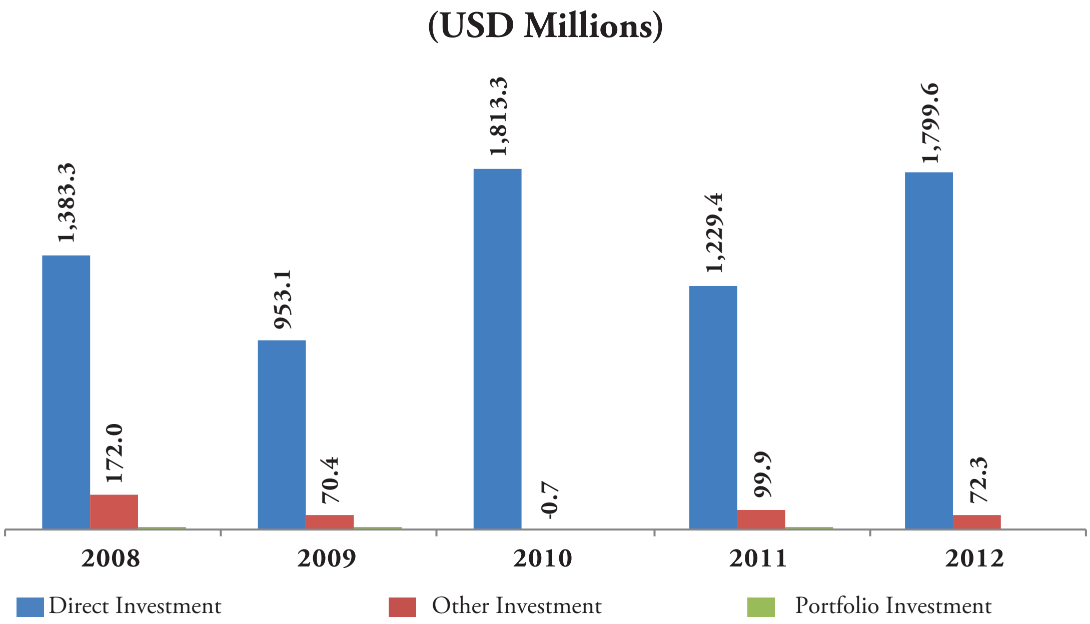
As explained in section 3.1, FDI consistently continued to be a dominant component of FPI. During the year under review, Tanzania attracted FDI inflows amounting to USD 1,799.6 million, 46.4 percent higher than the amount received in 2011. Despite this increase, the level of inflows in 2012 was still lower than the peak of USD 1,813.3 reached in 2010 as a result of recovery from the global financial crisis which coincided with new inflows to the electricity and gas activities. The annual average inflow between 2008 and 2012 was USD 1,435.7 million. Large inflows in 2012 emanated from new equity and investment fund shares (i.e. equity capital) as well as increase in reinvestment of earnings. Loans from related parties, which is part of FDI inflows, recorded net outflows of USD 17.8 million reflecting more repayments of principal and interest than loans received during the year (***Table 3.2*** and ***Chart 3.1***).

Table 3.2: Foreign Direct Investments, 2008 – 2012 (USD Millions)

	Inflows					Stocks				
Components	**2008**	**2009**	**2010**	**2011**	**2012**	**2008**	**2009**	**2010**	**2011**	**2012**
Equity and investment fund shares	178.4	397.2	464.7	304.1	909.0	2,896.4	3,293.5	3,758.3	4,062.4	4,971.5
Reinvestment of earnings	219.2	267.8	573.5	1,248.6	908.4	653.1	920.9	1,494.4	2,743.0	3,651.3
Long-term loan from related parties	722.2	257.7	162.5	-252.1	-132.5	3,037.1	3,294.8	3,457.3	3,205.2	3,072.7
Short-term loan from related parties	263.4	30.4	612.5	-71.2	114.6	359.0	389.4	1,002.0	930.8	1,045.4
Total FDI	**1,383.3**	**953.1**	**1,813.3**	**1,229.4**	**1,799.6**	**6,945.6**	**7,898.7**	**9,712.0**	**10,941.3**	**12,740.9**

High FDI inflows in 2012 were driven by increased investments in extractive projects including oil and gas. The results are consistent with changing pattern of the global investment flows in which case developing economies have surpassed developed economies as recipients of FDI. Africa as a region for instance, recorded USD 50,041.0 million of FDI inflows in 2012 compared with USD 47,598.0 million reported in 2011 (WIR,2013).

Chart 3.1: Inflows of Foreign Private Investments, 2008 – 2012

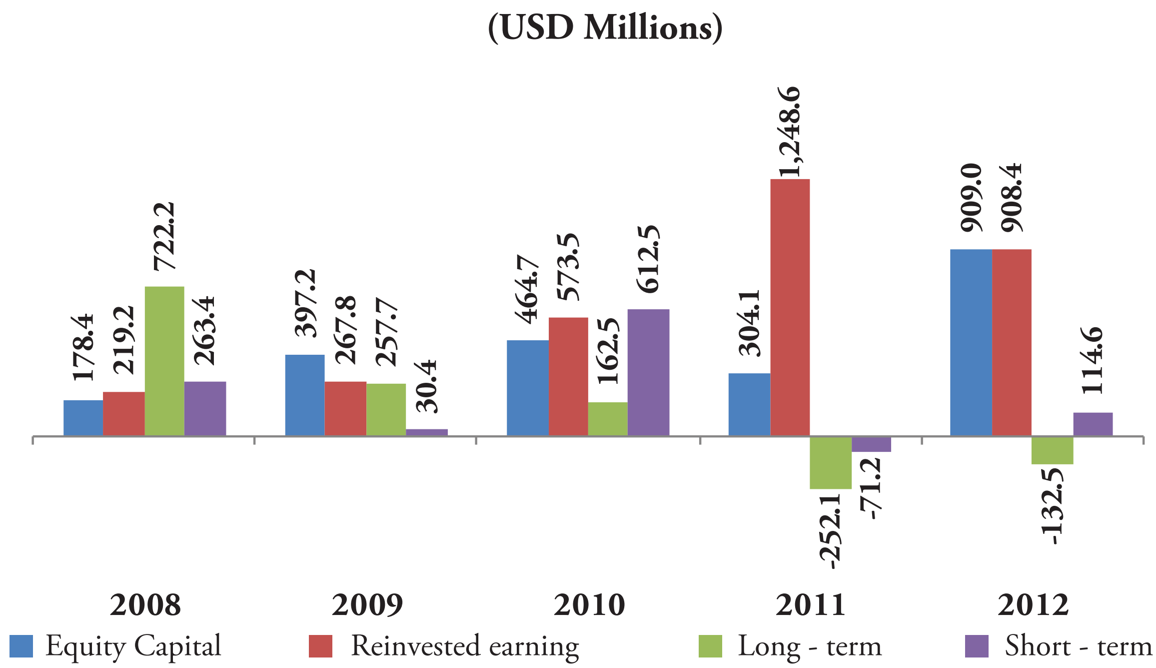


Types of Financing of Foreign Direct Investments

Foreign Direct Investments are mainly financed through equity and investment fund shares, reinvestment of earnings and loans from related parties. Of the three types, equity and investment fund shares and reinvestment of earnings were the major types of financing FDI inflows in 2012. The share of reinvestment of earnings has been consistently increasing for the past four years before reaching its peak in 2011 after which it dropped to 50.5 percent in 2012. During 2008 - 2012, the share of reinvestment of earnings in total FDI inflows averaged 45.5 percent while that of equity averaged 31.1 percent.

The increase in share of reinvestment of earnings is partly a reflection of investors' confidence on the economy and a friendly business environment. It is worth noting that in 2012, financing of FDI inflows through equity and investment fund shares increased about three times the amount recorded in 2011 most of which went into Greenfield investments particularly in the electricity and gas activities. Financing of FDI through long and short-term loans which was dominant prior to 2008 (over 70 percent of total FDI) declined to almost zero in 2012. It is worth noting that negative flows of long and short term loans reflect higher repayment relative to disbursements during the reference year ***(Chart 3.2)***. The lag effect of the global financial crisis coupled with prolonged Euro crisis negatively affected the ability of financial institutions to extend credits including those for investments.

Chart 3.2: Financing of FDI, 2008 – 2012



Stocks and flows of foreign direct investments by activity

Stock Position

The stock of FDI reached USD 12,740.9 million in 2012 compared with USD 10,941.3 million recorded in 2011 with mining and quarrying continuing to lead as it accumulated USD 6,304.8 million (49.5 percent of the total stock) followed by manufacturing with USD 2,023.3 million (15.9 percent of the total stock) ***(Table 3.3).***

Annual Flows

Similar to findings from previous years, the distribution of FDI inflows by activity continued to be uneven. During the year, mining and quarrying continued to lead by attracting USD 889.3 million followed by electricity and gas which received USD 618.3 million—about three times the amount recorded in 2011. This activity experienced a sharp increase in inflows over the recent past, rising from around USD 1.0 million in 2008. These developments are associated with huge investment in natural gas and oil exploration in the country.

Table 3.3: Stock and Flows of FDI by Activity, 2008 – 2012 (USD Million)

	Inflows					Stocks				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Mining and quarrying	669.8	385.1	909.9	406.5	889.3	3,714.1	4,099.2	5,009.1	5,415.5	6,304.8
Manufacturing	277.6	214.5	157.1	217.3	563.7	870.7	1,085.2	1,242.3	1,459.5	2,023.3
Accommodation	129.7	35.9	21.1	165.6	5.4	388.7	424.6	445.7	611.3	616.8
Finance and insurance	81.7	95.9	95.5	121.1	148.1	416.3	512.2	607.6	728.7	876.8
Information and communication	127.6	185.1	83.5	-98.3	-420.1	532.4	717.4	801.0	702.7	282.6
Electricity and gas	1.0	2.1	290.5	209.4	618.3	24.7	26.8	317.3	526.7	1,145.0
Wholesale and retail trade	21.1	-16.9	36.9	114.5	-35.2	372.0	355.1	392.0	506.5	471.3
Agriculture	21.2	29.0	22.9	31.4	11.2	202.3	231.3	254.2	285.6	296.8
Construction	-3.7	14.9	-23.5	30.7	-28.1	119.5	134.4	110.9	141.5	113.4
Real estate activities	26.5	1.5	1.5	12.0	23.4	79.7	81.2	82.8	94.7	118.1
Professional activities	-0.7	0.5	213.0	6.1	20.1	1.1	1.6	214.6	220.6	240.7
Other service activities	1.4	1.4	-0.8	1.1	3.9	3.8	5.2	4.4	5.5	9.4
Education	0.4	0.3	1.6	1.8	0.5	2.0	2.3	3.9	5.7	6.2
Transportation and storage	2.7	3.9	4.0	10.4	-1.0	28.8	32.7	36.7	47.1	46.1
Grand Total	**1,383.3**	**953.1**	**1,813.3**	**1,229.4**	**1,799.6**	**6,945.6**	**7,898.7**	**9,711.9**	**10,941.3**	**12,740.9**

While large inflows were recorded in the mining and quarrying, and electricity and gas, there were activities that experienced negative inflows in 2012. The negative inflows were recorded in information and communication (USD 420.1 million), wholesale and retail trade (USD 35.2 million), construction (USD 28.1 million) and transport and storage (USD 1.0 million). Inflows to agriculture activities also declined but remained positive compared to the level recorded in 2011.

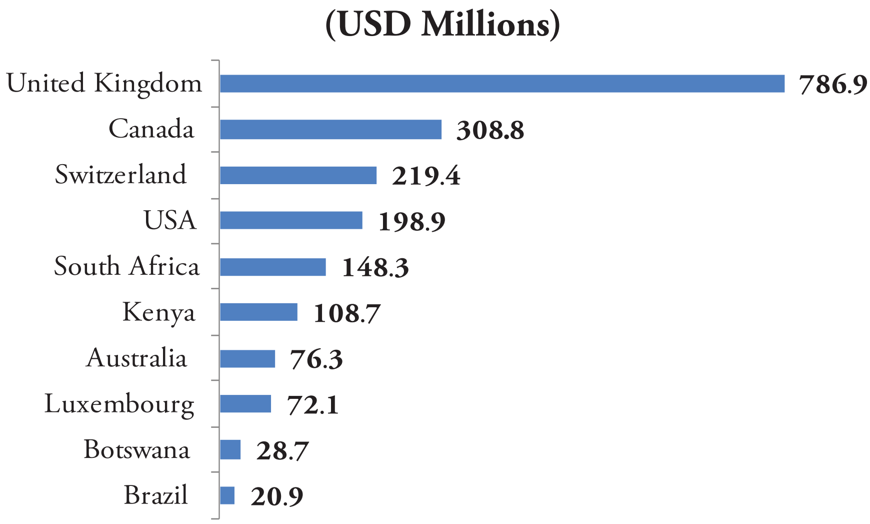
Sources of Foreign Direct Investments

Source countries

Survey findings show that most of the FDI inflows to Tanzania in 2012 originated from ten major countries (***Chart 3.3*** and ***Table 3.3***). Inflows from the developed countries namely the United Kingdom, Canada, Switzerland, the USA and Luxemburg reached USD 1,586.1 million with UK remaining the leading source country since 2011. Most of the investments from these countries went to the mining and quarrying, manufacturing, finance and insurance, and wholesale and retail trade, and information and communication activities.

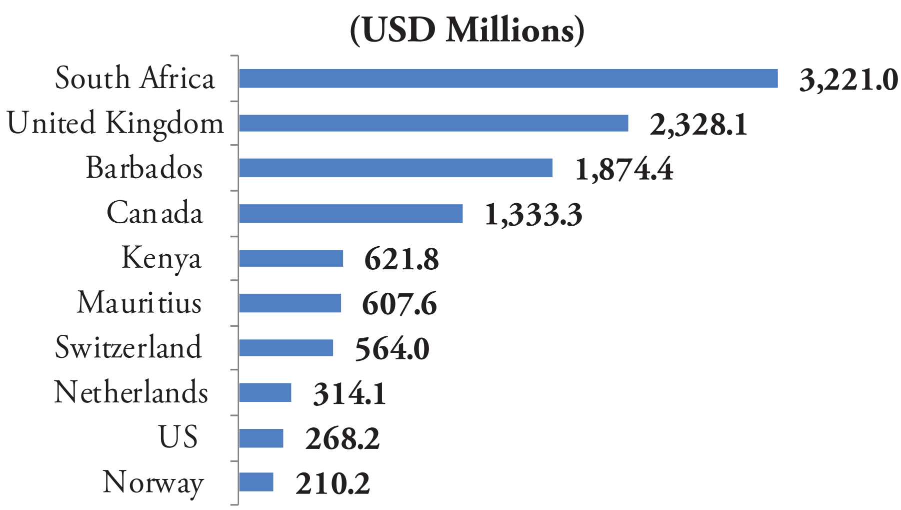
Inflows from emerging economies mainly originated from South Africa and Brazil while those from developing economies came from Kenya and Botswana. However, South Africa, which was the second largest source of FDI inflows in 2011, became the fifth following substantial investments in electricity and gas from other countries during that year.

Chart 3.3: Top Ten Source Countries of FDI Flows, 2012



Despite the decline in inflows from South Africa in 2012, it remained the leading source country in terms of stock of FDI with USD 3,221.0 million compared to USD 3,072.7 million in 2011 **(Chart 3.4)**. During 2012, the top 5 source countries namely South Africa, United Kingdom, Barbados, Canada and Kenya reached USD 7,423.5 million being 58.2 percent of the total stock of FDI implying that FDI for Tanzania continue to originate from few source countries.

Chart 3.4: Stocks of FDI, Top 10 Source Countries, 2012



Note: *The list of source countries exclude international financial centres*

Regional Groupings

FDI inflows from the OECD countries grew by 44.0 percent to USD 1,636.0 in 2012. The source countries that were prominent within OECD region are United Kingdom, Canada and Switzerland which in aggregate accounted for 73.0 percent of the total inflows in 2012. It is worth noting that prior to 2010, FDI inflows from Switzerland were less than USD 20.0 million but the trend changed in 2011 and 2012 when substantial inflows were received making the third largest source for Tanzania. During the period under review, large inflows from Switzerland went into manufacturing, wholesale and retail trade and mining and quarrying activities while those from the United Kingdom were directed towards gas and electricity activities. Further, during 2012, large inflows were recorded from USA compared to 2011 owing to its new investments in the manufacturing, finance and insurance; and electricity and gas activities.

FDI inflows from the Southern African Development Community (SADC) region in 2012 dropped to USD 28.9 million from USD 751.3 million recorded in 2011 (***Table 3.4***). The substantial drop in inflows from the SADC region was due to the decline in inflows from South Africa coupled with negative inflows from Mauritius.

Table 3.4: FDI Inflows by Regional Groupings (USD Millions)

	2008	2009	2010	2011	2012	Average
OECD	**580.1**	**404.1**	**876.0**	**1136.3**	**1636.0**	**926.5**
Canada	199.7	269.3	342.6	392.2	308.8	302.5
United Kingdom	241.3	45.9	282.1	451.8	786.9	361.6
Switzerland	16.3	11.1	10.5	153.4	219.4	82.1
Netherlands	24.3	22.1	110.0	14.5	1.7	34.5
Norway	41.3	-0.5	21.2	66.3	-0.6	25.5
Denmark	10.4	9.3	49.3	7.6	10.9	17.5
Japan	-11.6	5.3	32.7	31.3	-28.9	5.8
United States	33.9	8.7	-2.1	1.2	198.9	48.1
Sweden	10.7	5.1	16.4	0.8	0.7	6.7
France	6.2	2.6	2.4	13.7	-15.1	2.0
Luxembourg	0.8	10.1	3.0	3.5	72.1	17.9
Italy and Vatican City	3.6	12.7	-0.3	-0.3	0.0	3.1
Other OECD	3.2	2.4	8.2	0.3	81.4	19.1
SADC	**603.2**	**400.2**	**445.0**	**751.3**	**28.9**	**445.7**
South Africa	526.5	357.0	347.3	443.5	148.3	364.5
Mauritius	50.1	40.7	89.3	291.1	-144.4	65.4
Botswana	25.6	2.1	7.0	16.4	28.7	16.0
Zambia	1.9	1.0	2.5	1.6	1.3	1.7
Other SADC	-0.9	-0.6	-1.1	-1.3	-5.1	-1.8
EAC	**24.5**	**33.9**	**90.8**	**125.7**	**108.4**	**76.7**
Kenya	18.9	30.7	91.3	97.8	108.7	69.5
Uganda	5.6	3.2	-0.5	27.9	-0.3	7.2
Other EAC	0.0	0.0	0.0	0.0	0.0	0.0
Other regions	163.9	120.2	401.5	-783.9	26.3	-14.4
Grand Total	**1,383.3**	**953.1**	**1,813.3**	**1,229.4**	**1,799.6**	**1,435.7**

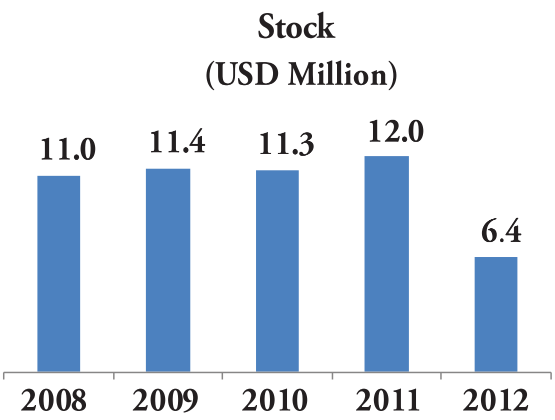
During 2012, retained loss worth USD 51.3 million was recorded by enterprises originating from Mauritius while at the same time repayment of loans worth USD 90.m million were made. As a result, SADC region which was the largest source of FDI inflows for Tanzania in 2008 contributing for 43.6 percent was the third in 2012 with its share declining to less than two percent.

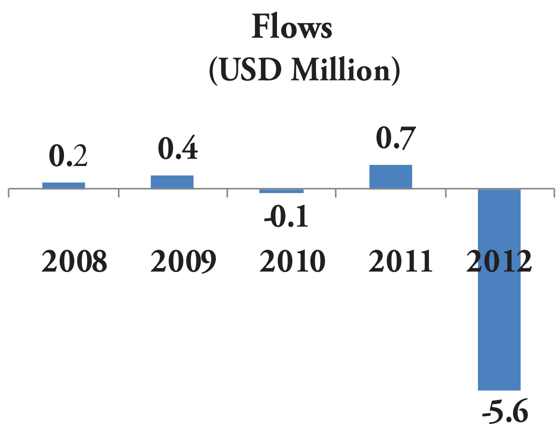
The EAC region became the second largest source of inflows to Tanzania in 2012 recording USD 108.4 million compared to USD 125.7 million received in 2011. Kenya remained the largest source within the EAC region as it accounted for about 100 percent of the total inflows from the region.

3.1.2 Portfolio Investment

The total stock of foreign private investments (FPI) in the form of portfolio investments was USD 6.4 million in 2012 about half the amount recorded in 2011 largely due to retained losses made by enterprises with tradable equity and investment fund shares ***(Chart 3.5)***. The share of portfolio investments remained at less than 1.0 percent of the total stock of FPI which were mainly directed to the manufacturing and wholesale and retail trade activities.

Chart 3.5: Stocks and Flows of Portfolio Investments, 2008 - 2012





3.1.3 Other Investments

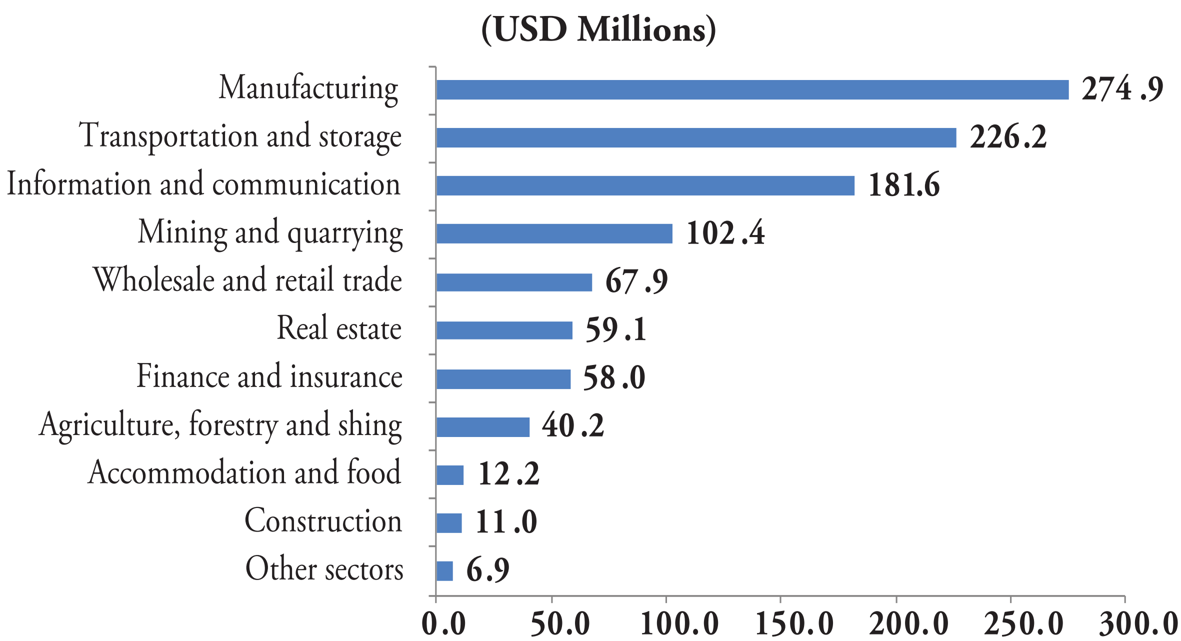
The inflows of other investments declined by 27.6 percent to USD 72.3 in 2012 from the amount recorded in the previous period. The decline was, to a large extent, attributed to huge repayments made under the suppliers' credit and advances. Despite the decline, it is worth noting that there were substantial disbursements of long-term loans received during the year.

During 2012, the stock of other investments was USD 1,040.4 million compared to USD 968.1 million recorded in 2011 ***(Table 3.5)***. Large share of the stock of other investments were in the form of long-term loans; and trade credit and advances. Most of these investments were in the manufacturing, transport and storage, information and communication, and mining and quarrying activities ***(Chart 3.6).***

Table 3.5: Stock and Flows of Other Investments. (USD Millions)

	Inflows					Stocks				
Components	**2008**	**2009**	**2010**	**2011**	**2012**	**2008**	**2009**	**2010**	**2011**	**2012**
Long-term	129.6	81.5	-2.1	-54.2	47.4	614.5	696.1	693.9	639.7	687.1
Short-term	6.9	0.9	-1.6	9.2	-0.1	87.9	88.8	87.2	96.3	96.2
Trade credits and advances	35.5	-12.0	3.7	91.7	7.8	94.0	82.0	85.7	177.4	185.2
Currency and deposits	0.1	0.0	0.1	60.5	0.0	2.0	2.0	2.1	62.6	62.6
Other equity	0.0	0.0	-0.7	-7.2	17.1	0.0	0.0	-0.7	-7.9	9.2
Other Investment	172.0	70.4	-0.7	99.9	72.3	798.5	868.9	868.2	968.1	1,040.4

Chart 3.6: Stock of Other Investment by Activity, 2012



3.2 Profits and Dividends

The overall net profits (after tax) continued to increase reaching USD 1,613.8 million in 2012. During the year, the share of reinvestment of earnings in total net profits declined to 56.3 percent from 83.6 percent in 2011. This is consistent with the fact that dividends worth USD 239.1 million were paid in 2012 – much higher than USD 190.0 million paid in 2011 ***(Table 3.6).*** Mining and quarrying activity registered highest profits in 2012 followed by manufacturing; and finance and insurance. Activities that registered low profits were information and communication, transport and storage, construction and agriculture.

Table 3.6: Net Income on Equity, 2008 – 2012 (Millions of USD)

Activity	Reinvestment of Earnings					Dividends Paid				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Agriculture,	-17.1	-0.1	-1.5	0.3	1.3	0.8	0.9	8.5	15.4	1.3
Mining	17.0	-2.5	359.9	864.5	478.5	0.0	0.0	15.7	42.6	55.7
Manufacturing	111.9	160.4	249.4	322.5	241.1	39.6	30.2	120.2	107.0	74.5
Electricity and gas	2.1	5.1	25.7	36.6	43.2	0.0	0.0	0.0	0.0	65.2
Water supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	-13.8	1.0	-2.1	-6.8	-5.6	0.0	0.0	0.0	0.0	0.0
Wholesale and retail trade	12.0	3.4	16.1	40.9	62.5	2.7	0.6	9.4	17.5	6.9
Transportation and storage	7.4	6.4	4.5	4.0	-25.0	1.7	2.1	3.6	-2.3	0.0
Accommodation	-3.4	-12.3	-37.4	-8.0	-5.2	0.0	0.0	0.0	0.0	5.7
Information & com	16.8	24.8	-201.2	-203.6	-128.9	0.1	0.5	21.3	0.0	0.0
Finance and insurance	95.4	84.4	114.0	169.0	204.7	10.8	24.1	10.4	5.8	28.4
Real estate	-2.3	2.1	6.9	26.2	22.1	0.1	0.1	0.0	0.0	0.0
Professional activities	-1.1	-0.1	40.4	2.0	13.8	0.0	0.0	0.1	0.5	0.0
Administrative and support	-9.0	-7.5	0.0	0.0	0.0	2.2	0.4	0.0	0.0	0.0
Education	0.3	0.4	0.7	0.2	0.5	0.0	0.0	0.0	0.0	0.0
Health activities	0.5	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arts and entertainment	0.9	-0.1	0.0	0.0	0.5	0.7	1.3	0.0	0.0	0.0
Other service	1.5	1.2	-1.3	0.5	5.2	0.0	0.0	5.2	3.5	1.4
Total	**219.2**	**267.4**	**574.0**	**1248.2**	**908.7**	**58.6**	**60.1**	**194.5**	**190.0**	**239.1**

Chart 3.7: Average Net Profits (After Tax) by Activity, 2008 – 2012

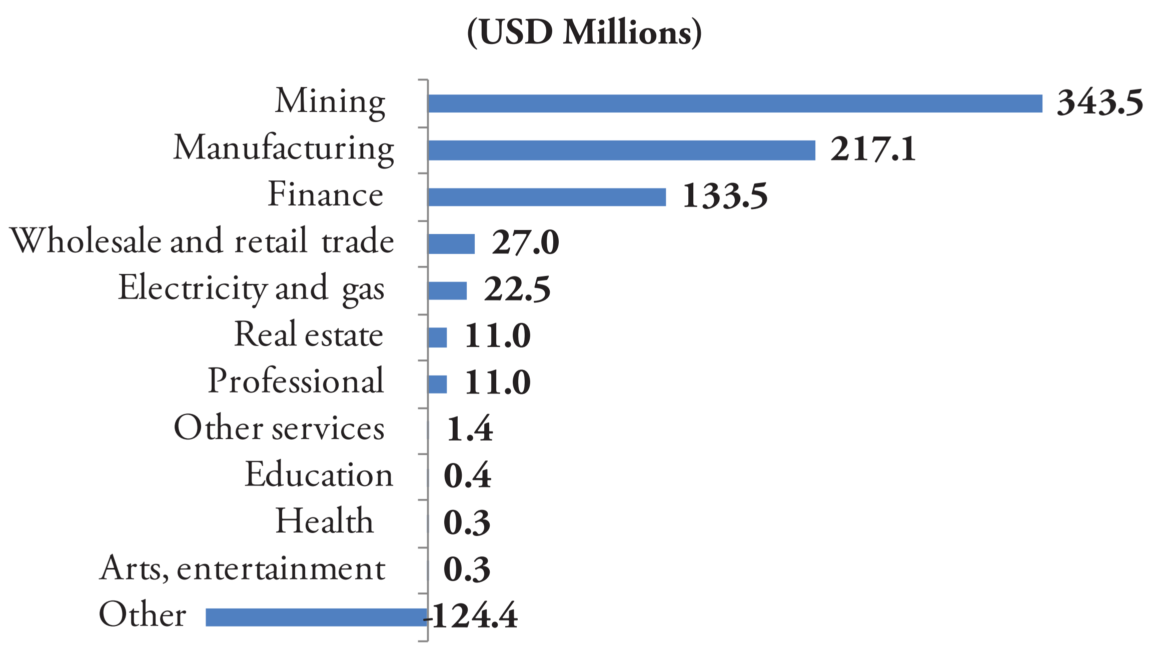
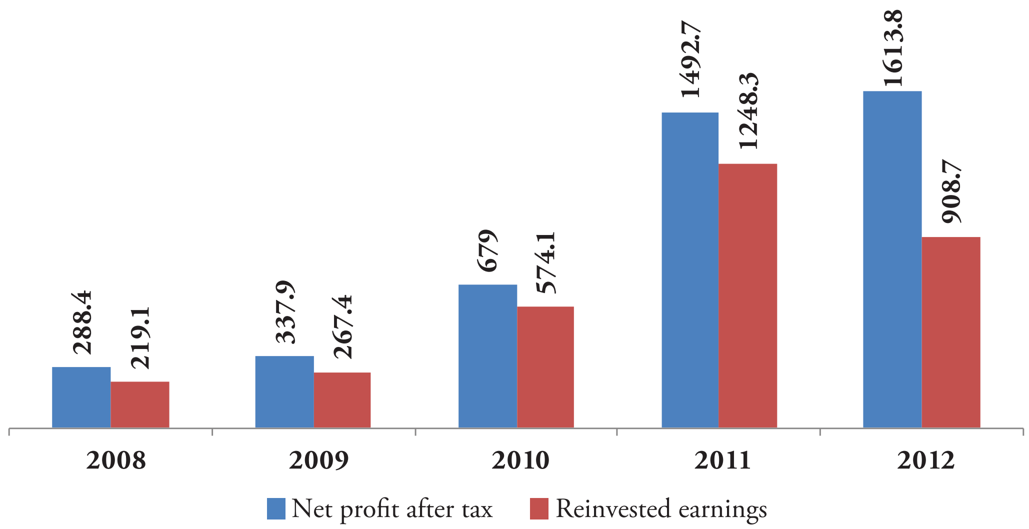


Chart 3.8: Net Profits and Reinvestment of Earnings, 2008 - 2012

(USD Millions)



3.3 Private Sector External Debt

Private sector external debt is mainly comprised of non-equity instruments (mainly loans) contracted abroad by companies operating in Tanzania. In 2012, its stock was USD 5,154.4 million, an increase of 1.1 percent when compared with the amount recorded in 2011 ***(Table 3.7)***. Long-term loans from related parties continued to account for the largest share of private sector external debt (PSED)with in full although during 2012, principal repayments (including interest accrued but not paid) were higher than disbursements resulting to net outflows of USD 132.5 million. The activities that received large disbursements during 2012 are mining and quarrying, manufacturing; and information and technology which, in aggregate, accounted for 65.3 percent of the total PSED in 2012. The major sources of PSED were USA, South Africa and Barbados.

Table 3.7: The Composition of PSED, 2008 – 2012 (USD Millions)

	Inflows					Stock				
Components	**2008**	**2009**	**2010**	**2011**	**2012**	**2008**	**2009**	**2010**	**2011**	**2012**
Loans Affiliates	985.7	288.1	775.0	-323.3	-17.8	3,392.0	3,680.2	4,455.2	4,131.8	4,114.0
Long-term	722.2	257.7	162.5	-252.1	-132.5	3,033.0	3,290.7	3,453.2	3,201.0	3,068.6
Short-term	263.4	30.4	612.5	-71.2	114.6	359.0	389.4	1,002.0	930.8	1,045.4
Loans from Non - Affiliates	172.0	70.4	-0.7	99.9	72.3	798.5	868.9	868.2	968.1	1,040.4
Long-term	129.6	81.5	-2.1	-54.2	47.4	614.5	696.1	693.9	639.7	687.1
Short-term	6.9	0.9	-1.6	9.2	-0.1	87.9	88.8	87.2	96.3	96.2
Supplier credits	35.5	-12.0	3.7	91.7	7.8	94.0	82.0	85.7	177.4	185.2
Currency and deposits	0.1	0.0	0.1	60.5	0.0	2.0	2.0	2.1	62.6	62.6
Other equity	0.0	0.0	-0.7	-7.2	17.1	0.0	0.0	-0.7	-7.9	9.2
Total Foreign Private Sector External Debt	**1,157.7**	**358.5**	**774.3**	**-223.4**	**54.4**	**4,190.5**	**4,549.0**	**5,323.3**	**5,099.9**	**5,154.4**

Chapter 4

Main Findings, Policy Implications and Recommendations

1.0 Introduction

This chapter presents the main findings of the survey on foreign private investment (FPI) conducted in 2013 to cover the period 2011 and 2012. It also discusses the policy implications of the main findings and provides recommendations.

1.1 FDI recovered notably

The survey findings show that there was a notable recovery in FDI in 2012 with inflows increasing by 46.4 percent following a decline of 32.2 percent in 2011. This increase was far above the 5.3 percent recorded for Africa in 2012, reflecting partly the efforts made by the Government of Tanzania to improve the investment climate. These efforts include improvement in the soft and hard infrastructure, power supply, macroeconomic and financial sector stability, and governance. It is also worth noting that Tanzania is signatory to MIGA, ICSID and WAIPA which provide guarantee against expropriation of investments.

In this regard, the government is advised to keep up with its efforts to improve investment climate including enhanced public - private dialogue through roundtable discussion.

1.2 Financing of FDI inflows through equity and investment fund shares increased substantially

Findings from the survey revealed that financing of FDI inflows through equity and investment fund shares in 2012 increased about three times the amount recorded in 2011 most of which went into Greenfield investments particularly in the electricity and gas activities. Its share to total FDI inflows during the year more than doubled compared to 2011 while that of reinvestment of earnings dropped to 50.5 percent in 2012 associated with higher payment of dividends.

1.3 Electricity and gas activities received substantial inflows

In 2012, electricity and gas activity received USD 618.3 million, about three times the amount recorded in 2011 mainly attributed to discovery of natural gas and oil exploration. Nevertheless, mining and quarrying remained the major recipient activity followed by the manufacturing.

The government is advised to expedite implementation of the natural gas policy so that the benefits can be realized timely.

1.4 Agriculture continue to attract less inflows

Inflows to agriculture in 2012 declined substantially after having increased by more than fifty percent in the preceding year. This is consistent with the decline in profits and the prices of agricultural commodities particularly sugar, tobacco and coffee. It is worth noting that while agriculture is the dominant contributor to GDP, it continued to receive significantly lower FDI inflows in 2011 compared to traditional recipients.

There is a need for the government to continue putting in place strategic incentives to support agriculture by addressing infrastructural bottlenecks. Further, the government needs to ensure effective implementation of the agricultural development policies and programs such as Kilimo Kwanza, Southern Agricultural Growth Corridor of Tanzania (SAGCOT), irrigation infrastructure development, credit guarantee scheme, rural electrification as well as speeding up operationalization of Tanzania Agricultural Development Bank (TADB).

1.5 Profits and dividends register a mixed trend

During 2012, the overall net profits after tax increased by 8.1 per cent compared to the amount reported in 2011. It is worth noting that the overall net profits for the companies with foreign assets and/or liabilities have been increasing consistently for the period 2008 – 2012. However, during 2012, 56.3 percent of the net profits were reinvested – much less compared to 83.6 percent reinvested during 2011. This is consistent with the fact that dividends worth USD 239.1 million were paid in 2012 – much higher than USD 190.0 million paid in 2011. Mining and quarrying activity continued to register highest profits in 2012 followed by manufacturing and finance and insurance. The activities that registered lower profits were information and communication, transport and storage, construction and agriculture.

The government needs to establish a special fund to maintain funds that results from various projects especially non-renewable (i.e. gas, oil, minerals etc) at the time investments make profits and pay taxes and royalties. The special funds will help the country at the time the resources are exhausted.

4.6 Private Sector External Debt increase over time

Survey findings show that on net basis, companies with external debt continued to make repayments to related parties, while receiving disbursements from unrelated parties. However, there was substantial decline in the amount repaid to related parties leading to overall increase in the stock of private sector external debt. This reversed the decline that was observed in 2011. Despite the reversal, the amount received in 2012 was still lower than that received in the preceding year.

The activities that received large disbursements during 2012 are mining and quarrying, manufacturing and information and technology which in aggregate accounted for 65.3 percent of the total PSED in 2012. The major sources for PSED were the USA, South Africa and Barbados.

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Appendices

APPENDIX 1: GLOSSARY OF KEY CONCEPTS

Balance of Payments (BOP) 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 re-valued, 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.

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.

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, usually one year.
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.

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

APPENDIX 2: STATISTICAL DARA AND QUESTIONNAIRE

Appendix Table 1: Stock and Flows of FDI by Source Country

Countries	Inflows 2010	Inflows 2011	Inflows 2012	Stocks 2009	Stocks 2010	Stocks 2011	Stocks 2012
African Development Bank	0.3	0.0	0.0	0.0	0.3	0.3	0.3
Australia	-0.1	3.1	76.3	12.1	12.0	15.1	91.4
Bahamas	0.5	-6.2	20.8	28.3	28.8	22.6	43.4
Barbados	530.7	-242.4	-40.5	1,626.7	2,157.4	1,915.0	1,874.4
Belgium	2.9	0.8	-0.9	11.0	13.9	14.7	13.8
Botswana	7.0	16.4	28.7	98.5	105.5	121.9	150.6
Canada	342.6	392.2	308.8	289.8	632.4	1,024.6	1,333.3
Cayman Islands	23.6	31.6	2.0	5.7	29.3	60.9	62.9
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0
China	1.4	5.6	3.3	46.7	48.1	53.7	57.0
Cod'Ivoire (Ivory Coast)	0.1	0.1	0.1	0.7	0.8	0.9	1.0
Cyprus	4.8	4.4	4.4	7.6	12.4	16.8	21.3
Denmark	49.3	7.6	10.9	54.6	103.9	111.5	122.4
Finland	-0.4	-0.4	0.0	14.3	13.9	13.5	13.5
France	2.4	13.7	-15.1	81.2	83.6	97.3	82.2
Germany	5.7	-3.3	5.4	36.5	42.2	38.9	44.3
Gibraltar	0.0	0.0	9.9	12.2	12.2	12.2	22.1
Greece	0.2	0.0	0.4	6.2	6.4	6.4	6.8
India	2.3	4.9	5.1	48.2	50.5	55.4	60.5
International Financial Cooperation (IFC)	2.8	2.0	0.5	32.4	35.2	37.2	37.7
Iran	-1.7	-1.7	1.3	4.7	3.0	1.3	2.6
Ireland, Republic of	0.0	-0.1	-0.1	10.3	10.3	10.2	10.1
Isle of Man	-40.7	-433.8	0.3	428.8	388.1	-45.7	-45.4
Italy and Vatican City	-0.3	-0.3	0.0	7.0	6.7	6.4	6.4
Japan	32.7	31.3	-28.9	155.9	188.6	219.9	190.9
Jersey Channel Islands	2.8	2.3	4.6	54.2	57.0	59.3	64.0
Kenya	91.3	97.8	108.7	324.0	415.3	513.1	621.8
Kuwait	-2.7	-5.5	-1.9	20.7	18.0	12.5	10.5

Lebanon	-0.6	2.1	3.4	3.1	2.5	4.6	8.0
Libya	-15.6	-0.8	2.1	18.2	2.6	1.8	3.9
Liechtenstein	0.6	0.4	-0.9	1.8	2.4	2.8	1.8
Luxembourg	3.0	3.5	72.1	7.4	10.4	13.9	86.0
Malawi	-0.2	0.4	-1.4	1.6	1.4	1.8	0.4
Malaysia	2.0	0.3	0.4	3.2	5.2	5.5	5.9
Mauritius	89.3	291.1	-144.4	371.5	460.8	751.9	607.6
Netherlands	110.0	14.5	17.6	172.0	282.0	296.5	314.1
New Zealand	-0.2	0.2	0.1	0.3	0.1	0.3	0.4
Nigeria	-2.9	-3.8	-3.5	23.7	20.8	17.0	13.5
Norway	21.2	66.3	-0.6	123.4	144.6	210.9	210.2
Oman	0.0	-0.2	0.1	5.0	5.0	4.8	4.9
Others	2.6	-4.9	24.0	4.5	7.1	2.2	26.2
Pakistan	-0.6	2.3	0.0	4.1	3.5	5.8	5.9
Panama	8.5	6.0	5.0	30.8	39.3	45.3	50.4
Saudi Arabia	-0.4	0.6	0.1	3.7	3.3	3.9	4.0
Serbia	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Seychelles	-0.5	-2.5	-2.7	-0.5	-1.0	-3.5	-6.2
South Africa	347.3	443.5	148.3	2,281.9	2,629.2	3,072.7	3,221.0
Swaziland	-0.4	0.8	-2.6	1.6	1.2	2.0	-0.6
Sweden	16.4	0.8	0.7	43.9	60.3	61.1	61.8
Switzerland	10.5	153.4	219.4	180.7	191.2	344.6	564.0
Uganda	-0.5	27.9	-0.3	36.3	35.8	63.7	63.5
United Arab Emirates	-117.5	-146.6	-30.8	276.5	159.0	12.4	-18.4
United Kingdom	282.1	451.8	786.9	807.3	1,089.4	1,541.2	2,328.1
US	-2.1	1.2	198.9	70.2	68.1	69.3	268.2
USA Virgin Island	1.2	0.0	0.0	0.0	1.2	1.2	1.2
Yemen	-0.1	-0.6	2.4	3.8	3.7	3.1	5.5
Zambia	2.5	1.6	1.3	4.4	6.9	8.5	9.8
Grand Total	1,813.3	1,229.4	1,799.6	7,899.0	9,712.3	10,941.7	12,741.3

Appendix Table 2: Income on Equity

	Income on Equity – 2009				Income on Equity - 2010				Income on Equity - 2011				Income on Equity - 2012			
Sector	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	Dividends declared	Dividends paid (profit remitted)	Net Profit/ Loss (After Tax)	Reinvested Earnings
Accommodation	-12.1	-12.3	0.0	0.0	-37.4	-37.4	0.0	0.0	-8.0	-8.0	0.0	0.0	5.7	5.7	4.7	-5.2
Administrative and support	-9.9	-7.5	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	1.3	-2.4	1.3
Agriculture,	0.7	-0.1	1.4	0.9	5.8	-1.5	0.6	8.5	14.9	0.3	8.7	15.4	1.0	1.0	1.5	0.5
Arts, entertainment	1.2	-0.1	0.0	1.3	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	1.4	1.0	0.0	0.0	-0.9	-2.1	0.3	0.0	6.7	-6.8	0.5	0.0	0.0	0.0	-5.6	-5.6
Education	0.4	0.4	0.0	0.0	0.7	0.7	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.5	0.5
Electricity and gas	5.1	5.1	0.0	0.0	-2.1	25.7	0.0	0.0	38.4	36.6	0.0	0.0	13.0	65.2	50.5	43.2
Finance	113.9	84.4	14.5	24.1	164.4	114.0	64.4	10.4	233.8	169.0	61.6	5.8	63.9	28.4	293.7	204.7
Health activities	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	1.8
Information & com	25.3	24.8	0.0	0.5	-207.6	-201.2	0.0	21.3	-203.1	-203.6	0.0	0.0	0.0	0.0	-53.0	-128.9
Manufacturing	192.9	160.4	14.0	30.2	350.4	249.4	102.2	120.2	409.5	322.5	79.2	107.0	178.7	74.5	407.7	241.1
Mining	-2.6	-2.5	0.0	0.0	359.8	359.9	0.0	15.7	907.1	864.5	42.6	42.6	53.9	55.7	838.5	478.5
Other activities	1.2	1.2	0.0	0.0	1.6	-1.3	3.6	5.2	4.5	0.5	1.2	3.5	0.4	0.4	1.2	2.9
Professional activities	-0.1	-0.1	0.0	0.0	2.1	40.4	0.1	0.1	2.3	2.0	0.3	0.5	0.0	0.0	13.8	13.8
Real estate	2.1	2.1	0.0	0.1	7.3	6.9	0.0	0.0	26.2	26.2	0.0	0.0	0.0	0.0	22.1	22.1
Transportation and storage	8.5	6.4	2.1	2.1	9.4	4.5	6.1	3.6	10.2	4.0	7.3	-2.3	3.3	0.0	-24.4	-25.0
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
Wholesale and retail trade	9.0	3.4	0.1	0.6	25.5	16.1	9.5	9.4	50.1	40.9	16.9	17.5	4.2	6.9	63.1	62.5
Total	**337.9**	**267.4**	**32.0**	**60.1**	**679.0**	**574.0**	**186.9**	**194.5**	**1492.7**	**1248.2**	**218.3**	**190.0**	**325.7**	**239.1**	**1613.8**	**908.4**

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Website: www.tic.co.tz

QUESTIONNAIRE FOR THE SURVEY OF COMPANIES WITH FOREIGN ASSETS & LIABILITIES

Questionnaire Type: PEF/C8/2013

Researcher…………………………………………………………………………………

Part A: General Information *(All respondents should complete this part)*

A1: Company Details:

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

A2: Company Affiliates:

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

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

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

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

A3: ACKNOWLEDGEMENT OF RECEIPT OF QUESTIONNAIRE

<table>
<tr><td colspan="2">I, ______________________________ of ______________________________
(Enter name of recipient) (Enter name of company)

acknowledge receipt of the survey questionnaire.</td></tr>
<tr><td>Title:</td><td></td></tr>
<tr><td>Signature:</td><td></td></tr>
<tr><td>Date:</td><td></td></tr>
<tr><td rowspan="2">Researcher:</td><td>Name:</td></tr>
<tr><td>Mob:</td></tr>
</table>

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 2011 and 2012. 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.

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 2012

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 B1: *Equity & Investment Fund Shares By Non-Resedents, 2012*

Equity Type	Source Country / Multilateral organisation	Percentage Shareholding	Relationship: DI , DIE, or FE, FPEI, Other and IFS	A Closing Balance 31 Dec 2011	B Purchase/ Increase in 2012	C Sales/ Decrease in 2012	D Official Use Only 'Other' Changes D=E-(A+B-C)	E Closing Balance 31st Dec 2012
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 B2: Profits, dividends, retained earnings and holding gains, 2012

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 2012	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 C1: Non equity Liabilities, 2012

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 2011	B Amount received during 2012	C Principal Repayment during 2012	D Official Use Only 'Other' changes D=E-(A+B-C)	E Closing Balance 31 Dec 2012 (Including Accrued interest Not Paid)	G Interest Paid in 2012
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 D3: Exchange rates (tzs/usd), 2010 and 2011

	2011	2012
End of period	1,566.7	1,571.6
Annual average	1,557.4	1,571.7

FOR MORE INFORMATION, PLEASE VISIT OUR WEBSITES

TIC
www.tic.co.tz

BOT
www.bot.go.tz

NBS
www.nbs.go.tz