

The impact of foreign direct investments on industrial sector in Tanzania

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This study investigated the effects of foreign direct investment, (FDI) on manufacturing firms in Tanzania. Specifically, we investigated the nature of foreign direct investment in Tanzania, the effects of FDI in the manufacturing firms, the effects of domestic investment in manufacturing firms and lastly we drew a conclusion from the study using Ordinary Least Square regression method and time series data for 1980 — 2015 from local and international banking and Investment institutions. The production model was employed in investigating the relationship between dependent and independent variables.

The FDI in Tanzania was found to originate from few countries with OECD countries dominating the FDI flow in the country. The FDI flows were not equally distributed across all sectors and regions in the country whereby some sectors and regions received more FDI flow than others. The FDI and domestic investment were found to positively affect domestic manufacturing firms through increased technology transfer, employment creation, labour mobility and export spillovers effects.

The government should ensure there are good investment environment by formulating good policies that aim at reducing legal barriers to investors and having consistency application of investment laws and procedures. To attract more foreign investors, the government should use international exhibitions and media to advertise opportunities existing in the country. Lastly, to improve domestic investment we encourage the government to allocate fund for R & D programmes and reform the technical institutions to use practical based models in training students and staff.