

Factors affecting fdi inflow in tanzania



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BUSTER**

CHAPTER ONE 1 INTRODUCTION 1 HISTORICAL BACKGROUND OF TANZANIA

INVESTMENT CENTRE (TIC) Tanzania Investment Centre (TIC) is the primary agency of the Government of Tanzania to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment related matters. TIC is a focal point for investors. It is the first point of call for the potential investors; it is a “ one stop facilitative centre for all investors”, engaging in the business of marketing Tanzania as an investment destination.

TIC was established in 1997 by the Tanzania Investment Act No. 26 of 1997 to be “ the primary agency of Government to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government in Investment related matters” All Government departments and agencies are required by law to cooperate fully with TIC in facilitating investors. As a primary agency of the Government in all investment matters, TIC is charged with the following functions:-

- Assist in establishment of enterprises e. g. incorporation of enterprises;
- Obtain necessary licenses, work permits, visas, approvals, facilities or services;
- Sort out any administrative barriers confronting both local and foreign investments;
- Promote both foreign and local investment activities;
- Secure investment sites and assist investors to establish EPZ projects;
- Grant Certificates of Incentives, investment guarantees and registered technology agreements for all investments, which are over and above US \$ 300, 000 and 100, 000 for foreign and local investment respectively;
- Provide and disseminate up to date information on existing investment opportunities, benefits or incentives available to investors; and
- Assist all investors whether or not registered by TIC. TIC

headquarters is in Dar es Salaam, but has established Zonal offices in Kilimanjaro, Mwanza and Mbeya regions in order to assist Investors who are based in nearby regions to access TIC services without necessarily traveling to Dar es Salaam.

The Zonal offices are responsible in assisting investors to obtain all relevant permits, approvals and licenses they require in order to set up their businesses. In order to strengthen and expedite facilitation services, ten (10) Senior Officers from Government or its Executive Agencies have been permanently stationed at TIC to serve investors under one roof. Presently these officers include those from:-

- Ministry of Land, Housing and Human Settlement Development;
- Tanzania Revenue Authority (TRA);
- Immigration Department;
- Ministry of Labor, Employment and Youth Development (Labor Department);
- Ministry of Industry, Trade and Marketing (Directorate Trade);
- Business Registration & Licensing Agency (BRELA).

? 2 BACKGROUND OF THE PROBLEM

FDI has been one of the principal beneficiaries of the liberalization of capital flows over recent decades and now constitutes the major form of capital inflow for many African countries, including some low-income ones like Tanzania. Economies are often considered less vulnerable to external financing difficulties when current account deficits are financed largely by FDI inflows, rather than debt-creating capital flows. There is no denying the importance of FDI inflows both for their contribution to sustaining current account imbalances in countries and for their contribution to broader economic growth, through technological spillovers and competition effects.

Recent economic reports show that Tanzania lags behind neighbors Kenya, Democratic Republic of Congo, Zambia and also Madagascar in its ability to attract foreign investors. According to a top economic official, the failure to execute pro-business reforms is keeping prospective foreign investors away from Tanzania. (Konye Obaji Ori, Afrik. com, Thursday September, 2008). The Chief Executive Officer of the Tanzania Investment Centre, Mr Emmanuel Ole Naiko, said " even countries with less attractive opportunities and resources were receiving more foreign direct investment because the culture of politicking and negative public sentiments against foreign investors in Tanzania were among factors impeding the inflow of investments in the country".

In recent years, the flow of FDI has been steadily growing. From 2004 to 2005, the inflow grew by 29 percent to reach US \$ 916 billion). During the same Tanzania attracted US \$ 330. 6 million. To ensure maximum benefit to the economy, potential factors affecting FDI flow should be researched periodically. (Tanzania Investment Report, BOT, 2006). A large proportion of the FDI flow into Tanzania has increased from 552 million US Dollars in 2006 to 600 million US Dollars in 2008, ranking the country among the top ten recipients in Africa. Given its dominance in financial globalization and the potential impact to the economies, FDI tend to pose various challenges to individual recipient countries.

For example monitoring and evaluation of the inflows, maintaining macroeconomics stability, and undertaking institutional and policy reforms for the purpose or realizing optimal benefits from the inflows. These challenges obligates Tanzania to increase capacity to compete in terms of

attracting investments, gaining global market shares and improving social economic welfare. Therefore the main objective of TIC is to facilitate Investment for national growth by enhancing an environment conducive for business and entrepreneurship growth hence attracting FDI inflows. 0.

STATEMENT OF THE PROBLEM For the past two decades, Tanzania had been conceiving several efforts to attract Foreign Direct Investment.

Major policy and structural reforms carried out since 1980's played significant role in improving the investment environment in the country. These efforts have resulted into increase in FDI inflows into the country. However the increase in FDI and related investment posed a need to evaluate potential factors that induce the flow of FDI and should be emphases in this issue. The small number of investors in the country is usually contributed to weak economic performance. So it is important to identify factors that affect these investors not to invest in the country. It is also important to recognize the mixture of positive and negative effects of FDI bring into the country.

The researcher will evaluate ways which can be used to maximize the effects of FDI hence leading to economy growth. Therefore the aim of this study is to identify and evaluate the potential factors that affect the flow of FDI into our country. 1. 4 **RESEARCH OBJECTIVE** 1. 4. 1 **General Objective.** To identify and evaluate the potential factors that affect the inflow of FDI in Tanzania so that to maximize the effects of FDI hence leading to the growth of economy. 1. 4. 2 **Specific Objectives** • To identify and evaluate the sources of FDI • To analyze the role of FDI as a source of economic development • To analyze the effects of FDI in the host country and how this can be controlled. 1. 5

RESEARCH QUESTIONS

1. 5. General Questions What are the Potential Factors That Affect FDI Inflows?

1. 5. 2 Specific Questions

1) Will policy measures lead to increase/decrease in FDI inflows?

2) What will happen if some companies with foreign ownership maintain offshore accounts, from which their debt servicing is made directly, thus leading to unknown outflow?

3) What policy measures to be taken as FDI inflow into the country come from different countries with different investment requirements hence having different requirements?

4) What is the effect of availability of highly educated and skilled labor in FDI Inflows?

5 SIGNIFICANCE OF THE RESEARCH

1. To the Target Government

The study will provide information for developing policies on investment promotion and planning on future investment strategies. Also it will help in improving the necessary environment for attracting FDI inflows in the country.

2. To Future Researchers To help other researchers to conduct future study on the same problem given the gaps this might be encountered by the researcher. Also it can be used as reference for literature reviews on the same problem in other areas relating with FDI.

3 To the Researcher

1) The study is the partial fulfillment of the requirements for Post Graduate Diploma in Financial Management to be awarded by the Institute of Finance Management. IFM)

2) The researcher will gain confidence to conduct other research Studies independently at his places of work as to solve long and short term problems due to widened ability in writing and reporting skills.

4 To Investors The study will be of much importance to local and foreign investors, policy makers, donors, academicians as well it will be a useful source of information about the factors that determine FDI

inflow in the country. 1. 6. 5 Reference Period The study conducted may be used in the coming three (3) years. 1. 7 SCOPE OF THE STUDY The study is intended to provide information on the potential factors that affect FDI inflow as well as bring out investors perception of the economy and business environment ranging from macroeconomic situation, infrastructure, financial governance and labour factors.

The research will be conducted in Dar es Salaam region at TIC Headquarters and will take approximately two (2) months. The issues to be analyzed here are the potential factors that affect the FDI inflows, the sources of FDI into the country and the impact of FDI to the country both negatively and positively. 8. GAPS TO BE FILLED 1) FDI by locally owned companies has to be analyzed too, as many records shown by the past researchers are for the fully owned by foreigners or partially. 2) To add information on the previously done research on the gap trying to have a census on the set of potential factors affecting FDI inflows. 3) The study will try to overcome or at least reduce the gap as outline above. 9. CONCEPTUAL MODEL

Tanzania benefits from FDI because these flows augment the limited Domestic savings and bring with it finance, managerial skills, technology, marketing expertise and market links. However new opportunities also bring risks that should be managed properly, especially in the case of policy reforms e. t. c. 10. ASSUMPTION OF THE STUDY The Researcher anticipates the following assumption in the research process:- 1. 10. 1 Time It is assumed that the time will be sufficient to complete this study. The time given is not sufficient to make the researcher to make a comprehensive study. This implies that the researcher will face difficulties in gathering all

the important information for analysis. 1. 10. 2 Respondents It is assumed that some of the respondents will cooperate.

Some respondents will also be a problem in the study; this is because of their personal interest and might choose to be untruthful. Also there may be a problem of absence of respondents. 1. 10. 3 Access to Records A problem of fully access to some documents may pose a problem as some documents are termed as very confidential and thus cannot be accessed by anybody especially the outsider. 1. 10. 4 Funds It is assumed that the funds will cover what is on the budget. However any additional costs outside the budgeted one may pose as a problem; as there will be no additional funds from my sponsor. Inexperience in conducting research may lead to some delays hence increase in cost of the study.

CHAPTER TWO 2. 0 LITERATURE REVIEW 2. 1 INTRODUCTION Many researcher has been conducted regarding the analyses of the major determinants of FDI flows but did not come to census on what can be specified as a “ set” of major determinants of FDI inflows, as this varies from one country to another and from one host to another. (World Investment Report, 2008). The flow of FDI to different countries is unequal. The major sources and destination of FDI have been the USA, the European Union, and Japan. Europe is currently the largest recipient and source of FDI. Africa has been receiving the lowest share of global FDI despite efforts by African countries to attract it. However the climate has improved over the past few years. The growth of domestic output has been greater that that of the population for the first time in years. (Recep Kok et al, Analyses of FDI Determinants in Developing Countries, Journal of Social Economics, Volume <https://assignbuster.com/factors-affecting-fdi-inflow-in-tanzania/>

36: 1/2 2009 PP105 - 123). Tanzania received US \$ 600 million in 2008 and became the third largest recipient of FDI in SADCC region. However Tanzania has an upside potential to attract more FDI because of its continued political stability, promising prospect in the mining and biogas, and tourism. (World Investment Report, 2008). 1 Meaning and Overview of FDI in Tanzania

Recep Kok et al, defines Foreign Direct Investment is as a case where a resident entity in one economy acquires lasting interest in an enterprise in another country's economy with significant degree of influence. The World Investment Report (WIR) 2008, which was launched by the Secretary General of UNCTAD Dr. Panithpakdi, indicates that the FDI inflow in Africa has recorded an impressive performance. It shows that FDI on the continent has hit a record and that Africa has the highest returns on Investment. The Government has continued to improve the country's investment climate, by introducing different reforms which will be of interest to investors. However as everyone sees, the foreign investment is highly concentrated in some parts of Tanzania, in the big cities like Dar -Es-Salaam, Mbeya, Arusha e. t. c.

Also it is concentrated in the mining areas like Geita, Kahama, Nyamongo, and Tulawaka. In areas where the only product obtained there is agriculture, there are no or few investments. (Tanzania Investment Report, 2006). FDI has some components which are:- 1) Direct Equity Investment; 2) Retained earnings attributable to non-residents; 3) Long-term shareholders and inter-company loans; 4) Short-term shareholders and inter-company loans; and 5) Suppliers credits from related companies. The surge of interest in FDI and multinational companies has been so high that in Tanzania there has been a

high expectation in terms of what the companies can do and generally on the development effects of FDI.

While FDI can, indeed, contribute to national economic and social development in many ways, the engagement and performance of domestic actors are very crucial. The effect of FDI largely depends on the policies of the host country. This goes beyond the mere liberalization of economies. Deliberate measures to develop human capital and physical and social infrastructure can also be valuable ways to enhance the quality of FDI that countries can attract. Tanzania is making major efforts to increase FDI inflow by improving the investment climate. It has embarked on wide-ranging policy, political and institutional reforms aimed at reducing (and if possible removing) barriers to entry of foreign capital, particularly FDI.

Trade investment liberalization, privatization and the creation of various incentives for foreign investment have received considerable attention of the government. Regional economic integration bodies and free trade zones have been created to enlarge the size of markets and adopt common investment regimes at sub-regional and regional levels. These efforts are based on recognition that FDI can stimulate economic growth, generate new employment opportunities, promote transfer of new technologies and contribute to environmental sustainability in the region. (Oyeyinka, 2004) 2 FDI Inflow and Prospect for Tanzania Tanzanian's Foreign Direct Investment has increased by nearly 15

Percent in 2008, mainly due to investment in natural resources Exploration projects already in operation. Tanzania has ranked number 12 among major

FDI receiver African countries after Nigeria, Egypt, Morocco, Sudan, Equatorial Guinea, Algeria and Tunisia. Other countries ahead of Tanzania are Madagascar, Zambia, Ghana, DRC and Kenya. (World Investment Report, 2008). However, there is no reason why on earth countries like Zambia and Madagascar should surpass Tanzania, particularly when one looks at the natural resources endowments the country enjoys. Tanzania's problem has been engagement in too many debates, which inhibited some the making of quick and timely decisions.

Giving the example of a country like Mozambique, although it was devastated by the war, had managed to successfully develop its coal mines leaving Tanzanians to debate on who should develop Mchuchuma coal or Liganga iron ore deposits. Since early 1986, The Government of Tanzania, with determination, launched a comprehensive economic reforms and stabilization programme. In pursuit of this, agricultural marketing has been liberalized, foreign exchanged controls have been lifted, price deregulated, enhanced private sector involvement in the economy through privatization programme and the new investment code offering competitive incentives has been in place. These comprehensive economic reforms have resulted into improved competitiveness, lower tariffs, increasing levels of foreign investment in trade, improved key economic indicators and rapid integration into world markets.

To this end, the Government is currently embarking on a strenuous exercise to upgrade its institutions and bring them at par with international standards. The expectation is to enhance the country's competitive position for investment flows destined for the region and meet the challenges of

globalization. Table 1: GDP Snapshot for 2004 | GPD | US \$ 8. 8bn | | GPD per Capita | USD \$ 240 | | GPD Growth | 4. 3% | | Agriculture Value Added | 47. 6% | | Industry Value Added | 14. % | | Services Value Added | 38. 0% |

Source: World Bank Tanzania's 15 years track record of largely satisfactory reforms has consolidated a favorable macroeconomic environment, which makes it one of the main incentives for foreign investor. Growth per capita is expected to increase by 3. 4% between 2004 and 2009. (Tanzania Investors Guide, 2002 and beyond). Table 2: FDI Inflows, 2004 - 2007 | Year | US \$ mn | | 2004 | 183. 3 | | 2005 | 350. 5 | | 2006 | 522 | | 2007 | 600 | Source: Bank of Tanzania

An increase in Foreign Direct Investment, apparently, indicates that the country's investment environment has increasingly improved in the manner that investors are now able to predict more precisely profits to be accrued from their investment. Table 3: TIC Approval of Foreign Investment 1990 - 2000 | YEAR | US \$ mn | | 1990 | 47. 25 | | 1991 | 471. 49 | | 1992 | 204. 9 | | 1993 | 527. 05 | | 1994 | 302. 99 | | 1995 | 263. 42 | | 1996 | 467. 85 | | 1997 | 384. 9 | | 1998 | 1464. 69 | | 1999 | 1211. | | 2000 | 767. 77 | Source:

Tanzania Investment Centre 2. POTENTIAL FACTORS THAT ATTRACT FDI The literature groups the factors that attract foreign investment into two groups: external " push factors" and domestic " pull factors". Among the " pull" factors are: a. Economic and political reforms that boost confidence in the economy; b. Reforms such as debt restructuring which ease the long-run foreign exchange constraint and therefore enhance the sustainability of foreign exchange inflows; c. Liberalization of foreign exchange flows (both current and capital) in the balance of payments; d.

Simplification of red-tape requirements for direct and portfolio investment; and liberalization of restrictions on private sector borrowing from a broad; e. Macroeconomic factors, these are fiscal policy, monetary policy, government stability, government spending regulatory frame work, state intervention in private business, and financial sector stability. The government has to have a clear look on these factors as they affect investors operations; f. The infrastructure and public services including inland transport, ports, electricity and water supply, postal services, telecommunications, customs services, immigration facilities, municipal services, banking services and credit rating; g.

Diverse factors including corruption, internal security, domestic political scenario, regional political scenario, domestic economic situation, global economic situation and market expansion; h. Governance factors that include regional trade integration, trade policy, investment incentives, bureaucracy, and tax collection efficiency, effectiveness of legal law, land law and administration and speed of decision making; i. Inflation, availability of business credit, interest rate, depreciation on domestic currency, national payment system and exchange control are among the pull factors. Among the “ push” factors are: a. The relative decline in international interest rates (mostly US dollar rates) when compared to interest rates in developing economies; b.

Cyclical downturns in economic activity in developed economies, which reduce the demand for investment funds; and c. A move towards intentional diversification of asset portfolios by major portfolio investors such as pension funds and insurance companies. The literature identified both push and pull

factors as being behind the increase in capital flows to developing economies in 1990s. However, it is domestic or “ pull” factors over which policy makers can have direct impact in attracting inflows of private capital.

(Asea and Reinhart, 1995) 3. MEASURES TO BE TAKEN BY TANZANIA TO INCREASE FDI INFLOWS There are several ways home countries can increase FDI inflows. These include; a.

Reducing political risk by enhancing the credibility of reforms. Sub-Saharan Africa seems to be seen as one homogeneous continent and therefore the bad behavior of few governments often leads to a negative image for all.

Credibility also matters for the sustainability of reforms. Reforms that are credible are more likely to be sustainable in the long run as economic agent react positively to policy measures and result in virtuous circle behaviors.

(Kasekende and Bhundia, 2000) b. Political reforms, political disorder is very damaging to economic growth and is not conducive environment for both domestic and foreign investment (Kasekende and Bhundia, 2000).

Political reforms should be aimed at building frameworks that are more inclusive, encourage power sharing and allow for enhanced public participation in political process. c. Insurance against policy risk. Home countries can sign bilateral or multilateral investment treaties that have legally binding elements establishing the obligations of the host country toward foreign investors from other signatory countries. d. Macroeconomic stability should be ensured, as it is prerequisite for attracting sustainable, long-term foreign investment into a country. Hadjmichael et al (1996) conclude “ the most important impact of policies on private investment

behavior was through their effect on macroeconomic instability and uncertainty”.

This suggests that greater macroeconomic instability can have a considerable adverse impact on domestic and foreign private investment. e. External burden should be reduced. In many African countries external debt servicing, most of it official, continues to exact a significant burden on finances. In principle, heavy external debt does not automatically translate into low growth. Growth in export earnings can allow for continued importation investment goods to maintain growth while servicing external debt at the same time. However, if borrowed money is invested primarily in non-traded sector; then the situation will arise where the economy is unable to pay for imports required to maintain growth.

4. ADVANTAGES AND DISADVANTAGES OF FDI AS A SOURCE OF ECONOMIC GROWTH

According to B. Seedha et al in their paper “ Foreign Direct Investment in Africa”, FDI is simply a source of capital. The impact of FDI is dependent on what form it takes. This includes types of FDI, sector scale, duration and location of business and secondary effects. It is important to note that while some have experienced growth because of large FDI inflows, others have not. FDI can contribute to gross domestic products, gross fixed capital formation and balance of payments. Other contributions FDI can make to host country economy include assisting in debt servicing repayments, stimulating export markets, and producing foreign exchange revenues.

Another aspect of FDI is that it can serve as source for economic development is in currency stability. FDI can contribute to social

development by increasing employment and wages and by replacing warning market sector. FDI may offer poverty reduction, since poverty is related with unemployment. High levels of FDI do not necessarily show domestic gain (B. Seedha et al). Other factors may limit the economic gain to the host country's economy. Example of such factors includes corporate strategies, and importation of goods and resources used in production. However FDI is mostly affected by country's instability. The gain in employment, wages and so on may be realized by very small part of the population.

When this happens wage differences between income groups will increase and the distribution of income may become unequal. Another negative effect of FDI as a source of economy is where the parent companies dominate the local market, leaving the local companies with no where to go. CHAPTER THREE 3. 0 RESEARCH METHODOLOGY 3. 1. INTRODUCTION This section describes the methodologies framework of the study which includes Research paradigms, Research Design, types of measurements, data collection methods and approach, types of data, sampling techniques, sampling procedures, reliability and validity of data, management and analysis of data and limitations of the study. 3. 2 RESEARCH PARADIGMS

Paradigms or " School of Thought" in research scholarship are accepted ways of looking at reality and the consequent approach/methods to generate knowledge that is held by a group of intellectuals who have wide influence in that subject area. The basic premise behind the paradigms is based on how people view reality (Lufumbi, 2008). 3. 3 RESEARCH DESIGN: Research design is the overall plan of the research. It is referred as a blueprint for the

collection, measurements and analysis of data. During the study the Case Study design will be used. This is due to the fact that the research will be conducted in a single organization, and also case study design allows variety methods of data collection methods.

In addition to that case study design will give the room to researcher to make rigorous analysis of the organization under the study. Case study design is also less costly compared to other research designs. However the case study design limits the researcher from generalization to other unit of the same kind because it may not be a true representative sample. It allows the researcher to be able to get close to the sources of information.

3. 4 RESEARCH TECHNIQUES: In analysing the data the researcher will adopt both quantitative and qualitative techniques. Tables will also be used by the researcher to present the information where applicable.

3. 5 TYPES OF MEASUREMENTS

Measurement is a process of assigning numbers to objects or observation, the level of measurement being a function of the rules under which the number assigned (Kothari, 2004). Technically speaking measurement is the process mapping aspects of range according to some rules of correspondence. The measurement of the collected data will be delivered score that will be obtained from the respondent when making sense of data that would make from the research development. The delivered score will be of course those from face to face interview, questionnaires, documentations and observation.

3. 6 SAMPLING TECHNIQUES: The simple Random sampling approach will be used to select the sample.

The researcher expects to follow the following approach in selecting the sample:-

- All Foreign Investors registered with Tanzania Investment Centre as a population to be studied will be identified through the register. Sample of foreign investors will be drawn randomly.
- Judgment approach to sampling will be used to select the items to be studied.

3. 7 DATA COLLECTION METHODS AND APPROACHES The data to be collected are those which will be able to address the research objectives and answer the research questions. Both primary and secondary data will be used in this study and the research intends to use several relevant data collection method to collect them.

3. 7. 1 Primary Data Primary data are original works of research or raw data without interpretation or pronouncements that present of official opinion or position.

Secondary data are those data obtained from literature sources. These are the ones that have already been collected by the other people for some other purposes. This is second hand information. Secondary data include both raw data and published ones (Sunders et al, 2000). The following methods will be used in collecting primary data; Interview: This method will be use for the purpose of seeking clarifications on some of data collected. For this reason the interview will be in form of verbal and unstructured.

Questionnaire: The researcher will set relevant questions on factors attracting FDI inflow, and those questionnaires will be distributed to different staffs who will answer them.

This method will be used to give adequate time to think about the question and respond to them accordingly. These will be administered to TIC staffs in order to collect data relating to such issues like what they think attract

foreign investors to invest in Tanzania, what hinder foreign investors to invest in the country, the advantages of FDI inflow in Tanzania. , and how do they purchase, issue and receive stores. Observation: The researcher will observe and participates directly in daily activities of TIC. This will enable the researcher to analyze each particular activity effectively and appropriately. Also this method will make help to the researcher to detect the behavior of the respondents a) Documentary Source

In this course of collecting data, the researcher will be trying to go through different document held by TIC. 2. Secondary Data The researcher will collect secondary data through the review of various literatures from different sources such as minutes, reports, policies and legislation regarding the investments in Tanzania. 7. RELIABILITY AND VALIDITY OF DATA The researcher will make sure the measurable data are valid by controlling the questionnaires, and interview and ensure that are directed to the right person at TIC and make sure the reliability of the data by reviewing information which is from reliable and right documents. 1. Reliability

Reliability refers to the question of whether a measuring instrument or process can produce the same results if successively employed by different researchers (Ndunguru, 2007). It refers to the extent to which a measure is giving consistent and stable results in a measurement process. 2. Validity Validity helps us to measure what it sets out to measure consistently and in a stable manner. It refers to persistence of systematic error in measurement process (Ndunguru, 2007). The validity of the research results is ensured id adequate physical or statistical control is put in place such that research

measurement process produces accurate data. Generally validity is about a researcher measuring what he/she out to measure. 8.

MANAGEMENT AND ANALYSIS OF DATA 1. Data Management Data will be collected from respective sources by using questionnaire, personal interviews. The respondents are randomly selected. However whenever the approached interviewee was not accessible at that time, the next nearest interviewee will be approached. 2. Data Analysis The data collected from questionnaires, interviews and documents is going to be edited, coded and summarized in order to get information relating to problems. The researcher will analyze and test the data using descriptive method, text and schedules, and tables will be used to validate relationship between variables. 3. 9. 3

Data Processing

The researcher will use coding in data processing. This includes numbering and heading so as to simplify and reduce the ambiguity to the reader.

Collection of data using questionnaire will be entered in the computer so as to make coding. 3. 9. 4

Data Presentation The findings of the study will be presented in a form of narration description with illustration of tables and diagrams where applicable. REFERENCES AND BIBLIOGRAPHY Immanuel D.

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APPENDICES APPENDIX I Institute of Finance Management, P. O. Box 3918, Dar es Salaam, 10TH March, 2010. Dear Respondent, I am a student at the Institute of Finance Management undertaking Postgraduate Diploma in Financial Management. I am researching on the "Potential Factors that Affect Foreign Direct Investment Inflow in Tanzania".

The questionnaire aims at finding data for a research paper to be presented to the Institute of Finance Management as a partial fulfillment of the requirement for the Award of Postgraduate Diploma in Financial Management. I kindly request you to put a tick after appropriate answer and where applicable explain why when requested to do so. The information you give will be strictly confidential and will be used for the purpose of this research. Thanking you in advance. Yours truly, Kwareh, Karerema R.

APPENDIX II RESEARCH QUESTIONNAIRE A: GENERAL INFORMATION Date

completed: ____/____/____ Centre Name:

_____ Name and position of the person

completing this questionnaire:

Centre Address: _____ Tel:

_____ Fax: _____ E-mail: _____ Please give

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details of alternative person whom I may contact incase I have any

questions: _____ Date of

Commencing Operations: _____/_____/_____ B: GENERAL

QUESTIONS 1. To what extent have the following macroeconomic factors affected investment in our country? | Very strong +ve effect| Strong | Limited +ve Effect | No Effect | Limited | Strong | Very Strong -ve Effect| | +ve effect | | -ve Effect | -ve Effect | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | At start - upNow Fiscal policy() () Monetary policy() () Government Stability() () Please add any additional Information

_____ 2.

To what extent have the availability of condition of the following Infrastructures and services affected in our country? Very strong +ve effect| Strong | Limited +ve Effect | No Effect | Limited | Strong | Very Strong -ve Effect| | +ve effect | | -ve Effect | -ve Effect | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | At start - upNow Inland transport (roads, rails)() () Access to seaport() () Airport and Air transportation() () Electricity supply() () Water supply() () Please add any additional Information

_____ 3.

To what extent have the following financial factors affected investment in Tanzania? Very strong +ve effect| Strong | Limited +ve Effect | No Effect | Limited | Strong | Very Strong -ve Effect| | +ve effect | | -ve Effect | -ve Effect | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | At start - upNow Inflation() () Availability of business finances/credit() () Interest rates () () Depreciation of domestic currency() () Exchange Control() ()

Please add any additional Information

_____ 4.

To what extent the following governance factors affected investment opportunities in Tanzania? | Very strong +ve effect| Strong | Limited +ve Effect | No Effect | Limited | Strong | Very Strong -ve Effect| | +ve effect | | -ve Effect |-ve Effect | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

At start - upNow Regional Trade() () Trade policy() () Bureaucracy () () Tax collection efficiency() () Land law & administration() () Please add any additional Information

_____ 5.

Please specify the most important factors that influence your initial decision to invest in Tanzania?

_____ 6. What is the likely direction of foreign direct investment in Tanzania in the medium term? Please tick appropriate box | Expansion | No Change | Contraction | | | | 7.

What measures can the government undertake to improve investor's attractiveness to continue investing in Tanzania and attract new investors?

a. _____

b.

c.

d.

Thank you for

your time. APPENDIX III TIME SCHEDULE This timetable will be of great help to me as a researcher to organize activities to be carried out and allocate the time accordingly. This will act as my guideline. The estimated time of conducting the research is 9 weeks. | Week | Activity | | 1st - 2nd Week | Preliminary preparation i. e. research proposal, budget, finding the | | | assistant for help if necessary e. t. c. | 3rd - 4th Week | Preparation of questionnaires, visiting the respondents and distribution | | | of questionnaires | | 5th - 6th Week | Collection of questionnaire from respondents, analysis of the data, | | | verification and processing | | 7th - 8th Week | Revising the paper, re-writing and bidding | | 9th Week | Presenting the paper and defending |

APPENDIX IV RESEARCH BUDGET | 1. 0 | STATIONARY | TSHS | | 1. 1 | Ream of ruled paper x2 @ 7, 000 | 14, 000 | | 1. 2 | Ream of A4 plain papers x 2 @ 8, 000 | 16, 000 | | 1. | Flash Disk x 1 @ 50, 000 | 50, 000 | | 1. 4 | Ball pen, pencil, collection fluid | 10, 000 | | 2. 0 | SECRETARIAL SERVICES | | | 2. 1 | Proposal: Typing and printing x 2 copies |

100, 000 | | 2. 2 | Research: Typing and printing x 2 copies | 150, 000 | | 2. 3
| Binding | 50, 000 | | 2. 4 | Photocopying of documents | 20, 000 | | 3. |
RESEARCH EXPENSES | | | 3. 1 | Assistance Researcher | 80, 000 | | 3. 2 |
Transport to and fro | 250, 000 | | 3. 3 | Breakfast/lunch e. t. c | 100, 000 | |
3. 4 | Consultation | 50, 000 | | | Sub-total | 890, 000 | | |+ Contingency 30% |
1, 157, 000 |