

Abstract

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“The Role of Foreign Investors in Economic Growth of Tanzania: Determinants and Impact of Foreign Direct Investment (FDI)”

The main aim of the study is to examine the multi-aspect impact of foreign direct investment on Tanzania's GDP and foreign trade. It was decided to achieve this goal by implementing the following research tasks:

- systematization of FDI definitions and classifications,
- review of economic theories explaining the causes of FDI inflow,
- an overview of the most important institutional reforms in Tanzania that created conditions for the inflow of FDI,
- analyzing the structure of the Tanzanian economy and its ability to absorb FDI,
- assessment of the size and industry structure of inward foreign direct investment in Tanzania,
- mentioning some social and economic challenges which Tanzania faces,
- identifying kinds of FDI present in Tanzania,
- identifying entry modes of FDI in Tanzania,
- diagnosis of factors determining and limiting the inflow of FDI to Tanzania,
- building extended gravity models for GDP and FDI,
- building dynamic error correction econometric models (VECM) describing the interaction of foreign investments, GDP, and foreign trade in Tanzania,
- application of variance decomposition of GDP and FDI forecast errors, analysis of impulse response functions and Granger causality test.

This dissertation is of a theoretical and empirical nature. The theoretical part presents selected concepts explaining the reasons for foreign direct investment transfers and their potential importance for the economy, as well as the state of the Tanzanian economy, an overview of the most important reforms in the country creating the legal and institutional framework for FDI, and the size, structure of FDI and the dynamics of the inflow in Tanzania. The main empirical part includes the results of research including econometric and statistical methods. Each quantitative analysis was preceded by an appropriate methodological introduction.

Literature studies and the results of previous empirical research allow the formulation of the following research hypotheses corresponding to the objectives of the work and the research questions posed:

H1: the benefits for the Tanzanian economy resulting from the inflow of FDI vary depending on the sector and industry of the economy,

H2: Tanzania's economic growth stimulates FDI inflow regardless of the sector,

H3: The impact of the inflow of foreign direct investment on foreign trade may vary depending on the sector and industry.

Data for the study come from several sources, primarily from databases of the Bank of Tanzania (BOT), the World Bank (WB), Knoema's platform (World Data Atlas), the Tanzania National Bureaus Statistics (TNBS), the Tanzania Investment Centre (TIC), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the Food and Agricultural Organization (FAO) and data from various department of the Tanzanian government.