

**THE ROLE OF MULTINATIONAL CORPORATIONS AND  
CORPORATE GOVERNANCE IN FACILITATING  
INDUSTRIAL DEVELOPMENT IN TANZANIA: A CASE STUDY  
OF COCA COLA KWANZA LIMITED**

**By**

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**A Dissertation Submitted to Dar es Salaam Campus College in Partial  
Fulfillment of the Requirements for the Award of Master of Business  
Administration (Corporate Management) Degree of Mzumbe University.**

**2014**

### **CERTIFICATION**

We, the undersigned certify that we have read and hereby recommend for acceptance by the Mzumbe University, a Dissertation titled “**The Role of Multinational Corporations and Corporate Governance in Facilitating Industrial Development in Tanzania: A Case Study of Coca Cola Kwanza Limited**” in partial fulfillment of the requirements for the degree of Master of Business Administration (Corporate Management) of Mzumbe University.

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I, **Absalom Henry Mwakasala**, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

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## **DEDICATION**

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## **LIST OF ABBREVIATIONS**

|          |                                                        |
|----------|--------------------------------------------------------|
| BET      | Board of External Trade                                |
| BOT      | Bank of Tanzania                                       |
| CAMARTEC | Centre for Agricultural Mechanization Rural Technology |
| CCK      | Coca-Cola Kwanza                                       |
| CEO      | Chief Executive Officer                                |
| CMSA     | Capital Markets and Securities Authority               |
| CSI      | Corporate Social Investment                            |
| EAC      | East African Community                                 |
| EPZ      | Export Processing Zone                                 |
| FDI      | Foreign Direct Investment                              |
| GDP      | Gross Domestic Product                                 |
| GDP      | Gross Domestic Product                                 |
| IFC      | International Finance Corporation                      |
| IPC      | Investment Promotion Centre                            |
| IPI      | Institute of Production Innovation                     |
| MNCs     | Multinational Corporations                             |
| MOF      | Ministry of Finance                                    |
| MoIT     | Ministry of Industry and Trade                         |
| NBS      | National Bureau of Statistics                          |
| NDC      | National Development Corporation                       |
| NEDF     | National Entrepreneurship Development Fund             |
| NEM      | Non-Equity Modes                                       |
| NIGP     | National Income Generating Programme                   |
| NIPPA    | National Investment Promotion and Protection           |
| NMB      | National Micro-finance Bank                            |
| NSIC     | National Small Industries Corporation                  |
| OECD     | Organisation for Economic Co-operation and Development |
| PPP      | Public–private partnership                             |
| R&D      | Research and Development                               |

|         |                                                            |
|---------|------------------------------------------------------------|
| S&T     | Science and Technology                                     |
| SA      | South African                                              |
| SABCO   | South Africa Bottling Company                              |
| SABCO   | South Africa Bottling Company                              |
| SAPs    | Structure Adjustment Programmes                            |
| SIDO    | Small Industries Development Organization                  |
| SMEs    | Small and medium enterprises                               |
| SOE     | State Owned Enterprises                                    |
| TASISO  | Tanzania Small Industries Organisation                     |
| TBL     | Tanzania Breweries Limited                                 |
| TCC     | Tanzania Cigarette Company                                 |
| TCCC    | Tanzania Coca-Cola Company                                 |
| TEMDO   | Tanzania Engineering and Manufacturing Design Organisation |
| TIC     | Tanzania Investment Centre                                 |
| TIRDO   | Tanzania Industrial Research Development Organisation      |
| TNC     | Transnational Corporations                                 |
| TNCs    | Transnational Corporations                                 |
| TRA     | Tanzania Revenue Authority                                 |
| TRA     | Tanzania Revenue Authority                                 |
| TTB     | Tanzania Trade Board                                       |
| TTCL    | Tanzania Telecommunications Company Limited                |
| UNCTAD  | United Nations Conference on Trade and Development         |
| URT     | United Republic of Tanzania                                |
| US      | United States                                              |
| USD     | United States Dollar                                       |
| VAT     | Value Added Tax                                            |
| VIBINDO | <i>‘Vikundi vya Biashara Ndogo’</i>                        |
| WDF     | Women Development Fund                                     |
| WIR     | World Investment Report                                    |
| YDF     | Youth Development Fund                                     |

## **ABSTRACT**

The study was conducted to examine the role played by Multinational Corporations and corporate governance in facilitating industrial development in Tanzania. The study was prompted as a result of recognizing the role played by industrialization in any given economy. Literature reviewed revealed that, indeed, no country, whatever its amount of natural resources can ever develop without prioritizing industrialization.

The study was guided by mainly four specific objectives that sought to explore the legal and regulatory framework in place, the role of corporate governance, hindering obstacles and the measures aimed at enhancing industrial development in Tanzania.

The study employed both primary and secondary data, but largely a rigorous documentary review played a vital role, as a lot of information was gleaned from a number of documents reviewed that trace Tanzania's search for industrialization from the post independence era to present.

The results showed that indeed, some of the MNCs, such as Coca Cola Kwanza, have played an important role in contributing to elements of industrialization in terms of spillovers and linkages, training skilled manpower, technology transfer, deepening corporate governance, and so on.

However, for Tanzania to fully benefit from the MNCs, it needs to work on a number of challenges identified which hinder industrialization efforts. They include poor infrastructure, lack of skilled manpower, poor technological absorption, policy inconsistencies and, a lot of bureaucracies in governmental departments.

**Key Words: Multinational Corporations, Industrialization, Corporate Governance**

## **CHAPTER ONE**

### **1.1 Introduction**

The role of Multinational Corporations (MNCs) in economic development of nations has been acknowledged in developing countries, and their importance as a source of capital and technology has grown over time. Given the scarcity of other sources of capital and technology, Multinational Corporations through Foreign Direct Investment (FDI) have also become an important source of new technology and capital investment for industrial productivity and efficiency.

The United Republic of Tanzania is fast becoming a Foreign Direct Investment (FDI) front runner in Africa. As market reforms reached critical mass, Tanzania received a billion dollars of investment inflows in 1995-2000 compared with only \$90 million during the preceding six years. This is a commendable performance for one of the least developed countries of the world and an economy that was centrally planned and closed to Foreign Direct Investment (FDI) not long ago.

The World Investment Report (WIR) published in 2012, shows that Tanzania took the lead in attracting Foreign Direct Investment (FDI) in the East African region during the past 1 year, attracting the record of \$1.1 billion equivalent to (Tsh 1.76 trillion). The same report has highlighted that between June 2011 and June 2012, Tanzania overtook Kenya-the region's biggest economy, indicating the high confidence among foreign investors in Tanzania. Further, the same report has shown that for the past three (3) years, Tanzania has attracted about 47 percent of all FDI flows in East African Countries (EAC).

The main driving force behind tremendously increase in FDI inflows in Tanzania is improvements in the major institutional and legal framework carried by government since mid 1980's that facilitate conducive investment environment for local and foreign projects. Further it stimulates investor's confidence through transparent, effective and efficient administrative processes in government institutions.

In addition to Foreign Direct Investment in which firms take a direct equity stake in investment project, Multinational Corporations (MNCs) are engaging in a broad array of activities, referred to as Non-Equity Modes (NEMs) of investment, that include partial ownership, joint ventures, contract manufacturing, services outsourcing, contract farming, franchising and licensing and other forms of contractual relationships through which firms coordinate and control the activities of partner firms.

## **1.2 Background of the Study**

For the past two decades African countries have been viewed as vast market potentials and treasure of resources by Multinational Corporations (MNCs) from developed countries such as United Kingdom, South Africa, United States of America, Germany, China and Netherlands. Furthermore, Multinational Corporations (MNCs) have been found to be important aspects of economic development of host countries, and crucial, in building technological capabilities of local industries in developing countries. It is a channel for international diffusion of technology and capital investment, having the potential to transfer technological, organizational and managerial practices to developing countries, which may in the long run, lead to industrial development and technological innovation, resulting in economic growth in these countries.

For Tanzania specifically, Multinational Corporations (MNCs) through FDI is a type of investment which is relatively infant as the government had opted for a socialist path of economic development from 1967 to around mid 1980s, following the Arusha Declaration. In mid 1980s, the government initiated and implemented deliberate economic liberalization policies. These resulted into the rise of FDI in Tanzania. For instance, FDI inflows increased from USD 2,418.70 million in 1999 to USD 3,776.6 million in 2001. Such investments were concentrated in the sectors of Manufacturing (33.4%), mining and quarrying (28%) as well as agriculture (6.7%) (Tanzania Investment Centre, Bank of Tanzania and National Bureau of Statistics, 2004: 23-24).

### **1.1.1 Foreign Direct Investment (FDI) Size and Growth**

According to the United Nations Conference on Trade and Development (UNCTAD), the investment policy review of 2002 shows that Tanzania is a new entrant in the FDI field. Its efforts to increase the role of FDI in its development nominally date back to 1985 when the country decided to initiate the process of transition from a centrally planned economy to a market-based economy. The process focused initially on the liberalization of the trade regime within the Structural Adjustment Programme (SAP). However, for a number of years reforms were rather slow. In addition, in the early 1990s growth was sluggish and inflation was high. Only in the second half of the market-oriented reforms reached critical mass and sound foundations for an enabling framework for FDI were put in place, did foreign investors respond. During 1995-2000 Tanzania received a total of \$ 1 billion of FDI compared with less than \$ 2 million during 1986-1991. On an annual basis, from 1992 onwards, when the inflows increased to \$12 million, they began to rise fast, to \$ 50 million in 1994 and to above \$150 million in 1995. In 1996, MNCs through FDI inflows stabilized at the high level of \$ 150 million and continued to grow, although at a slower pace, reaching \$193 million in 2000. This is a remarkable acceleration, for a country that was receiving zero inflows just 10 years ago.

Until 30<sup>th</sup> June 1997 through the shares or assets, 44 companies were sold to domestic and 22 to foreign investors. Those companies have yielded benefits to the economy in terms of improved efficiency and tax revenue, thus reversing the trend of draining government resources. While most companies bought by domestic buyers were “lower value” enterprises those purchased by MNCs were large and potentially profitable companies, such as Soft drinks, brewery and cigarette companies. But as one study put it, “most of these {latter} firms were running below capacity and plants were in badly dilapidated condition. Thereafter, large investments were required in rehabilitation, new equipment, meeting outstanding debts, particularly for utility services, and training of personnel. Only international capital investment through MNCs could afford this (Temu and Due, 2000, p.697).

In the manufacturing sector, the impact of MNCs through FDI on technology transfer and technological improvements has been significant in recently privatized enterprises. Tanzania has introduced a comprehensive privatization programme and the determination of the government to implement its programme has attracted serious foreign investors that are willing to take a long-term investment perspective, including the technological upgrading of the newly acquired enterprises. Some examples include Coca-Cola Kwanza Limited acquired by South Africa Bottling Company (SABCO), Tanzania Cigarette Company (TCC), acquired by RJ Reynolds, the Tanzania Breweries Limited (TBL), acquired by South African Breweries and the sugar processing companies, in particular Mtibwa Sugar Company, which is now a private joint-venture company. Prior to acquisitions by foreign investors, all of these companies operated in a protected domestic market environment and they suffered from problems related to over-employment, declining revenue, underutilization of capacity and weak technological and management capabilities. Without exception, therefore, technical and managerial skills as well as new or additional technologies had to be introduced to make them fully operational, competitive and profitable.

#### **1.1.2 Investment Framework**

Tanzania has an open investment with adequate standards of investor treatment and protection. This is, however, a characterization of policy and current conditions and practices. The first market-oriented investment code was introduced in June 1990, applying to all private investments, local and foreign. It opened up some sectors of the economy to private investors and paved the way for the establishment of the Investment Promotion Centre (IPC) to encourage and manage both domestic investment and FDI. The government launched the New Investment Policy of Tanzania in 1996, which shortly resulted in the Tanzania Investment Act 1997. The act introduced a number of important changes to the investment framework. It Established Tanzania Investment Centre (TIC), giving it a significantly expanded mandate compared with that of its predecessor, IPC; identified investment priorities; introduced a new company registration process; and determined investment incentives and investors' rights.

## **1.2 Statement of the Problem**

Since 1985, the government of Tanzania has embarked on various economic reform programmes which aimed to transform the economy from centrally planned public owned economy into market-driven private sector-led economy, due to failure of State Owned Enterprises (SOEs) to undertake good corporate governance practices hence less productivity, managerial inefficiency which necessitate the government to recognize the role of private sectors and other economic agents to participate and invest actively and effectively in industrial and commercial activities in order to accelerate economic growth and development.

Afterwards, Tanzania has set the new beginning for Multinational Corporations (MNC) capital investments in various sectors through the flow of Foreign Direct Investment (FDI), the huge achievements in FDI can be justified by billions of dollars of investment inflows in 1995-2000 received by Tanzania compared to only \$90 million during the preceding six years. This is a commendable performance for one of the least developed countries of the world and an economy that was centrally planned and closed to FDI not long ago (UNCTAD, 2002).

Moreover, recent statistics show that, since 2007, the value of manufactured goods exports has grown to become the second largest item only after the mining sector, leaving traditionally agricultural exports behind. This growth has been brought about by FDI which entered the country after the remnants of socialism had been wiped out by the Structural Adjustment Policies (Business Survey, 2007/2008 NBS).

Discussion on the role of MNCs and corporate governance in facilitating industrial development is of essence from macroeconomic decision makers and society at large due to the high expectations they have concerning the revival of industrial sector especially manufacturing sector performance which eventually contributed to economic growth and stabilize inflation. Taking this into consideration, the researcher has illustrated using empirical evidence the extent to which MNCs' FDIs have facilitated industrial development as anticipated by proponents of macro economic liberalization.

### **1.3 Objectives of the Study**

#### **1.3.1 General Research Objective**

This research aimed to examine the role of Multinational Corporations and corporate governance in facilitating industrial development in Tanzania.

#### **1.3.2 Specific Research Objectives**

The study aimed at attaining the following specific objectives:-

- i. To find out if the current legal and regulatory framework is conducive to the MNCs.
- ii. To examine the effectiveness of MNCs' corporate governance in facilitating Industrial Development in Tanzania.
- iii. To examine the challenges that hinder industrial development in Tanzania
- iv. To suggest measures aimed at enhancing industrial development in Tanzania.

### **1.4 Research Questions**

#### **1.4.1 General Research Question**

What are the roles of Multinational Corporations and corporate governance in facilitating industrial development in Tanzania?

#### **1.4.2 Specific Research Questions**

The study addressed the following research questions:-

- a) How is the current legal and regulatory framework conducive to the MNCs?
- b) What is the effectiveness of MNCs' corporate governance in facilitating industrial development in Tanzania?
- c) What are the challenges hindering industrial development in Tanzania?
- d) What are the measures aimed at enhancing industrial development in Tanzania?

### **1.5 Scope of the Study**

The Study was conducted at Coca Cola Kwanza Limited Headquarters in Dar es Salaam because it is one among of the Multinational Corporations acquired by South Africa Bottling Company (SABCO) in 1997; furthermore the study has included government bodies' deals with investment in Tanzania such as Tanzania Investment

Centre, Tanzania Revenue Authority, Ministry of Trade and Industry and Tanzania Bureau of Statistics. The Study analyzed how multinational Corporations contribute to industrial development through Foreign Direct investment and what roles corporate governance plays in strengthening Industrial development. Therefore Researcher expected huge investment in technology, human capital development and machines has already been done.

### **1.6 Significance of the Study**

This study has contributed to the existing body of knowledge on the current discussion on the rise and contribution of Multinational Corporations in Tanzania's economic growth and development such as job creation, technology transfer, human capital development, Research and Development (R&D), capital market development and international business growth. The findings of the study have shown whether MNCs adhere to the principles of corporate governance for managerial efficiency and their direct involvement in Corporate Social Investment (CSI).

The survey findings would contribute to informing policy and decision makers in applying appropriate interventions in relation to sustainable investment development and continuing process of replacing the old act like Tanzania Investment Act, of 1997 by a new, modern act reflecting the current conditions inside and outside Tanzania.

It is further expected that information from this study would provide useful input to Tanzania Investment Centre (TIC) towards its effort to achieve its goals in registered more income generated projects and resolving the existing challenges of attracting new investors and retain them. It is further expected that information from this study would provide useful input to State Owned Enterprises (SOE) the relevance of observing principles of corporate governance for managerial efficiency and international business standard practices including promoting good and transparency practices like board members' accountability to shareholders.

## **1.7 Limitation of the study**

### **1.7.1 Time Limit**

The time provided for study was not enough to extract all the necessary information from all Multinational Corporations existed in Tanzania than what a researcher intends. To overcome this problem the researcher selected Coca Cola Kwanza Limited as a case study and used a sample size which was adequate small so as to cope with the time limit set out by the University. This was done carefully not at the expense of data validity and reliability.

### **1.7.2 Insufficient funds**

Research study needs fund. Research requires enough money in order to obtain necessary and required materials. Therefore, shortage of enough funds limits the area to be covered when collecting information in the area of study. To overcome this problem the researcher has decided to use a case study with reference to Coca Cola Kwanza Limited Headquarters (HQ) Dar es Salaam only as a research design.

### **1.7.3 Data Collection**

During the study, not all respondents responded to the questions as and when required. Some of the respondents failed to answer questions because of fear and suspicion that their honesty answers may be seen by their superiors who in return would put them in difficult conditions for instance in Government's Ministries, Departments and Agencies.

To overcome this problem, the researcher set out questions that were well understood by each and every respondent. The respondents were also ensured the confidentiality of the information they gave to the researcher.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter provides the theoretical setting and conceptual framework that guided the study. It first elaborates on the concept of Multinational Corporations, corporate governance and Foreign Direct Investment and how these concepts are related to industrial development. Furthermore the discussion will commence with a look at various legal, institutional and regulatory framework established by the government and how national industry and investment policy favour the development of manufacturing sector. Moreover, the study will identify contributions of MNCs and corporate governance in industrial development.

#### **2.2 Conceptual Definitions**

##### **2.2.1 Multinational Corporations (MNC)**

Multinational Corporation (MNC) is an enterprise that engages in Foreign Direct Investment (FDI) and that owns or controls value-added activities in more than one country. Moreover, there are features which describes specific firm as multinational firms such as having many foreign affiliates or subsidiaries in foreign countries. They also operate in a wide variety of countries around the globe. Further, the proportion of assets, revenues, or profits accounted for by overseas operations relative to total assets, revenues, or profits, is high. In this case, employees, stockholders, owners and managers are from many different countries; and their overseas operations are much more ambitious than just sales offices, including a full range of manufacturing; and Research and Development (R&D) activities.

##### **2.2.1 Guidelines for Multinational Corporations**

OECD (2008) directs that corporations should take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard, enterprises should contribute to economic, social and environmental progress with a view to achieving sustainable development. They should also encourage local capacity building through close co-operation with the

local community, including business interests. It is also important that they develop the enterprise's activities in domestic and foreign markets, consistent with the need for sound commercial practice. They further need to encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees. Another important component is to support and uphold good corporate governance principles and develop and apply good corporate governance practices. Moreover, the guidelines require MNCs to ensure that timely, regular, reliable and relevant information is disclosed regarding their activities, structure, financial situation and performance. This information should be disclosed for the Corporations as a whole and MNCs should apply high quality standards for disclosure, accounting, and audit. Enterprises are also encouraged to apply high quality standards for no-financial information including environmental and social reporting where they exist. The standards or policies under which both financial and non-financial information are complied with and published should be reported. There is also a need to ensure that their activities are compatible with the Science and Technology (S&T) policies and plans of the countries in which they operate and as appropriate contribute to the development of local and national innovative capacity.

### **2.2.2 Corporate Governance**

OECD (2004) defines corporate governance as the one dealing with the rights and responsibilities of a company's management, its board, shareholders and various stakeholders, also how well companies are run which in turn affects market confidence as well as company performance. It further explains that good corporate governance is essential for companies that want access to capital and for countries that want to stimulate private sector investment. Moreover, the OECD shows that the relationship that exist among company's members where by Boards oversee the running of a company by its company managers, and how board members are in turn accountable to shareholders and the company.

The International Finance Conference (IFC) of 2012 defines corporate governance as a mechanism through which boards and directors are able to direct, monitor, and supervise the conduct and operation of the corporation. All these elements including

management should ensure appropriate levels of authority, accountability, stewardship, leadership, direction, and control. Furthermore, it defines corporate governance as the structures and processes by which companies are directed and controlled and shows that good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk and safeguard against mismanagement. This makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns and boost economic growth and encourages new investments. Moreover, Cadbury committee, (1992) describe the term corporate governance as set of processes, customs, policies, and systems by which companies are directed, administered, or controlled.

The OECD principle on corporate governance (2004) constitute a balanced benchmark for corporate governance and intends to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries, and to provide guidance and suggestions for stock exchanges, investors and corporations. The OECD principles of corporate governance support the development of high quality internationally recognized standards of accounting, financial and non-financial disclosure, and audit, which can serve to improve the comparability of information among countries, financial audits conducted by independent auditors provide external and objective assurance on the way in which financial statements have been prepared and presented. The transparency and effectiveness of non-financial disclosure may be enhanced by independent verification.

### **2.2.3 Foreign Direct Investment**

Several FDI definitions have been given in the literature and these are more or less similar. A more representative definition of FDI is that by Rutherford (1992:178; 1995:179-179) who defines FDI as a business investment in another country, which often takes the form of setting up local production facilities or purchase of an existing business (through Merger and Acquisitions (M&A). FDIs are normally undertaken by MNCs also known as Transnational Corporations (TNCs), which must have at least 10% of the equity shares.

According to the OECD definitions, direct investment refers to cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the enterprise. Ownership of at least 10% of the voting power, representing the influence by the investor, is the basic criterion used.

The Investment policy review (UNCTAD, 2002) shows that since 1993, FDI inflows into Tanzania have predominantly taken form of Greenfield investment in spite of some participation by foreign investors in Tanzania's privatization programme and a few cases of acquisitions of foreign affiliates by foreign investors. But foreign acquisitions gave an initial push to increased FDI inflows. For example in 1993 the total value of these acquisitions was higher than annual FDI inflows, while in 1994, the third year of FDI growth it was still one quarter. After that, the share fluctuated between 1 and 14 per cent annually. Overall, during 1993-1998, the share of foreign acquisitions in FDI inflows was above one tenth. But it could increase when large privatization of utilities such as telecommunications, manufacturing and mining was undertaken.

**Table 2. 1: Major Foreign Affiliates in Tanzania, 2001**  
(Total Investment, millions of dollars)

| Company name<br>and industry | Home Country               | Total Investment | FDI from            |
|------------------------------|----------------------------|------------------|---------------------|
| Kahama Mining                | Canada                     | \$ 610           | New gold mining     |
| Geita                        | Ghana/South Africa         | \$ 400           | M&A, gold mining    |
| TTCL                         | Netherlands/France         | \$120            | Telecommunications, |
| Vodacom                      | United States/South Africa | \$120            | Telecommunications  |
| Tanzania Breweries           | South Africa               | \$120            | Manufacturing       |
| Tanzania Cigarette Co.       | Japan                      | \$80             | Manufacturing       |
| Golden Pride                 | Australia                  | \$77             | Gold mining         |
| Afrika Mashariki             |                            | \$72             | Gold mining         |
| Mtibwa Sugar                 | Mauritius                  | \$48             | Manufacturing       |
| Kilombero Sugar Co.          | UK/South Africa            | \$40             | Manufacturing       |
| Serena Hotels                | International              | \$33             | Tourism             |
| Mic Tanzania                 | United Kingdom             | \$27             | Telecommunications  |
| Merelani                     |                            | \$20             | Mining              |
| National Bank of Commerce    | South Africa               | \$15             | Banking             |

Source: UNCTAD, (2000, P.39).

#### **2.2.4 Public Private partnership (PPP)**

OECD (2008:17) defines PPP as an agreement between the government and one or more private partners according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners.

Also Grimsey & Lewis, (2002:108) describe Public Private Partnership as an agreement where public sector bodies enter into long-term contractual agreements with private sector entities for the construction or management of public sector

entity, or the provision of services (using infrastructure facilities) by the private sector entity to the community on behalf of a public sector entity.

### **2.2.5 Economic Growth**

Economic Growth refers to the growth of real output of a nation over time. It is usually measured in terms of an increase in real Gross National Product (GNP) or Gross Domestic Product (GDP) over time or an increase in income per head over time. FDIs are said to be engines of economic growth because they have great potential to increase a country's GDP thereby contributing positively to poverty reduction and development in general, *ceteris paribus*.

### **2.2.6 Principles of Corporate Governance**

Corporate governance principles were developed, *inter alia*, because investors, with the era of the professional manager, were worried about the excessive concentration of power in the hands of management. This protection against greed could encourage the sins of sloth and fear, with an erosion of enterprise and an encouragement of subservience. A balance is needed.

There are a number of principles that are essential for good corporate governance practices of which the following have been identified as representing critical foundation for and virtues of good corporate governance practices:

#### **2.2.6.1 Company Performance**

The board should monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans. The board should define its own levels of materiality, reserving specific powers to it and delegating other matters with the necessary authority to management. The implementation of these strategies, policies, mutually agreed management performance criteria and business plans must be monitored and evaluated to ensure that they remain relevant and dynamic.

The board must ensure that internal control procedures provide reliable and valid information for this monitoring and evaluation process. These control procedures and

systems of reporting must be appropriately resourced and should be reviewed regularly. Internal controls include not only financial matters but also operational and compliance controls and management of business risk associated with the corporation.

#### **2.2.6.2 Accountability to Shareholders**

The board should serve the legitimate interests of the shareholders of the corporation and account to them fully. The board should endeavour to ensure that the business enterprise is financially viable and properly managed, so as to protect and enhance the interests of the corporation and its shareholders over time. The board should seek to understand the expectations of shareholders and endeavour to fulfill those expectations when deciding upon the best interests of the corporation. The board should always ensure that all shareholders are treated fairly and provided with appropriate information on an equal basis, irrespective of the significant or otherwise of their interest in the corporation.

#### **2.2.6.3 Internal Procedures**

The board should regularly review processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times. It is good practice for boards to create and maintain relevant board committees and to determine their terms of reference, life span, role and function. In doing so, the board should establish, maintain and develop appropriate reporting procedures and proper written mandates or charters for committees such as the executive or management committee which usually oversees the day-to-day implementation of board policy and decisions, the remuneration committee which reviews executive and top management remuneration arrangements, the environmental committee where the corporation's operations warrant such a committee, and the audit committee which reviews amongst other things the internal audit function.

#### **2.2.6.4 Board Performance Assessment**

The board should regularly assess its performance and effectiveness as a whole, and that of the individual directors, including the Chief Executive Officer (CEO). The board should examine regularly the impact of the effectiveness of its directors collectively and individually. It should set and achieve objectives for continuous improvement in the quality and effectiveness of the board's performance, including performance in a crisis. The board should review regularly the degree to which its objective are achieved and the quality of the board's decisions. In order to maximize the efficiency and effectiveness of the board's work, each individual director's performance should be monitored and appraised on annual basis. Training opportunities for existing and potential directors should be identified and appropriate development undertaken.

#### **2.2.6.5 Technology**

The board should ensure that technology and systems used in the corporation are adequate to properly run the business and for it to remain a meaningful competitor. The development of electronic information and technology in the 20<sup>th</sup> Century has been significant, and the advances in the next millennium are anticipated to be momentous. Competitive advantages may well be driven by a corporation's strategy regarding its use of information technology, and technology generally be it electronic or otherwise, in the efficient utilization of its assets and processes.

Consequently, the broad issues have the responsibility to ensure that its management information systems, internal controls and technology relevant to the corporation's business are not only updated so that the corporation remains competitive in an increasingly competitive world without barriers.

#### **2.2.7 Impact of Multinational Corporation in Economic Growth of Tanzania**

Beyond the initial macroeconomic stimulus from the actual investment, MNCs influences growth by raising total factor productivity and more generally, the efficiency of resource use in the recipient economy. This works through three channels: the linkages between MNCs and foreign trade flows, the spillovers and

other externalities reflecting the host country business sector, and the direct impact on structural factors in the host economy.

Multi National Corporations (MNCs) provides immense resources and investments, technology, innovation and expertise to the host country. A culture of Research and Development (R&D) is encouraged and human resources are developed, at least within the organization. MNCs also contribute significantly to the national exchequer by paying taxes.

Good governance, organizational transparency, clear command structures, and performance-based evaluation and incentives programs for employees encourage the merit system. MNCs introduce a professional working environment and culture for local organizations to emulate, thereby promoting sound management and business education.

#### **2.2.8 Legal and Institutional Regulatory Framework for Foreign Investment**

During the mid 1980's in recognition of the important role towards creating an enabling environment for private sector development, Tanzania enacted a number of investment related laws and policies undertook financial reforms liberalized its trading regime; put in place an attractive investment package; and undertook a number of initiatives to promote and develop the private sector. Some of the laws included the following:

Tanzania Investment Act no.26 of 1997 aimed at guiding investment activities in Tanzania except for the mining and oil exploration projects; the Village Land Act No. 5 of 1999 which provides for the management and administration of land in the village and for related matters;

The Land Act No. 4 of 1999 which provides for basic law in relation to land other than village land, the management of land settlement of disputes and related matters; Banking and Financial Institutions Act No. 12 of 1991 which intends to harmonize the operations of all financial institutions in Tanzania. To regulate credit operations

and provide for other related matters; Mining Act No. 5 of 1998 which provides for mineral mining, trading and any other related matters; Capital Markets and Securities Act No. 5 of 1995 which provides for establishment of capital Markets and Securities Authority (CMSA) for the purpose of promoting and facilitating the development of capital markets and securities in Tanzania.

Export Processing Zones Act No. 11 of 2002 provides guidance on the set up of processing zones, export requirements and other related matters; Special Economic Zones Act of 2005 which involves investment in other sectors than manufacturing for both export and local markets

Foreign Exchange Act, 1992 to administer and manage matters related to foreign currency, securities, payment, debts, imports/exports, transfer of funds and other related matters;

Petroleum (Exploration and Production) Act 1981 which governs investment in the petroleum exploration and production sector; Public Private Partnership Act, 2010 which provides for investment in the public private partnership projects such as investment in the infrastructure sector; Value Added Tax Act, 1997 which provides for the imposition of value added tax on supplies of goods and services and related matters; Immigration Act, No. 101 of 1997 for control of immigration in Tanzania and for related matters;

Tax incentives which provide exemption of import duty to capital goods including establishment facilities for investment by 90% and reduced Value Added Tax (VAT) on projects capital goods including deemed capital goods to 10% assistance to obtain land for investment, automatic immigration quota of up to 5 expatriates at the initial stage of the project and strategic investor status granted to projects that put up investment in remote and marginalized regions, create massive employment to local people, inject enough capital that can have an impact to the economy, transfer of technology and its contribution to foreign exchange earnings.

## **2.2.9 National Investment Policy**

### **2.2.9.1 Evolution of Investment related Policies**

Noticeable flows of private capital into Tanzania gained momentum only after the mid-1990 when liberalization and structural reforms were intensified, especially after the review of the investment legislation incentives and other investment promotional and facilitation efforts. The government adopted a National Investment Promotion Policy in February, 1990 and enacted an investment code known as the National Investment (Promotion and Protection) Act no. 10 of 1990 (NIPPA). Accordingly, the government established the Investment Promotion Centre (IPC) as an institution responsible for promotion, approval, monitoring and facilitation of foreign private capital flows into the country. These development encouraged investment from both local and foreign investors.

However, by the mid-1990s there were signs that the investment policy and code did not auger well with investor requirements especially because of conflict between the investment code and other laws governing investments. There was also a perception of an unpredictable investment climate due to goal shifting syndrome, leading to unpredictable incentives and IPC increasingly being perceived as another bureaucracy. This necessitated the initiatives to conduct three studies such as the Investors' Road Map Study, Investment Policy Review and Investment Code review. The three initiatives resulted into the adoption of the new National Investment Promotion Policy of 1996, replacing that of 1990 followed by the Tanzania Investment Act No. 26 of 1997 which effectively repealed NIPPA, 1990. The IPC was thus transformed into Tanzania Investment Centre (TIC), charged with two main functions namely, to promote investment (both foreign and local) and to facilitate all investors whether registered by the centre or not.

In addition to the incentives and regulatory measures to attract investors contained in TIC Act 1997, a number of sectoral policies were also reviewed in favour of private investment in Tanzania, for example, the mining policy in 1997 and tourism policy 1997. Each of these policies clearly describes the importance and commitment by the

Government to ensuring that a conducive environment for attracting investments in the country is in place.

#### **2.2.10 Relationship between Multinational Corporations and Industrial Development**

Grunberg (2001:347) describes MNCs as economic firms that have their head offices in their country of origin (their home country) and produce or distribute products and services in foreign countries (the host country) where they establish a branch or affiliate. They finance some portion of their overseas operations by transferring funds from the parent firm in the home country to the branch or affiliate in the host country. This transfer of funds is referred to as Foreign Direct Investment (FDI) because it involves engagement in directly productive activities overseas with the purpose of owning or controlling overseas assets. FDI is very much a key feature of MNCs. It involves the establishment of foreign production facilities or the purchase of an existing foreign business and of acquiring ownership control of such a domestic firm.

The control over operations immediately suggests that more than mere flows of financial capital is involved since capital is often accompanied by, *inter alia*, technological knowledge and increased leverage and management of foreign markets. As Lumby (1998:104) points out, this characteristics of FDI as package resources stem primarily from the fact that FDI has historically served as the “backbone of the MNC.

Neoliberal proponents are of the view that MNCs contribute to economic development and see FDI as a mechanism of increasing productivity and stimulating growth. By transferring capital, technology, and know-how and by mobilizing underutilized domestic resources, MNCs increase productivity, foster growth and thereby improve industrial welfare. Following Spero and Hart's (2003: 132-134) discussion, the potential gains fall into three main categories. First, FDI may facilitate trade in goods and services by allowing firms to compensate for market imperfections by engaging in international intrafirm trade, Second, FDI may increase

productivity of firms, that are directly engaged in FDI, especially those that are the recipients of FDI inflows, Third, FDI may generate positive external economies that benefit firms and other economic factors that are not directly engaged in FDI.

The influx of multinationals played the vital role of guidance and catalyst in transforming the economic pattern and promoting the optimization and upgrading of the industry in Tanzania. Firstly, multinationals bring with them advanced technologies when making investment in industries and sectors such as transportation, communications, energy, and infrastructure, creating the necessary conditions for the readjustment and advancement of industrial structure, secondly, since multinationals invest in the forms of joint ventures, licensing and contracting, especially involvement in technical trading and transfer through their subsidiaries, the change in the economic and industrial structures in these countries was affected to the effect that the allocation of resources could be modified.

## **2.3 Empirical Literature Reviews**

### **2.3.1 Review of General Reports**

Economic globalization and MNC investment do offer opportunities for African countries, including new technology, industrial productivity which is attributable from good corporate governance-excellence in management, direct capital investments, product quality, and know-how skills. Besides the improvement in legal and institutional framework for private investors, the government should clearly show direct link between MNC investments and industrial development and thus contribute to overall economic growth and development.

### **2.3.2 Review of reports from Abroad**

According to Rogers (2001:66), United States (US) investment has extended into the most dynamic sectors of the South African (SA) economy. The provision of critical technology and managerial expertise has promoted industrial expansion in key areas, especially manufacturing. By 1970, US investment in this sector had quadrupled since 1959, to 50 percent of the US total, while mining interests, which are historically important, dwindled in relative terms to 10 percent, Petroleum accounted

for 20 percent. Specific industries where US participation was especially vigorous, was the automobile industry (where US firms controlled nearly 50 percent of the market), petroleum (44%), while the rest was shared amongst mining, banking, chemicals, rubber, and computers. Furthermore, he observed that, all these industries were strategically significant to the South African economic and political structure.

Also Bloch (1981:52) shows how MNCs in South Africa made a significant change in technological field in order to improve technical production, where by the scientific application of knowledge to production process implies the ever-increasing domination of technology over human agency. The emphasis on technological advancement is crystallized in extensive Research and Development (R& D) costs. In South Africa, productivity rises were heavily dependent on the rate of improvement of the quantity and effectiveness of the capital equipment and improvement in industrial organization and rationalization.

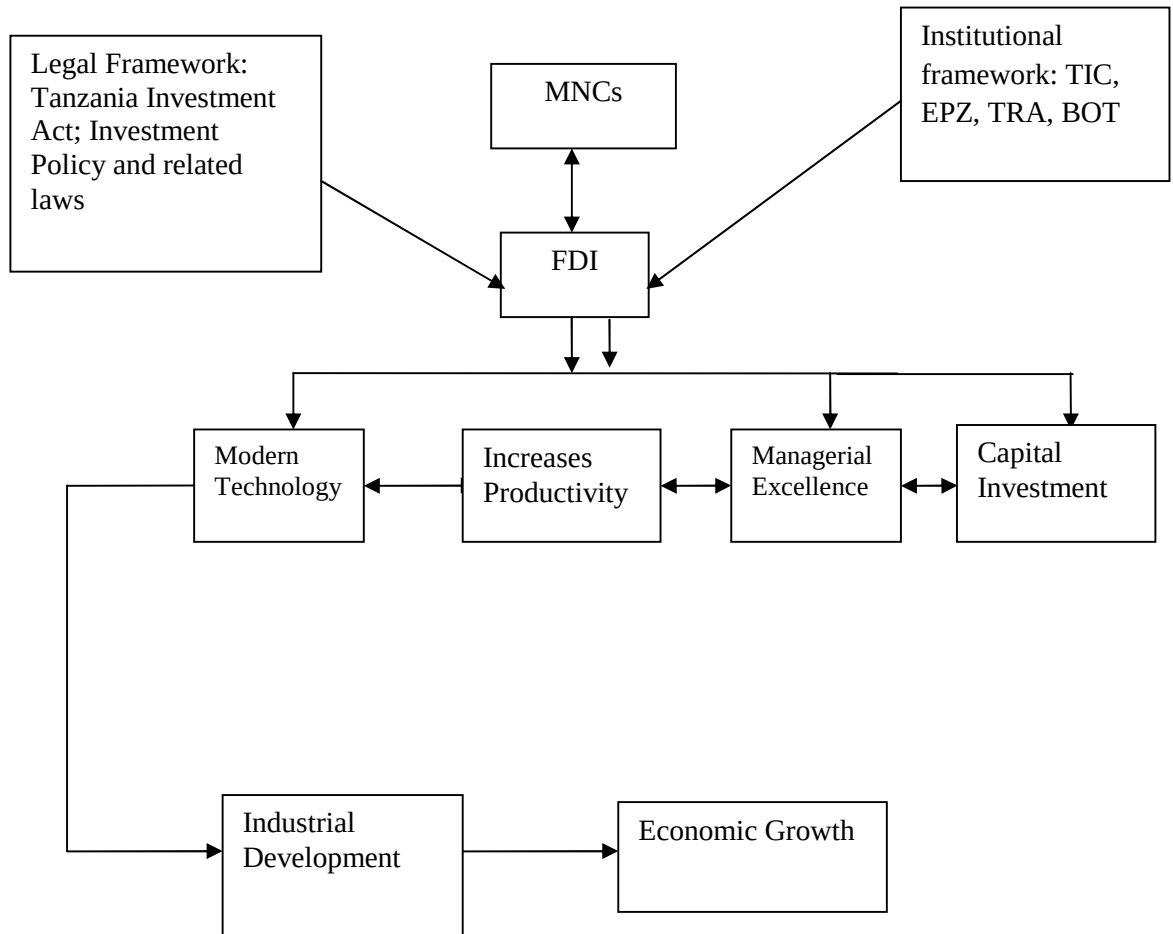
### **2.3.3 Review of Reports from Tanzania**

Recent data (1991-93), indicates that about two thirds of the inflow of foreign direct investment (FDI) is to advance industrialized countries, which are also the source of some 95% of the outflows of such investment (UNCTAD 1994:12). The most significant sources of FDI are multinational corporations (MNCs) based in the US, Japan, United Kingdom (UK), Germany and France.

## **2.4 Conceptual the Framework**

The conceptualization of the research problems provides a framework that guides towards realistic data collection, and binds facts (Kajembe, 1994).

**Figure 2. 1: Conceptual Framework Model**



Source: Constructed by the Author, 2014

#### 2.4.1 Description of Framework

Considering that international investment is of a major importance to the world economy, and has considerably contributed to the development of host country's economy, therefore multinational corporations play a significant role in this development process. Through FDI, MNCs send abroad a package of a capital, technology, managerial talent, and marketing skills to carry out production and marketing in foreign countries, like Tanzania. By transferring capital, technology, know-how MNCs increase productivity, enhance international business standards practices through good corporate governance and hence stimulating industrial development that includes industrial efficiency and productivity; easy access to

finance in order to exploit idle resources, reduction in unnecessary cost of productions and other overheads and increase output to cater for widening market base. In many cases, the multinational's production is truly global, with different stages of production carried out in different regions of the world. Marketing also is often global and to meet those standards, a team of management expertise with outstanding performance is inevitable.

In order to examine the role of MNCs on economic performance, one must relate the effects of FDI and other MNC activities from those of other variables on a given country's economic performance such as investment codes and policies that govern investment activities; institutional and regulatory framework that promote, regulates and implement those enacted codes and policies and other related sectors which acts as a catalyst to the economic performance that include infrastructure, capital markets and financial institutions.

Many empirical studies have demonstrated that there is positive relationship between increases in FDI flows and economic growth rates in a wide variety of countries. If this is the case, FDI depends on host country's investment environments such as legal, institutional and regulatory framework; well developed banking and financial institutions; stock exchange and capital markets. Therefore if those aforementioned investment variables are well established and matured will accrue those benefits associated with Foreign Direct Investment.

#### **2.4.2 The Main Concepts of MNC-Local Firm Relations: Spillovers and linkages**

When it comes to industrial development by MNCs, two concepts revolve: spillovers and linkages. The term "spillovers" denotes the impact or effect of an interaction between the MNC and the local firm, the term "linkages" denotes the organizational modality of the interaction. We will clarify these concepts and their relation in the following.

#### **2.4.2.1 Spillovers**

The initial theoretical and empirical literature on effects of MNCs' FDI focused on the direct impacts of the multinationals such as additional capital brought into the country, the creation of jobs, the effect on the balance of payment, and so on (MacDougall, 1962). Another part of the MNCs' FDI impact literature that took on a real importance at the beginning of the 1990s (UNCTAD, 1992), tried to evaluate the macroeconomic effect of MNCs' FDI on the growth rate of developing countries, like Tanzania. Some studies detected positive impacts (Borensztein et al., 1998; De Mello, 1999; Chan, 2000). Other studies failed to detect such effects (Hein, 1992; Singh, 1998). One of the most fecund avenues in the MNCs' FDI study of impacts however, was opened by the seminal work of Caves (1974), who considered that spillover effects of MNCs' FDI on local firms were the crux of the matter. Since then, the research on MNCs' FDI effects has increasingly acknowledged that technological, organizational and managerial spillovers on local firms probably represent the most influential role of MNCs' FDI in host country development.

Spillovers from MNCs' FDI are essentially positive externalities from the presence of MNCs' FDI on the local economy (Blomström and Kokko, 1998). Spillovers derive from the fact that a firm which internationalizes possesses an intrinsic advantage over firms in the host country (Dunning, 1988). In foreign countries, a MNC is particularly incited to secure its knowledge, management and information assets due to the fact that its competitive advantage is directly linked to its capacity to limit diffusion to local competitors. But at the same time, a foreign investor is not able to, or necessarily interested in, hindering totally its advantages from leaking out to the local environment as spillovers. Hence, spillovers take place when multinationals are unable to, or uninterested in, extracting the full value of the resulting productivity increase of their activity in the host economy.

Since a MNCs' FDI often is profoundly different from a (non-internationalized) local firm in terms of technology, capital, organizational and managerial capabilities, and international market access, there is a potential for significant

spillovers on the local economy and local firms. The spillover can happen through indirect means (for example spillovers on local competitors) or it can happen through direct means (for example spillovers through subcontracting, outsourcing, licensing, franchising, and so on).

The literature typically identifies two main catalyst effects of a multinational on local firms: horizontal spillovers on local competitors and vertical spillovers on indigenous suppliers, distributors and customers linked to foreign-owned firms in the value chain.

Spillovers may take the form of knowledge spillovers or pecuniary spillovers. Knowledge externalities represent technology and know-how that may spill over from multinationals to local firms. Pecuniary spillovers take the form of a rent for the local industry: multinationals' activity improves the quality of the local production that is only partially incorporated in the prices of the products and services delivered by the multinational. The rent may also result from an additional demand addressed to the local intermediate-goods industry that enables the local industry to produce with increasing return to scale and to deliver cheaper products and services to local buyers.

As shown in Figure 2.1, spillovers may generally take the form of modern technology, increased productivity, managerial excellence, and capital investment, forming industrial productivity, leading to hence economic growth.

One may consider five main situations regarding the global effect of the multinationals on the local firms (Table 2.1).

**Table 2. 2: Spillovers**

|        | Vertical effect | Horizontal Effect | Total effect |
|--------|-----------------|-------------------|--------------|
| Case 1 | +               | +                 | +            |
| Case 2 | +               | 0                 | +            |
| Case 3 | -               | -                 | -            |
| Case 4 | 0               | 0                 | 0            |
| Case 5 | +               | -                 | ?            |

Note: 0 = insignificant effect; = undetermined effect.

Case 1 is the best option for the local industry. MNCs' FDI source locally and have a catalyst effect on the local intermediate goods industry. The entry of multinationals also has a positive impact on the local rivals who have increased their performances by imitating the multinationals and by reacting to the competitive pressure of the newcomers. A positive horizontal effect may result from a moderate technological gap between multinationals and local firms, fostering imitation and competitive reaction (Kokko et al , 1996).

In case 2, the total impact remains positive, despite the absence of horizontal spillovers. Absence of horizontal spillovers may be due to differences in the sectoral specialization between foreign and local firms for example when multinationals invest in new sectors with no local firms. It may also be linked to the export-orientation of the multinationals, which do not reduce the local market share of the local firms (Blyde et al., 2004).

In case 3, multinationals have a negative vertical effect and a negative horizontal effect. The latter may result from the difference in efficiency between the foreign and the indigenous actors that jeopardizes the development of the local industry and crowds out local rivals. Inward-looking multinationals which have invested in a country to serve the local market may reduce the number of local firms and/or oblige them to specialize in low value-added products and a production based on weak economies of scale.

A multinational may also displace pre-existing connections between local firms and their suppliers and have negative vertical effects. Multinationals have negative effects when they crowd out local rivals which were used to purchasing more abundantly from local suppliers than multinationals do. In case 4, multinationals have only very few forward relationships with the local customers and very limited backward relationships with local suppliers: the multinational reveals “enclave” behavior.

This kind of behavior may emerge especially in countries like Tanzania in which the human skills and the technological level are low and the quality of institutions is weak. The absence of horizontal effects may be due to the dominant position that has been granted to a foreign firm (monopoly) or to a handful of foreign firms (oligopoly) in the privatization process of the local industry. Case 5 is a classical case of the spillover literature in developing countries and transition economies. Although the multinationals crowd out local rivals in the final goods industry thanks to their ownership advantages, the net gain for the local suppliers and/or for the local customers is positive.

#### **2.4.2.2 Linkages**

Local firms may benefit from spillovers from MNCs’ FDI despite limited direct interaction with the MNCs’ FDI s, for example through competition and demonstration. But many authors hold that direct interaction - typically labeled linkages - will facilitate spillovers. Thus, a long tradition dating back to Hirschman’s seminal work on the role of linkages in economic development (1958) has argued that lack of linkages in the developing economy leads to lack of industrial development.

While Hirschman’s argument did not specifically relate to foreign firms, it has inspired much of the later research on MNCs’ FDI and linkages. The general assumption of this research is that from a development perspective, linkages between MNCs’ FDI and local firms are better than no linkages, and the more and the deeper

linkages are, the better it is for the host economy (Altenburg, 2000; Scott-Kennel and Enderwick, 2005; Hansen et al, 2006).

While some authors prefer a broad definition of MNCs' FDI linkages as encompassing transactions between MNCs' FDI and local firms as well as non-business institutions and organizations (Altenburg, 2000), this study focused on linkages between MNCs' FDI and local firms, responsible for bringing about industrial development. Thus we define linkages as inter-firm transactions that go beyond arm's length, one-off transactions and involve some level of collaboration between the transacting parties (Hansen et al., 2009).

Linkages can be long term (for example a long term strategic partnership on R&D) or they can be short term (for instance an intermittent purchase on contract). They can be equity-based (a joint venture between the MNCs' FDI and a local firm) or they can be non-equity based (for example subcontracting, licensing, franchising, or outsourcing). Sometimes linkages are backward to suppliers and subcontractors (upstream), sometimes they are „forward to distributors, agents or franchise holders (downstream). To these two forms can be added horizontal linkages between firms operating within similar activities –for example strategic alliances between competitors and/or technology partners.

Thus, the nature of the linkage between a foreign investor and a local firm obviously has implications for the scope and content of spillover effects on host country firms. One may easily accept that a short term contractual agreement on a specific task may create less opportunities for learning and upgrading for the local firm than a long term subcontracting collaboration involving large resource exchange between the MNC and the local firm. It has been argued that with economic development, linkages between MNCs and local firms become deeper and more reciprocal because the absorptive capacity and skills of the local industrial base increase (Scott-Kennel and Enderwick, 2005). This in turn leads to industrial development, translating into economic growth of a country like Tanzania. The literature also argues that it makes a difference where in the value chain the linkage partners are

placed: Especially backward linkages to suppliers and subcontractors are considered to have large spillover potential whereas horizontal linkages are believed to produce less spillovers on local firms (UNCTAD, 2001; Nunnenkamp, 2004). The spillover potential of forward linkages to agents, distributors and franchise holders is less researched, but it is argued also that forward linkages may have profound spillover potential (Hansen et al, 2006).

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodological framework of the study. It provides various procedures, sample used, type of data, data collection techniques as well as tools of data analysis. The chapter also presents various steps that were generally adapted in studying the research problem along with the logic behind them. The research examined the role of Multinational Corporations (MNCs) and corporate governance in facilitating industrial development in Tanzania.

As already hinted upon data collection was completed using a multi-method approach (Robson 2002) namely: non-participant observation (observe), semi-structured interviews (think about) and document review (talk within). The utilization of different methods allowed triangulation to take place, more specifically as classified by Denzin (1989), methodological triangulation.

Such triangulation of methods has been beneficial, for this study, in two ways. Firstly, it allowed validation of data by using different sources to gather data relating to the same research proposition and secondly it produced a richer source of knowledge. In this vein Flick (1998) argues that triangulation "systematically extend[s] and complete[s] the possibilities of knowledge production and increased scope, depth and consistency in methodological proceedings.

Therefore, by following such a research design the findings presented in this study provide a more consistent and in-depth narrative of the chosen context, the policy-making process, and add to the validity of the overall dissertation.

## **3.2 The Research Strategy**

### **3.2.1 Research Design**

Research design refers to a plan which shows the approach and strategy of how the research was worked out by the researcher. It is a plan within a set of rules that enables the researcher to conceptualize and observe the problem under study (Chambua et al., 1997).

According to Robson (2002), the methods used to collect and analyze research data need to be appropriate for the specific research questions posed and the context in which the research is being carried out.

The research design of this study was largely descriptive. In a descriptive research design key issues were examined, for instance, features and guidelines of (MNCs); principles of corporate governance; Tanzania investment codes and policies; established institutional and regulatory frameworks; packages associated with FDI and how they are related to industrial development were critically described and analyzed in order to get in-depth findings about the problem that was surveyed (Enon, 1998). The approach was chosen due to the fact that, data were obtained from the respondents' point of view (practical experiences), and most analysis was done in descriptive format to acquire evidence concerning the problem under study.

### **3.2 Area of the study**

The research was carried out at Coca Cola Kwanza Limited, Dar es Salaam. The area was deliberately selected because of the following factors: the company is successfully managed by South Africa Bottling Company (SABCO), which in 1994 acquired shares of the Kwanza Bottlers Limited (a soft drink manufacturing company) from the former Tanganyika Bottlers. For instance a total of US Dollars 35 million were invested to set up modern and high technology bottling plant (Mikocheni Plant), which was opened in 1997 and renamed Coca-Cola Kwanza Limited. The firm also owns Afri Bottlers located in Mbeya and Zanzibar Bottlers located in Zanzibar.

### **3.2.1 Targeted Population**

The study population included Coca-Cola Kwanza staff and other selected stakeholders from Tanzania Investment Centre (TIC), Ministry of Industry and Trade and Tanzania Revenue Authority (TRA).

## **3.3 Sampling Procedures and Sample Size**

### **3.3.1 Sampling Procedures**

Sampling procedure is concerned with technique to be used to obtain a sample that is studied or to select items from the population. Combination of stratified, simple random sampling and purposeful sampling techniques were applied to obtain the required sample size. Purposeful sampling was used because the study requires information which was specific i.e. data regarding company performance, the characteristics of the studied population and access to information required by the researcher. In this case, since most of the primary data collected involved officials in the industrial sector and government offices, a specific number of interviewees for each category were set. This enabled the researcher to be specific on how many of the interviewees in each category set were required. This is vividly shown in Table 3.1.

### **3.3 Sample Size**

In total, 150 respondents were direct or indirect examined the role of Multinational Corporations in facilitating industrial development and use that information for managing and decision making was make the sample. These respondents were include to selected production staff (10), warehousing (10), distributors and depot centres (10), sales department and retailers (10), administrative and general public (20) and other stakeholders from Tanzania Investment Centre (30), Ministry of Industry and Trade (MOIT) (20), National Bureau of Standards (30) Tanzania Revenue Authority (10). Also they was distributed to deport centre, sales department administrators and to interested and relevant stakeholders.

**Table 3. 1: Distribution of the Expected Sample Size**

| <b>Organisation</b>            | <b>Category</b>                                         | <b>Sample Size</b> |
|--------------------------------|---------------------------------------------------------|--------------------|
| Coca Cola                      | Production staff                                        | 10                 |
|                                | Warehousing                                             | 10                 |
|                                | Distributors and Depot Centres                          | 10                 |
|                                | Sales Department and Retailers                          | 10                 |
| Tanzania Investment Centre     | Administrative Officers from Tanzania Investment Centre | 30                 |
| Ministry of Industry and Trade | Ministry of Industry and Trade (MOIT)                   | 20                 |
| National Bureau of Standards   | National Bureau of Standards                            | 10                 |
| Tanzania Revenue Authority     | Tanzania Revenue Authority                              | 30                 |
| General Public                 | General Public                                          | 20                 |
| Total                          |                                                         | 150                |

*Source: Researcher, 2014*

### **3.5 Data Collection**

The study employed both primary data and secondary data. Primary data was used to get the perception from respondents while secondary data was for complementing primary data. Primary data was collected through questionnaires, interview and observation.

The study collected information from cases such as: publicly available data including the Tanzania Economic Survey 2006; Tanzania Investment Policy and Code, National Investment policy review, guidelines for Multinational Corporations, Tanzania Investment guide 2010 and beyond; World Investment report 2002; data and studies from the Organization for Economic and Cooperation Development (OECD); Cadbury and Kings Report III, interviews with key stakeholders; annual reports, audited financial Statements, and performance reports from Kwanza Limited Coca Cola, internet research, and then results were generalized.

### **3.5.1 Primary data**

The researcher collected primary data from officials of the Coca Cola Kwanza and other government departments by means of structured questionnaire, observation and personal interviews. The questionnaire were designed according to the main objective of the study and administered to all selected respondents. Questionnaire constructed of both close and open-ended questionnaire. The researcher took all important precautions related to the merits and demerits of all methods he used to collect data (Kothari, 2006).

### **3.5.2 Secondary Data**

These are data which are originally used for a different purpose. The most commonly used secondary data are documents and archived research data, such as office documents, annual reports, year's books, minutes, newspapers. Achieved research data are research data that were collected by other researchers for other purposes. For the case of this study, secondary data involved a review of relevant information/published documents on economic and political reform experience in Tanzania and globally. Other information was gathered from key institutions involved in the design and implementation of enacted Investment Codes and established investment policies including those at TIC; Ministry of Finance (MOF); Presidents Office-Planning Commission; National Bureau of Statistics; Tanzania Trade Board (TTB); United National Conference on Trade and Development and Organization for Economic and Cooperation Development (OECD) and published annual reports of Coca-Cola Kwanza Limited. Moreover, secondary data was retrieved from publicly publications available at Coca-Cola Kwanza Limited offices and from the website.

#### **i. Interviews**

An interview is a data collection technique that involves oral questioning of respondents either individually or as a group. The unstructured or loosely structured method of asking question was used for interviewing individuals as well as groups or key informant. Flexible and less flexible method of interviewing were employed by the researcher.

The researcher interviewed various staff at Coca Cola Kwanza, and officials of government institutions, such as TIC, TRA, TTB and members of the general public. Various questions were asked to meet the requirement of the research questions and the research objectives of the study.

Interviews represented an important data source within my research. The focus of these interviews was mainly to investigate the role of multinational corporations and corporate governance in facilitating industrial development in Tanzania. In broad terms the interview aims were to collect data which aided the understanding of the interviewees, own experience and approach to interacting with Tanzania industrial policy and how they see other actors being involved in promoting industrial development in the country.

## **ii. Questionnaires**

Questionnaires were prepared and distributed to some staff at Coca Cola Kwanza, other firms and government officials who could not be interviewed face-to-face in order to give them more time.

The researcher phrased the questions in such a way that they provoked the respondents to give answers to meet the demand of the research questions and the research objectives. They involved both closed and open ended questions, and they covered the entire topic under study.

## **3.6 Reliability of Data and Validity of Measurement**

During data collection, the researcher ensured that data collected for was reliable and valid to the best of the researchers' knowledge.

### **3.6.1 Reliability of Data**

The question of trustworthiness or credibility of this study was central to the research process and its outcome. Not only must it be viewed by others as having both validity and integrity, it was important for those who are the subject of the study to know that their comments and the facts about their circumstances were accurately

reported and fairly interpreted. Practical and ethical considerations were all put into consideration.

The practical considerations were three—the consequences of presence, selective experience, and engaged subjectivity. The field research in these offices influenced not only the researcher's perspectives about the reality on the ground, but influenced, to some degree, those with whom the researcher interacted during the course of the study. It also influenced how the researcher gave events meaning and even how participants responded in his presence, which, in turn, influenced his understanding and interpretation of these events. The field research provided a deeper understanding of certain issues and made the researcher a more sensitive and active listener and recorder of events and conversations. Further it made the researcher conscious of the need to be attentive to the issue of credibility so that any personal relationships that developed with the respondents did not prejudice the researcher's impressions or obviate his objectivity.

The researcher ensured that the data and information collected was reliable, (that is, by collecting the data from people who are certain) and the information was produced by using purposeful sampling. The researcher also crosschecked data collected from questionnaire with those obtained from key informant interview to ensure that only reliable information was collected and used.

### **3.7 Data analysis**

The data that were collected were carefully organized and presented so as to make them to meet the objectives of the study in terms of drawing up the study's conclusions and recommendations. The research involved both qualitative and quantitative data analysis techniques which involved drawing and interpreting tables, graphs, bar charts and percentages. In quantitative research, the information obtained from the participants is expressed in numerical form. Studies in which we record the numbers of item recalled, reaction times, or the number of aggressive acts is all examples of quantitative research. In qualitative research, on the other hand, the information obtained from participants is not expressed in numerical form. The

emphasis is on the stated expression of the participants and on the stated meanings they attach to themselves, to other people, and to their environment. Those carrying out qualitative research sometimes make use of direct computer program like EXCEL and Minitab. The researcher also used software to analyze the data method.

## **CHAPTER FOUR**

### **4.0 PRESENTATION AND DISCUSSION OF FINDINGS**

#### **4.1 Introduction**

This chapter deals with the interpretation, analysis and discussion of the findings. In reaching at these findings, the study employed questionnaires, interviews, observations, and rigorous documentary reviews. The findings are analyzed in relation to the research topic which sought to find out the role of multinational corporations and corporate governance in facilitating industrial development in Tanzania, taking a case study of Coca Cola Kwanza Limited.

The study used qualitative analysis and simple quantitative technique i.e. percentage. However the researcher problem was guided by the following research questions which are;

In order to achieve the following specific objectives, the following research questions were used to investigate the problem at hand:

How is the current legal and regulatory framework conducive to the MNCs?

What is the effectiveness of MNCs' corporate governance in facilitating industrial development in Tanzania?

What are the challenges hindering industrial development in Tanzania?

What are the measures aimed at enhancing industrial development in Tanzania?

These questions were developed from a set of research objectives as mentioned in chapter one of this report section 1.3. The answers provided by the selected respondents to these questions and additional questions provided the means of achieving the research objectives.

#### **4.2 Response Rate**

This study expected to cover a total of 150 respondents drawn from different governmental departments and the private companies, including Coca Cola. However, due to the fact that some of the expected interviews were busy, only 148 respondents were interviewed, giving a response rate of 99%.

### 4.3 Demographic and Social economic Characteristics of Respondents

Before delving deep into the real discussions of each of the objectives, it was first and foremost important to first look at the socio-demographic features of the respondents as illustrated in Table 4.1 below.

**Table 4. 1: Demographics and socio-economic characteristics of Respondents**

| Socio-demographic characteristic | % | (n=148) | Percentage (%) |
|----------------------------------|---|---------|----------------|
| Age group (years)                |   |         |                |
| <20                              |   | 31      | 21             |
| 20-35                            |   | 83      | 56             |
| >36                              |   | 34      | 23             |
| Socio-demographic characteristic | % | (n=148) | Percentage (%) |

*Source: Research findings*

Table 4.1: Shows that majority of the respondents were in the age brackets of 20-35, representing 56% of the respondents. This clearly corresponds with the fact that majority of the working force in Tanzania. These respondents were mostly workers in the companies and government departments that were visited during the field study.

**Table 4. 2: Education Level of Staff**

| Education                     | (n=148) | Percentage (%) |
|-------------------------------|---------|----------------|
| No formal education           | 5       | 3%             |
| Primary education             | 11      | 7%             |
| Completed Secondary Education | 35      | 24%            |
| Post Secondary Education      | 51      | 34%            |
| Tertiary Level                | 46      | 31%            |

*Source: Research Findings*

Table 4.2. Shows that In terms of education, majority of the respondents (34%) had received post secondary education, which includes degree and masters degrees. This

means that at least the most of the respondents were very informed from an intellectual point of view, lending the study more credibility, given that the topic itself requires serious analysis.

**Table 4. 3: Working Experience Of Coca Cola Kwanza Staff**

| <b>Work experience (years)</b> |    |    |
|--------------------------------|----|----|
| < 10                           | 67 | 45 |
| 20-Oct                         | 46 | 31 |
| > 20 years                     | 35 | 24 |
| <b>Designation</b>             |    |    |
| Casual labour                  | 5  | 3  |
| Un skilled worker              | 6  | 4  |
| Semi skilled worker            | 11 | 7  |
| Skilled worker                 | 20 | 14 |
| Highly skilled worker          | 21 | 14 |
| Office Support Staff           | 8  | 5  |
| Assistant                      | 8  | 5  |
| Assistant                      | 11 | 7  |
| Executive                      | 14 | 9  |
| Asst. Manager                  | 10 | 7  |
| Manager                        | 13 | 9  |
| Manager                        | 21 | 14 |

*Source: Research findings2014*

Table 4.3. Shows that as for the experience at their respective work stations 45% of the respondents, equivalent to 67 of the respondents had at least 10 years experience, while 24 % had more than 20 years of experience. During the study the respondents respond that Multinational Corporation operates under good corporate governance where is the key to success of any organization like Coca Cola kwanza where by most of local industry in Tanzania fail. The analysis was due to the experience that they have at the Organization.

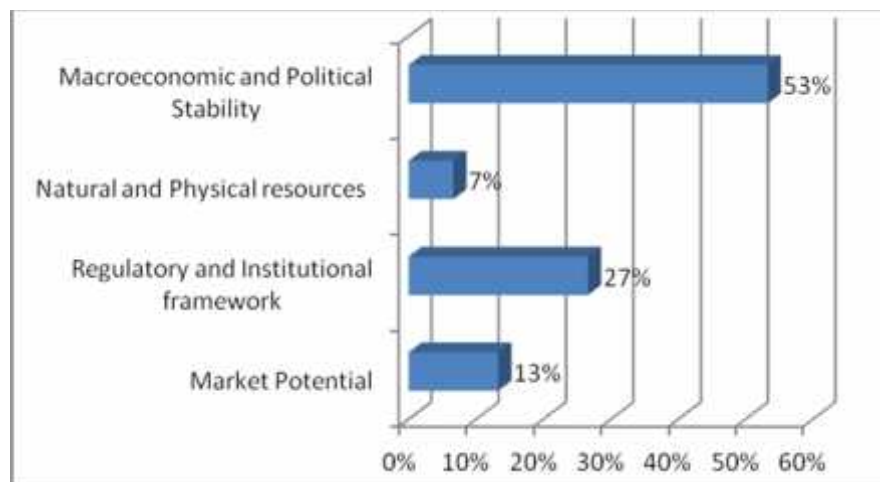
#### 4.4 Current legal and regulatory framework conducive to the MNCs

Research question number one examined the current legal and regulatory framework governing MNCs, the current projects registered by TIC from 2005 to 2011 as a result of the investment climate, ownership of projects registered by TIC 1990 – 2011, and the leading investors in the country. In addition to this the literature review discovered that in spite of many legal and regulatory reforms by Tanzania, there are still a number of challenges that still hamper investment climate, and these have always come in the form of legal and regulatory framework which is not that substantially conducive to the investors.

##### 4.4.1 Current Legal and Regulatory Framework

In order to fully appraise the role being played by the MNCs in industrial development, it was important to first look at the legal and regulatory framework within which these firms operate. Is the environment satisfactory or otherwise? Before these MNCs come to Tanzania, what are some of the most important factors that drew them to Tanzania?

**Figure 4. 1: Preconditions for MNCs**



*Source: Research Findings2014*

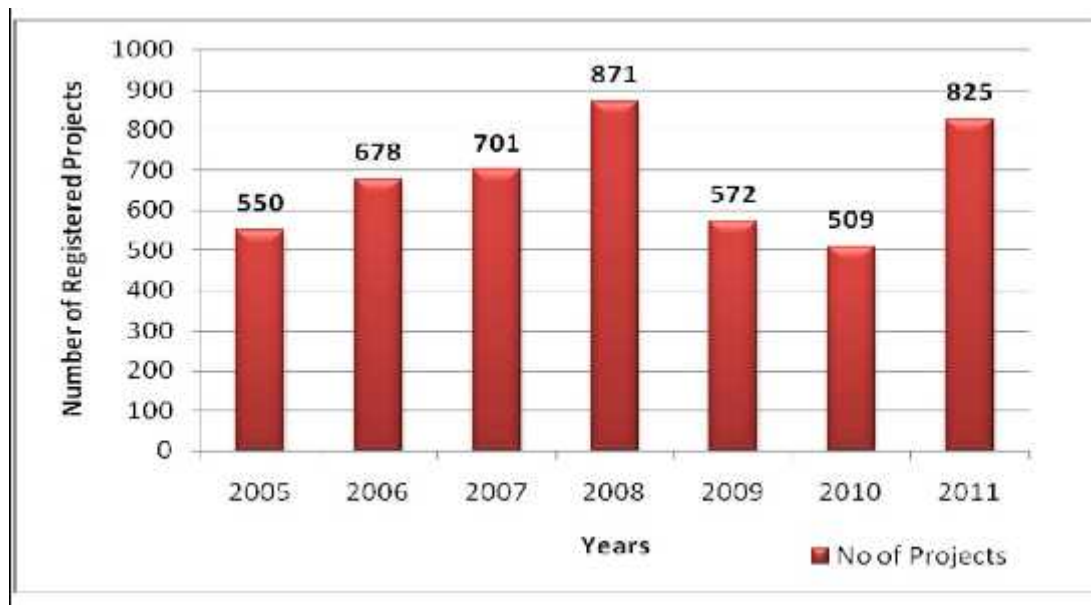
During data collection, when asked about the major factors that can attract or hinder MNCs from coming to a country like Tanzania, majority of them (53%) raised the issue of macroeconomic and political factors as likely to constitute the most of the

determining factors, while having a functional regulatory and institutional framework came second on the agenda (27%), with the need to have natural and physical resources getting the lowest of response (7%).

#### 4.4.2 Projects registered by TIC from 2005 to 2011

Attractive laws and predictable investment climate has attracted an increasing number of both MNC, and domestic investment that were registered by TIC; in 2008 the centre registered a total of 871 projects compared to 550 projects registered in 2005 an increase of 36%. However the impact of global financial crisis led to the registration of 572 and 509 in 2009 and 2010 respectively. Overall the registered projects received a robust response stock inflow amounting to 4706 projects from 2005 to 2011.

**Figure 4. 2: Preconditions for MNCs**

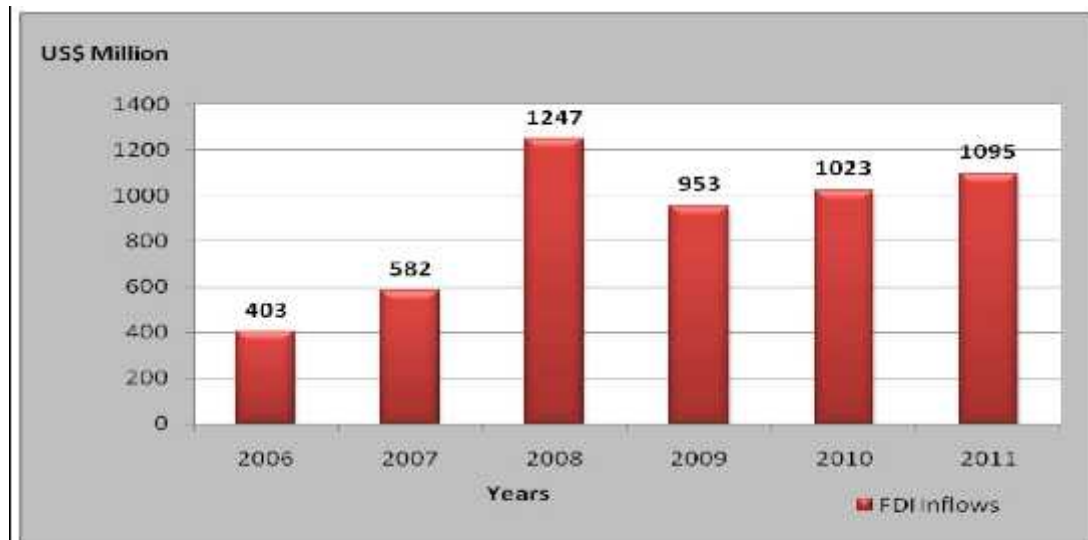


*Source: Tanzania Investment Centre (2012)*

The World Investment Report published in 2012 shows that Tanzania took the lead in attracting Foreign Direct Investment (FDI) in the East African region during the past 1 year, attracting the record of \$1.1 billion equivalent to (TSh1.76 trillion). The same report has highlighted that between June 2011 and June 2012, Tanzania

overtook Kenya- the region's biggest economy, indicating the high confidence among foreign investors in Tanzania. The same report has shown that for the past three years, Tanzania has attracted about 47 percent of all FDI flows in the five East African countries.

**Figure 4. 3: Preconditions for MNCs**

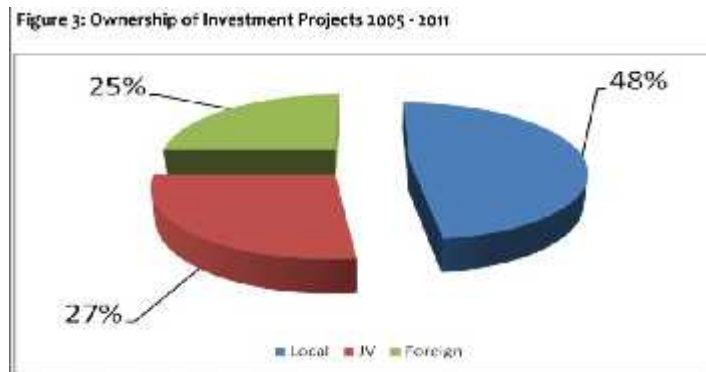


Source: UNCTAD World Investment Report -2012

#### 4.4.3 Ownership of Projects Registered by TIC 1990 – 2011

Tanzania Investment Act provides three types of project ownership as follows. An investment project may be whole owned by Tanzanians or by foreign nationals or the project may be jointly owned by Tanzanians and Foreigners (Joint Venture). According to the TIC registered projects for the period 2005 - 2011 Tanzanians have been playing a leading role in terms of establishing investment projects, followed by Joint Venture projects and lastly foreign nationals as shown in a pie chart;-

**Figure 4. 4: Ownership of Projects**



Source: Tanzania Investment Centre (2012)

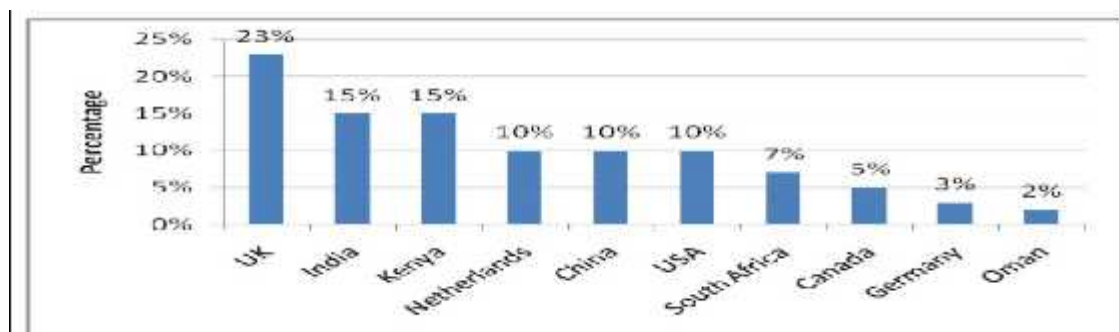
#### 4.4.4 Leading Investors Countries

Most of the investments from abroad (FDI) originate from the United Kingdom due to the historical background. Tanzania was a British colony that is why it is well known by investors from UK than other parts of the World.

From the figure above it shows that 23% of registered projects originated from UK, 15% from India, another 15% from Kenya, Netherlands 10%, China 10%, USA 10%, South Africa 7%, Canada 5%, Germany 3%, and Oman 2%.

#### 4.2.5 Leading Investors Countries

**Figure 4. 5: Leading Investor Countries**



Source: Tanzania Investment Centre, 2012

In terms of leading Investors in Tanzania, UK takes the lead, and is followed by India and Kenya, while Oman is one of the countries with the least investment in

Tanzania. However, it is important to look at what constitutes a conducive business environment.

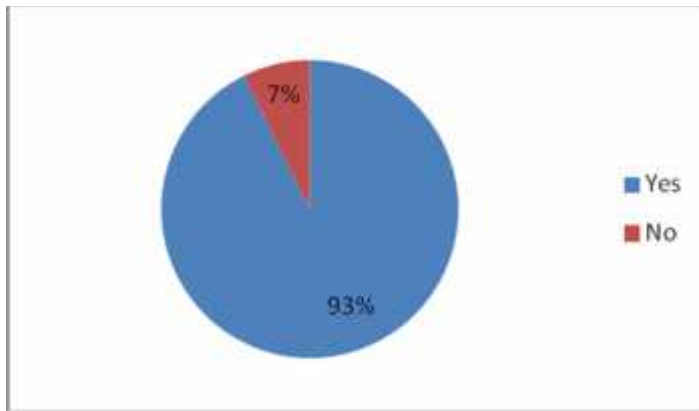
#### **4.5 The Effectiveness of MNCs' corporate governance in facilitating industrial development in Tanzania**

This section revolves around key factors that are considered crucial for industrial development. They include technological development and technology transfer; employment creation, work attitudes, level of exports, more market access due to improved exports, among other factors. These factors formed important variables upon which the main research objective was based. They (factors) are also an indicator of whether a country is industrialized or not (Wangwe et al, 2004).

##### **4.5.1 Measuring Corporate Governance**

In order to measure the extent to which corporate governance is practiced at Coca Cola, views on what is perceived to constitute corporate governance were sought in the questionnaire and later analyzed to produce the response contained in this analysis. Some of the issues that were taken into account include the availability or otherwise of certificate of incorporation and by-laws, the Board's Corporate Governance Guidelines and other key practices, and the Charters of Board committees. These were deemed to provide the foundation for corporate governance at the Coca-Cola Company. The corporate governance guidelines address such areas as the board's mission and responsibilities, director qualifications, determination of director independence, chief executive officer compensation and performance evaluation, and management succession planning.

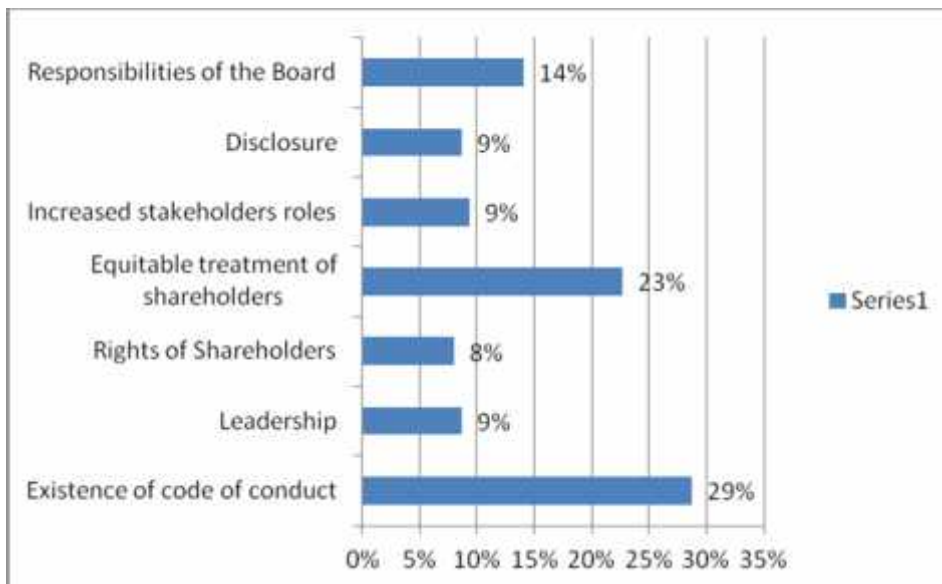
**Figure 4. 6: Corporate Governance**



*Source: Researcher Findings, 2014*

First, to understand whether corporate governance is practiced in Tanzania, it was important to first ask the question whether corporate governance exists in the first place. As the figure above shows, majority of the respondents (93%) agreed that, indeed, corporate governance does exist, as contrasted to the minority (7%) who did not agree with the proposition.

**Figure 4. 7: Areas of Corporate Governance**



*Source: Researcher Findings, 2014*

As per the figure 4.7 above, 29% of the respondents said that they believed a number of MNCs, including Coca Cola kwanza; do have some company rules that govern their code of conduct. For example, as for Coca Cola kwanza, during various interviews, coupled with rigorous documentary review, it was discovered that the company's code of business conduct —available in 29 languages—guides their business conduct. The Code articulates the company's expectation of accountability, honesty and integrity in all matters. All associates of the company and its majority-owned subsidiaries are required to read and understand the code and follow its precepts, both in the workplace and in the larger community.

Another element that garnered more is the equitable treatment of shareholders, which stands at 23%. This means that any divergence from the 'one share one vote' standard is frowned upon. Emphasis is placed on the need to give equal rights and treatment to shareholders holding shares in the same class. This ensures the protection of minority and foreign shareholders. They must be informed of the voting rights attached to the shares before purchase.

The voting system should not be made too difficult or expensive such as to deny any shareholder the right to vote. It is also expected that nominees should vote in a manner agreed upon with the beneficial owners of the shares. As part of the equitable treatment accorded to shareholders, the principles prohibit insider trading and self dealing by the corporation.

Other elements that were also talked about although with lower rankings include leadership (9%), rights of shareholders (8%), shareholders' roles (9%), disclosure (9%), and the responsibilities of the board (14%).

In short, much as these elements were considered with varying percentages, the general view is that there is an existence of or some semblance of corporate governance in a number of foreign companies (MNCs), which in essence helps the local firms in creating good governance structure upon where to base the industrial development for these companies that are involved in the manufacturing sector.

#### **4.5.2 Coca Cola Kwanza role in spearheading corporate governance**

The Tanzania Coca-Cola kwanza Company (TCCC) is the largest beverage company in the world, serving 1.7 billion consumers a day in more than 200 countries. The production and distribution of Coca-Cola kwanza follows a franchising model in which TCCC provides a syrup concentrate to its bottling partners who then manufacture package, distribute, and sell products for local consumption. Boasting the world's largest distribution system, the TCCC system is renowned for its ability to make Coca-Cola kwanza products available in even the most remote locations.

TCCC established its first bottling plant in Tanzania in 1952. Currently, TCCC has three Tanzanian bottling partners [Coca-Cola Kwanza (CCK), Nyanza Bottling Co. Ltd., and Bonite Bottlers Limited], among which Coca-Cola Kwanza have played an instrumental role as TCCC's local partners in the current supply chain initiative.

The role played by Coca Cola Kwanza when it comes to Corporate Social Responsibility is summed up in the following quotation.

*“Whatever has to do with improvement of the Tanzania community it also touches improvement of and welfare of our company”.* -  
Manager, Coca-Cola Kwanza

TCCC served as the lead investor and private sector champion of the project. The true value of the Coca-Cola kwanza contribution came from leveraging their convening power and sharing the core business expertise that has resulted in one of the farthest reaching supply chains in the world. As an evidence of its commitment to the partnership, two members of TCCC's International Government Relations and Public Affairs team dedicated a proportion of their time to assist in moving the project forward, including engaging the local bottling system. In addition to many in-kind contributions, TCCC contributed more than \$350,000 to the project and secured participation from Yale's Global Health Leadership Institute to lead an analysis of key learning from the partnership experience.

#### 4.5.2.1 Coca Cola Kwanza and Corporate Governance

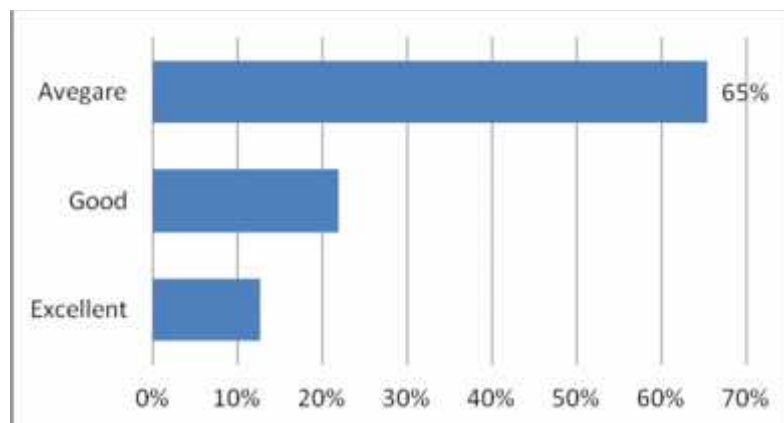
Corporate governance which entails Organizational transparency highlights opportunities to advancement, including industrial development for the case of Tanzania. Corporate governance including putting in place systems, structures, rules, regulations, and best practices governing the management of organization through which it is directed and run. It ensures that operations and goals are to be performed and met. Directors and management protect shareholders' rights, develop market competitiveness, and allow entrance to invest in the universal markets. The board of directors watches over the scheme executed by the managers for running the organization and adopting the values that rule the board of directors in their responsibility to shareholders and to the organization.

This part therefore tried to measure the respondents' views on key components of corporate governance which include the rights of shareholders, the equitable treatment of shareholders, disclosure, the role of stakeholders, the responsibilities of the board, among others.

#### 4.5.2.2 Perception of Coca Cola Kwanza in Facilitating Industrial Development

This question sought to know, first and foremost, how the respondents would grade Coca Cola Kwanza Tanzania when it comes to the extent to which they think it (Coca Cola) has contributed to industrial development in Tanzania.

**Figure 4. 8: Role of Coca Cola**



*Source: Research Findings, 2014*

Figure 4.8 shows the majority of the respondents (65%) think that Coca Cola Kwanza role in facilitating industrial development in Tanzania has been on average, while only a few (13%) believed that Coca Cola kwanza Tanzania's role in facilitating industrial development deserves to be categorized as excellent.

This was partly due to the fact that many of the respondents, when probed further, showed that there were other industries in other sectors that they deemed to have at least contributed to industrial development in the country. Table 4.2 shows the structure of key the manufacturing sectors by key economic indicators.

**Table 4. 4: Structure of Manufacturing**

| <i>ISIC Code</i> | <i>Sub-sector (structured by ISIC code)</i> | <i>Number of establishments</i> | <i>Gross output</i> | <i>Number of employees</i> |
|------------------|---------------------------------------------|---------------------------------|---------------------|----------------------------|
| 31               | Food, Beverages & Tobacco                   | 25.6                            | 73.7                | 29.7                       |
| 35               | Chemicals, Rubber & Plastics                | 20.2                            | 11.7                | 20.9                       |
| 38               | Fabricated Metal Products                   | 10.3                            | 1.9                 | 7.6                        |
| 32               | Textiles & Leather                          | 10.0                            | 1.6                 | 17.6                       |
| 37               | Basic Metal Products                        | 9.4                             | 1.0                 | 6.1                        |
| 34               | Paper & Publishing                          | 9.4                             | 3.7                 | 7.4                        |
| 33               | Wood Products exc. Furniture                | 8.9                             | 2.3                 | 4.4                        |
| 36               | Non-metallic Minerals                       | 5.4                             | 2.8                 | 4.2                        |
| 39               | Other Man. Industries                       | 1.0                             | 1.2                 | 2.7                        |
| 3                | Total in %                                  | 100.0                           | 100.0               | 100.0                      |
| 3                | Total respondents                           | 203                             | 187                 | 162                        |

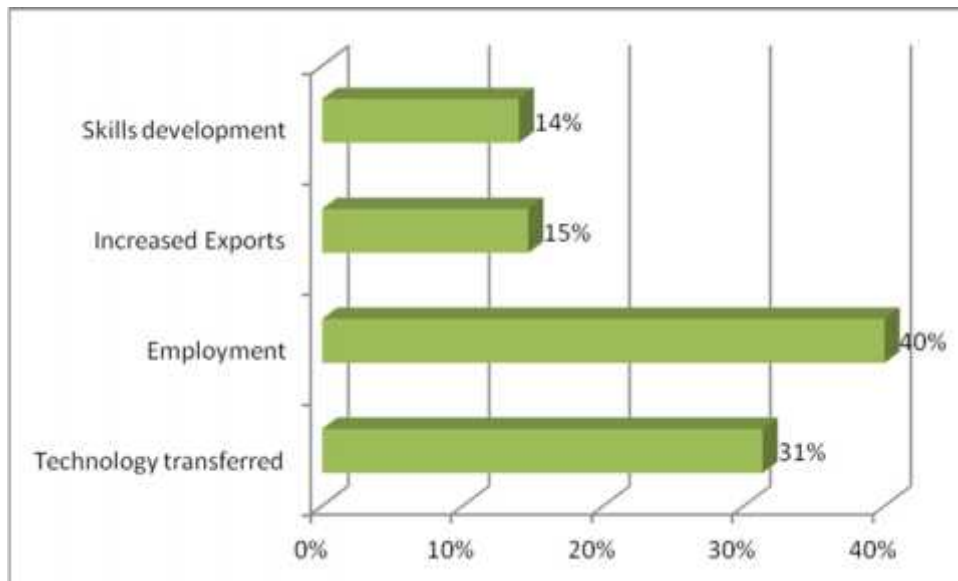
*Source: Bureau of Statistics, 1999*

Although Coca Cola Kwanza Tanzania falls under the leading categories of manufacturing industries in the country, many respondents as shown in Table 4.2 still felt that it has not done enough to justify the slot of being the number one in terms of fostering industrial developments in the country.

#### **4.5.2.3 Absorption potential of MNCs to Tanzania**

By absorption potential, we mean the potential of MNCs impact on the local economy in terms of benefits that are likely to spring from such MNCs in terms of FDIs.

**Figure 4. 9: Absorption potential of MNCs**



*Source: Research findings 2014*

Figure 4.9 shows the benefits that normally accrue from MNCs that come to a developing country like Tanzania. Many of the respondents interviewed showed that employment is one of the most important benefits that come along with these firms (40%), taking an example of Coca Cola Tanzania which is estimated to employ more than 1,000,000 people directly and indirectly in Tanzania.

The issue of employment as created by MNCs in Tanzania can be further illustrated by the following secondary data.

**Table 4. 5: Projected Number of New Jobs**

| Year         | 2007    | 2008    | 2009   | 2010   | 2011   |
|--------------|---------|---------|--------|--------|--------|
| Jobs created | 103,958 | 109,521 | 56,615 | 43,640 | 79,101 |

*Source: Tanzania Investment Centre, 2012*

The table above shows that there has been a steady increase in jobs created by the expanding private investment sector, especially the FDI. As already hinted upon, these modest achievements in the labour market can be attributed to institutional reforms and legal framework that have been implemented by the government upon liberalisation of the economy that started as early as 1981.

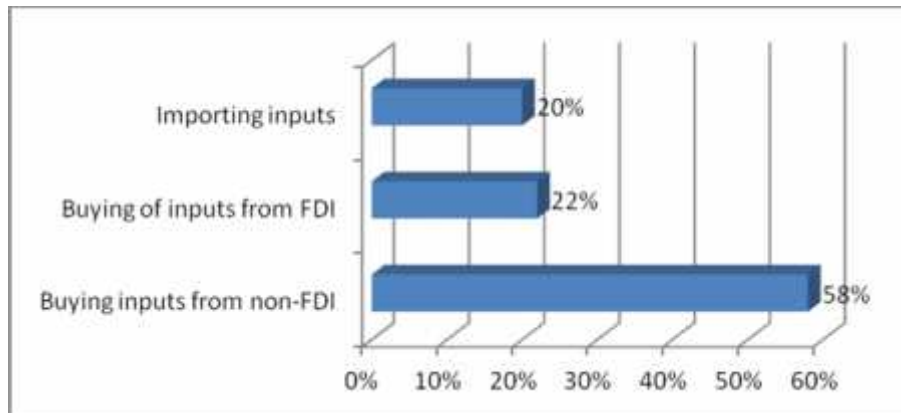
#### **4.5.3 Extent of Linkages between MNCs and Local Firms**

In section two it is argued that one way of transferring technology from MNCs to local firms is through backward and forward linkages. This study sought to assess the extent of backward and forward linkages between local firms and MNCs. Questions were posed for backward and forward linkage - both from the perspectives of the MNCs and of the local firms. Backward linkage from the perspectives of the local companies is forward linkage from the perspectives of MNCs. The following sub-sections present the findings for these linkages.

##### **4.5.3.1 Backward linkage-From the Perspectives of Local Firms and Forward Linkages from the Perspectives of MNCs**

Backward linkage from the perspectives of local firms entails relations with MNC as suppliers of inputs. Identification of the extent of backward linkage between local firms and MNCs results from analyzing the proportion of local firms who bought material inputs from MNC. The results are presented in figure 4.10 below. Note, however that, the percentages are not supposed to add to 100, as the question involved multiple responses.

**Figure 4. 10: Facilitating Imports**

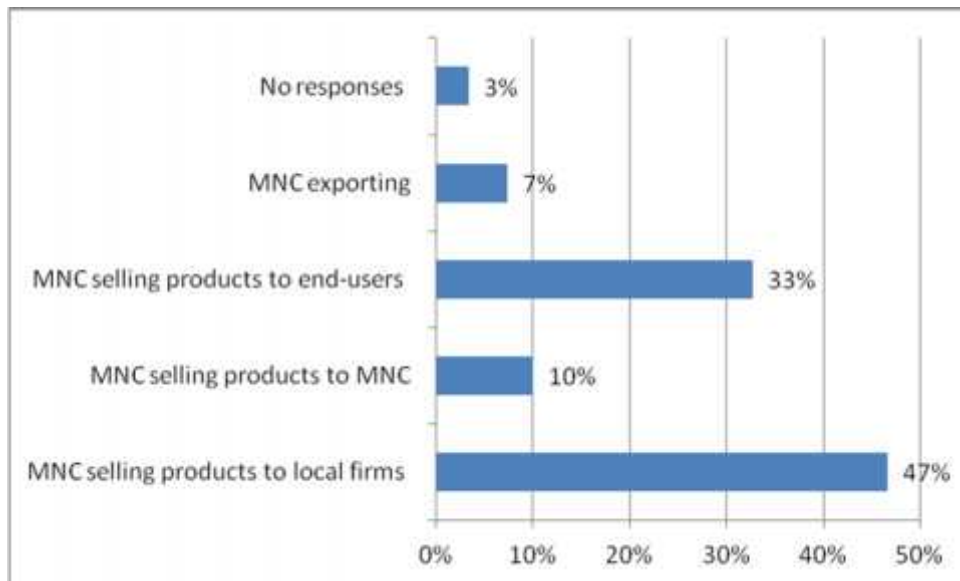


*Source: Research Findings, 2014*

From Figure 4.10 above it can be noted that, most ( 58%) of local firms in Tanzania source their material inputs from other local firms, while only 22% source theirs from firms under MNC. 20% firms import their material inputs. The study findings show that Tanzanian manufacturing firms do not only have more backward linkages with other local firms compared to MNCs, but actually backward linkage with MNCs is very limited.

However, if this is assessed from the perspectives of MNC as their forward linkage with local firms, then the picture is slightly improved (Figure 4.11). Figure 4.11 further indicates that 47% of MNC actually sold their products to local firms as against 10% to other MNCs in the country.

**Figure 4. 11: Forward linkages**

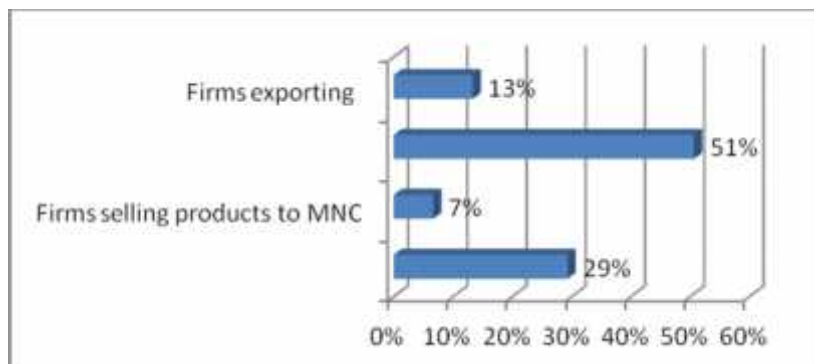


*Source: Research findings, 2014*

#### **4.5.3.2 Forward linkage-From the Perspectives of Local Firms and Backward Linkages from the Perspectives of MNC**

Forward linkages with MNC on the perspectives of local firms occur when local firms sell inputs to MNC. To determine the extent to which local companies supplied inputs to MNCs, proportion of local firms that sold their products to MNC was sought. Figure 4.12 below indicates the trend observed.

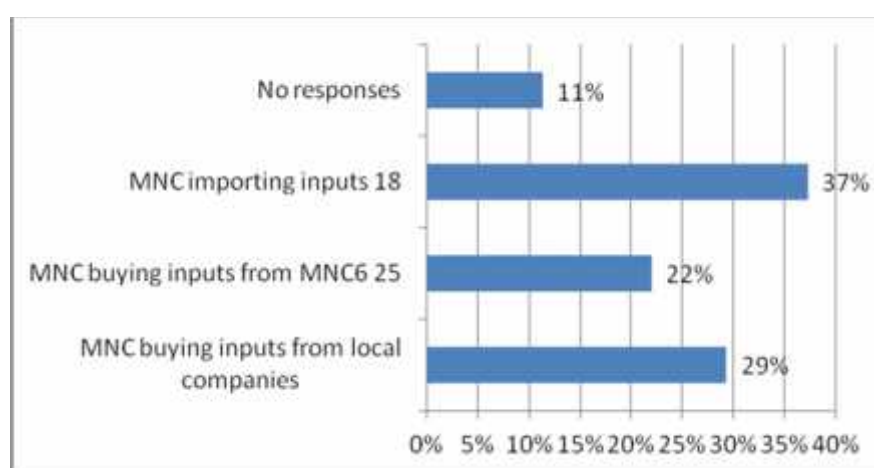
**Figure 4. 12: Facilitating Exports**



*Source: Research Findings, 2014*

Figure 4.12 above shows that the majority of local industries (51%) sell their products to local end-users - wholesalers or retailers in the local market, indicating that largely the manufacturing sector in Tanzania is consumer goods oriented. In terms of sales to other local firms as inputs, majority (51%) sell to other local firms as against the small number (7%) who sell to MNCs, indicating that MNC in the Tanzanian manufacturing sector has very limited backward linkage with local firms.

**Figure 4. 13: Backward linkages of MNCs**



*Source: Research Findings, 2014*

Figure 4.13 above importantly demonstrates that, backward and forward linkage information is governed by multiple factors. In a model by Rodríguez-Clare (1996), more linkages are created when the production process of the MNCs uses intermediate goods intensively. In this case, formation of backward and forward linkages between foreign and local firms really depends on the type MNCs Tanzania was able to attract. The Government can also promote linkage creation through different policies, including some minimum local content. To the best of the authors' knowledge, such a policy does not exist in Tanzania; or if it does, this has not been enforced. Therefore, this indicates potential increase in linkages if appropriate policies are put in place and enforced.

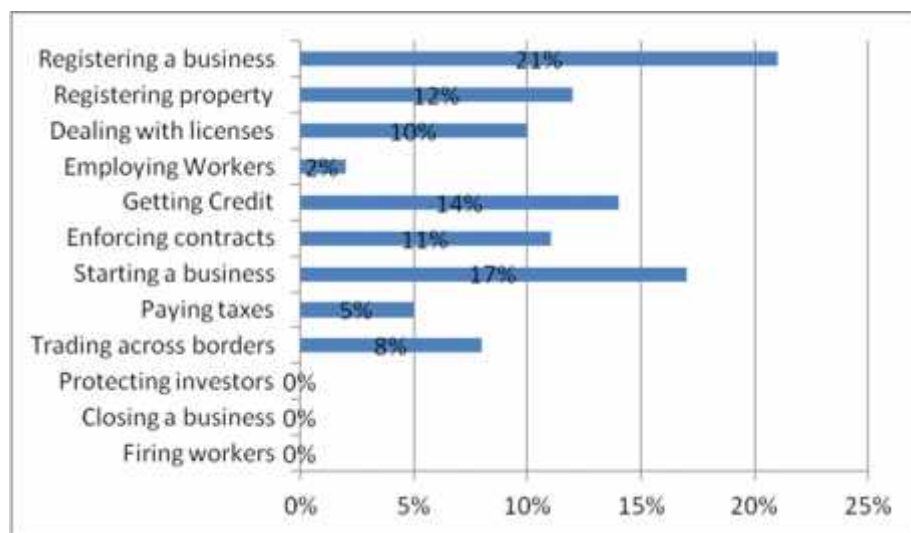
#### 4.6 The Challenges that Hinder Industrial Development in Tanzania

Industrial development, like any business, thrives on the conducive environment in order to thrive. However, in order to get the challenges that industrialists experience in Tanzania, these were the factors cited by the respondents as posing some challenges. They range from the legal and regulatory environments.

##### 4.6.1 Business Environment Factors

Below are the factors that are believed to constitute very hard working environment and hindering the proper functioning of industrial development in the country.

**Figure 4. 14: Business Environment**



*Source: Research Findings, 2014*

As Figure 4.14 above shows, the factors that have been cited to paralyze industrial development during data collection by the respondents include bureaucracy and corruption in registering a business which stands with the response of 21%. This is closely followed with stating a business (17%), which many respondents pointed out that is characterized by many procedures by the time the business starts operating. This, in essence, discourages any investors who might be interested in investing in the country.

Apart from this data collected during the field interviews, secondary data gleaned from various literature reviews also puts Tanzania in a very unfavorable position when it comes to perceptions with regard to doing business environment globally. But before we go global, let us start with the case of how Tanzania fairs in the East African Community (EAC).

#### **4.6.2 General Dissatisfaction with Government Procedures and Processes**

Three main questions were asked to assess the views of business executives on government procedures and processes in Tanzania:

- *How burdensome is it for business in Tanzania to comply with governmental administrative requirements (e.g. permits, reporting)?*
- *How easy is it for business in Tanzania to obtain information about changes in government policies and regulations affecting your industry?*
- *How would you rate the level of efficiency of customs procedures (related to the entry and exit of merchandise) in Tanzania?*

Figure 4.12 summarizes responses to these questions. Overall, the results indicate that business executives consider that bureaucratic systems do not provide an attractive business environment. Almost two-thirds of respondents (62%) felt that governmental administrative requirements were complicated and/or inefficient, compared with only 21% who considered that they were not burdensome.

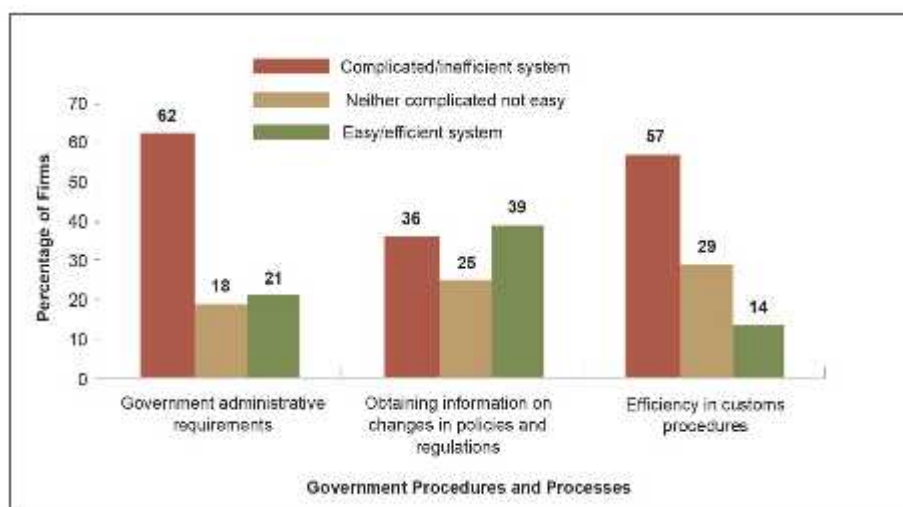
Over half of the executives surveyed (57%) also held the opinion that customs procedures were inefficient. However, slightly more business executives (39%) considered that it was easy for businesses to obtain information about government policies and regulations than the 36% who felt that it was difficult.

Disaggregated data by size of firm yielded interesting results. No significant differences between large and small firms were found on perceptions of government procedures and customs efficiency. However, almost twice the percentage of small firm executives (48%) perceived that it was difficult to obtain information on government policies and regulations, compared with large firms (28%).

On the other hand, close to 50% of large firms felt that it was easy to obtain policy information compared with 31% of small firms. This may indicate that larger firms have more developed more systems and greater capacity to monitor and respond to policy changes than smaller enterprises.

Among the EAC members surveyed for the Global Competitiveness Report 2009-10, Uganda ranked highest for all three aspects of government procedures and processes (see figure 4.15). Tanzania ranked second for ease of government administrative requirements as well as in transparency in government policy making, but the lowest for efficiency of customs procedures. Burundi, the newest EAC member state, ranked lowest on the other two dimensions.

**Figure 4. 15: Government Procedures**



*Source: Tanzania Executive Opinion Survey, 2009.*

These results are slightly different from the results of a World Bank investment climate survey in 2006, which found that Tanzania was doing better than Uganda, Rwanda and Burundi in ease of government regulations (World Bank, 2008). The Ibrahim Index of African Governance also indicates that, before 2005, Tanzania had a higher rank than Uganda in time taken to start up business. However, after 2005 the report showed that fewer days were required to start a business in Uganda than in

Tanzania. These findings indicate that Uganda is improving at a slightly faster rate in controlling cumbersome procedures than Tanzania.

In addition, the survey also solicited executives' views on whether tax rates provide incentives for businesses to invest; and whether government tax subsidies enhance competition. With respect to the first issue, 55% of respondents felt that the current level of taxes limits the incentive to work and invest, whereas only 25% had the opinion that tax rates provide positive incentives. Indeed, tax rates were perceived as the third most problematic factor for doing business in Tanzania, while respondents in other EAC member countries ranked taxes as a less serious problem.

The comparatively higher tax rate in Tanzania was similarly reported in the World Bank survey to be a serious problem for investors and one of the primary obstacles for encouraging formal insertion of informal enterprises (World Bank, 2008). Moreover, a larger percentage of executives (45%) perceived that government subsidies and tax breaks distort competition, compared with 26% of respondents who felt that subsidies and tax breaks do not distort competition. No significant differences were found between large and small business firms in their responses to the taxation questions.

**Table 4. 6: Ranking of EAC members**

|                                                | Tanzania | Kenya | Uganda | Burundi |
|------------------------------------------------|----------|-------|--------|---------|
| Ease of government administrative requirements | 60       | 80    | 36     | 104     |
| Transparency of government policy making       | 77       | 92    | 73     | 130     |
| Efficiency of customs procedures               | 119      | 104   | 99     | 114     |

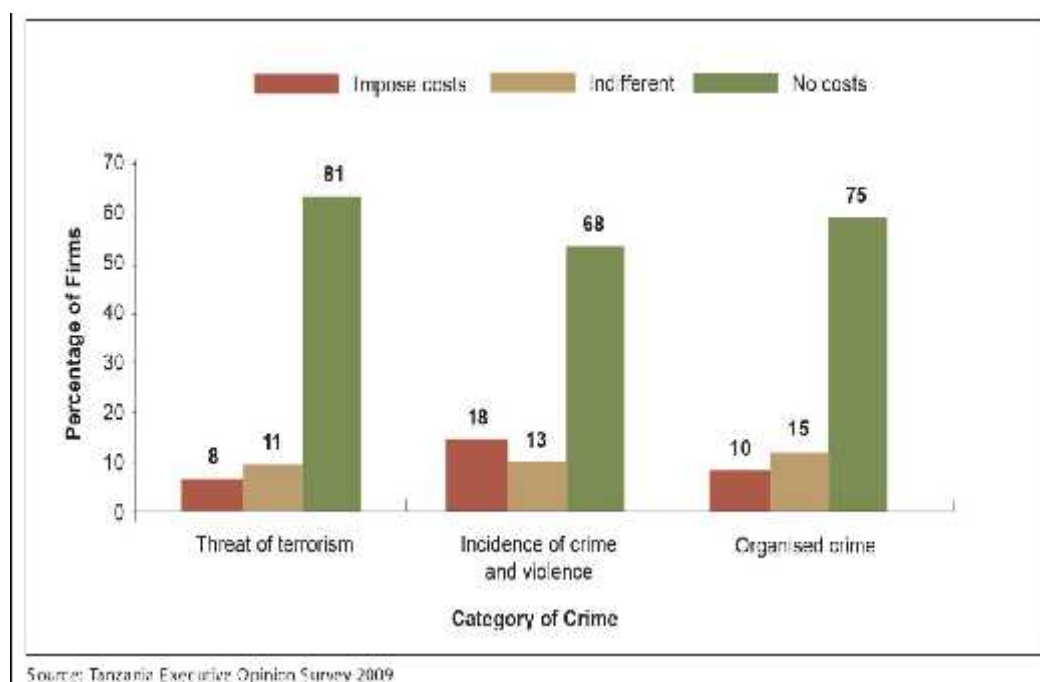
*Source: The Global Competitiveness Report 2009-2010*

#### **4.6.3 Control of Crime and Violence**

Figure 4.16 summarizes responses. Overall, the data show that crime and violence do not impose significant costs on business. Over two-thirds of respondents for all three questions perceived that no costs were imposed on their businesses by crime in

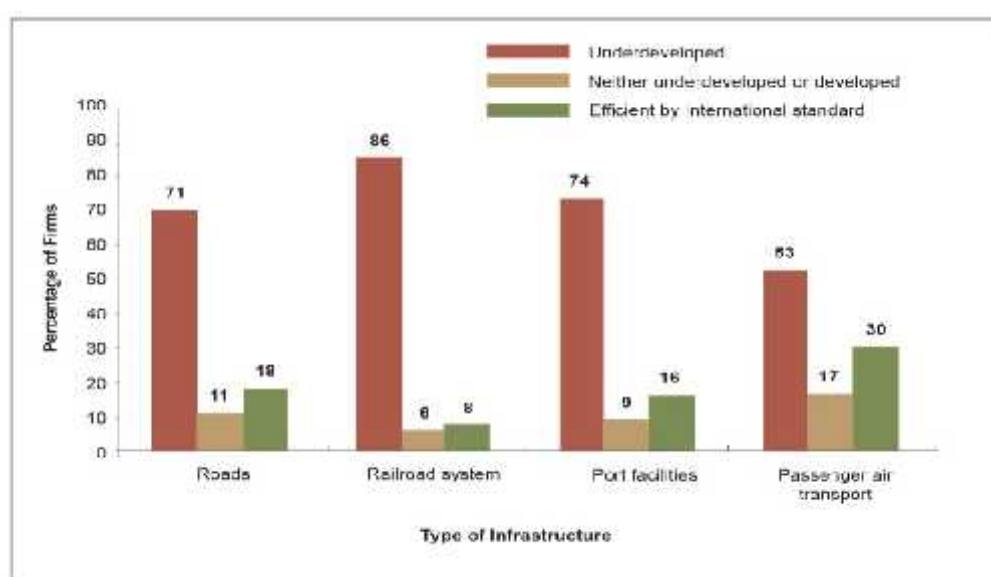
Tanzania. No significant differences were found between large and small firms in their views on this issue.

**Figure 4. 16: Cost of Crime and Violence**



Source: Tanzania Executive Opinion Survey 2009

**Figure 4. 17: Views on Infrastructure**



Source: Tanzania Executive Opinion Survey, 2009

The 2008 Afro barometer Survey similarly reported that, in the year prior to the survey, 63% of Tanzanians never feared crime in their own home, 74% had not experienced theft from their homes, and more than 90% had never been physically attacked. As a result, the majority of citizens (67%) felt that the government had performed well in its efforts to reduce crime (Msami, 2009).

With respect to controlling crime, Tanzania ranked first among the other EAC countries surveyed in the Global Competitiveness Report. Since 2000, the Ibrahim Index has also consistently ranked Tanzania highest in safety and security among other EAC members.

The survey also sought the views of business executives on national infrastructure, focusing on land, marine and air transport as well as the quality and reliability of electricity. Results show that a large majority of executives (68%) felt respect to the overall quality of national infrastructure, Tanzania ranked 120th out of 133 countries surveyed by the GCR. This compares unfavorably with Kenya (90th) and Uganda (109th), but slightly ahead of Burundi (123rd) that Tanzanian infrastructure was underdeveloped. Only 14% considered that infrastructure was extensive and efficient. With respect to the overall quality of national infrastructure, Tanzania ranked 120th out of 133 countries surveyed by the GCR. This compares unfavorably with Kenya (90th) and Uganda (109th), but slightly ahead of Burundi (123rd).

#### **4.7 The measures aimed at enhancing industrial development in Tanzania?**

A lot of information regarding this objective was largely gathered through conducting a rigorous documented review of a number of documents and conducting in-depth interviews from the a number of interviewees knowledgeable in this area.

During the discussions with some participants at Tanzania Investment Centre, it surfaced that the major attempt to promote the industries sector in Tanzania was undertaken in 1966 when the National Small Industries Corporation (NSIC) was formed under the National Development Corporation (NDC). The NSIC set up small industrial clusters, which were basically training cum production workshops.

Thereafter, the Small Industries Development Organization (SIDO) was established in 1973 by Act of Parliament to plan, coordinate, promote and offer every form of service to small industries.

As of now, SIDO remains the main government arm for promoting SMEs in the country. Some of the measures employed in the process included:- the construction of 16 industrial estates with more than 140 sheds at regional headquarters; the establishment of 10 training-cum-production centres that offered simple rural based technologies; introduction of hire purchase programs through which more than 2000 entrepreneurs were assisted with machines and working tools; and setting up of regional extension services offices that rendered advice on setting up of new industries, choice of technology, preparation of feasibility studies, preparation of economic surveys, installation, operation of machinery, maintenance and marketing of products.

According to one senior official at TIC, a number of associations aimed at creating an industrial force in Tanzania have been instrumental. He had this to say:

*“Tanzania Small Industries Organisation (SIDO) and ‘Vikundi vya Biashara Ndogo’ (VIBINDO). These associations have been useful in involving the members in all issues related to advocacy as well as accessibility to market, information, and raw material, packaging and micro credit services”.*

Apart from SIDO, various institutions were established to support enterprise development in Tanzania. These institutions cater for the whole enterprise sector including SMEs. They include the Tanzania Industrial Research Development Organisation (TIRDO) which supports local raw materials utilization; Centre for Agricultural Mechanization Rural Technology (CAMARTEC) which is involved in promotion of appropriate technology for rural development; Tanzania Engineering and Manufacturing Design Organisation (TEMDO) responsible for machine design; Tanzania Bureau of Standards (TBS) mandated to promote standards; Board of External Trade (BET) which is instrumental in promotion of exports mainly through

trade fairs; and the Institute of Production Innovation (IPI) now known as Technology Transfer Centre which is active in prototype development and promoting their commercialization.

The Vocational Education and Training Act of 1994 provide the framework for the vocational training system in Tanzania. This Act led to the formation of Vocational Education Training Authority which has over 630 centers in the country offering training in more 34 different trades. In 1999, the University of Dar-es-Salaam established Entrepreneurship Development Centre within the Faculty of Commerce and Management. The Centre provides consultancy and training in SME related issues. Furthermore, the College of Business Education offers business training including entrepreneurship development.

A number of initiatives have been designed by the Government to set up funding mechanisms and schemes to address poverty and employment related problems through promoting SMEs. Such funds include National Entrepreneurship Development Fund (NEDF), Youth Development Fund (YDF) which is managed by the Ministry of Labour, Youth Development and Sports and the Women Development Fund (WDF) that is managed by the Ministry of Community Development, Women Affairs and Children.

Apart from these, there are other related programmes that were established through Government/donor joint efforts including the Small Entrepreneurs Loan Facility (SELF), National Income Generating Programme (NIGP), Presidential Trust Fund and Community Development Trust Fund. Another initiative towards this direction has been the establishment of the National Micro-finance Bank (NMB), meant to cater specifically for micro enterprises.

In recent years, the country has witnessed the mushrooming of Non-Government Organisations that are doing a commendable job in promoting SMEs. Most of the NGOs are mainly involved in credit delivery, business training, providing general consultancy, supporting market linkages and addressing gender and environmental

issues. However, most of the institutions supporting SMEs are rather weak, fragmented, concentrated in urban areas and uncoordinated. This calls for the need to strengthen the institutions supporting small and medium enterprises. Therefore the SME Development Policy intends to support and strengthen these institutions.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Conclusions**

The aim of the study was to assess the role of multinational corporations and corporate governance in facilitating industrial development in Tanzania.

The study was centred on four specific objectives which sought to find out if the current legal and regulatory framework is conducive to the MNCs; to examine the effectiveness of MNCs' corporate governance in facilitating Industrial Development in Tanzania; to examine the challenges that hinder industrial development in Tanzania' and finally to suggest measures aimed at enhancing industrial development in Tanzania.

The results obtained show that much as there are many MNCs from which the country could be gaining to bolster her industrial capacity, there are still a number of challenges that still inhibit industrial development in the country. Some of the cited problems include cumbersome procedures in applying for government permits; skilled manpower, poor technological base, poor flow of information about changes in government policies and regulations affecting our industrial capacity; inefficiency in customs procedures (related to the entry and exit of merchandise) in Tanzania; and poor infrastructure.

One of the major goals of Tanzania's economic reform is to create an attractive business environment for private investors, both local and foreign. However, findings from this study indicate that increased efforts are needed, especially when results are compared against business conditions in neighboring countries that may be competing for the same investments.

Tanzanian executives showed a high level of confidence that crime and violence was not impacting their firms, which is a positive factor for encouraging greater investment in the country. The challenge ahead is to ensure that crime continues to

be controlled, especially given more serious crime problems in neighboring countries. This is particularly relevant as the EAC moves towards a political federation and the ease of mobility of citizens between member countries is increased. As a consequence, the crime situation in one country may more heavily influence outcomes in other EAC countries.

Findings further indicate that the improvement of infrastructure is one of the biggest challenges facing Tanzania in its efforts to attract investors and stimulate economic growth. The country's strategic geographic position gives it a strong comparative advantage as a transport hub for neighboring landlocked countries. Transit trade is already the fourth largest foreign exchange earner (Bank of Tanzania, 2009). However, the Tanzania is ranked much lower than Kenya in the quality of port facilities, a core infrastructural component of inter-country trade. Improvements to key coastal port facilities (Dar es Salaam and Tanga) and the port on Lake Tanganyika (Kigoma), as well as connecting railway operations are essential if Tanzania is to fully exploit its advantageous location.

The upgrading of port facilities will need to be complemented by improvements in the efficiency of customs procedures for the entry and exit of merchandise, an aspect of business operations for which Tanzania ranked the lowest among EAC members surveyed. The road network connecting Tanzania and neighboring countries also needs to be expanded and maintained. There is need to undertake upgrading of the road infrastructure, like feeder roads that connect rural areas with urban centers. This will reduce the costs of transporting agricultural products to urban consumers, and industrial goods to rural consumers.

From the literature review, it was also found out that the reliability of Tanzania's electricity supply compares badly with other countries which may jeopardize government efforts to attract investment. The high costs of electricity are likely to lead to high prices that may make the products less competitive, hence negatively impacting on the local market industrialization.

All in all, in order for Tanzania to benefit from the MNCs in uplifting its industrial development capacity, there are a number of steps that need to be taken, which are listed under the recommendations sections.

## **5.2 Recommendations**

Since from the onset the aim of the study was to examine the role being played by the MNCs and corporate governance in facilitating industrial development, a number of recommendations, some based on the specific objectives and others outside, were prescribed by the respondents during various discussions.

But first, it is important to state that the analysis of Tanzania's national industrial policies (as revised from time to time) in this study shows that the objectives of industrialization and the enhancement of manufacturing capacity remain very much alive; what has just died is the implementation.

As a result, these policies often lack consistency with other development roadmaps, when it comes to aligning the skills for industrial development and those taught in schools.

Despite the presence and comprehensiveness of some national industrial policies, there is a serious lack of policy coordination with other areas (e.g. trade, finance, education, agriculture).

Yet policy coherence is of fundamental importance if the intended structural changes are to succeed. With respect to investment, which is crucial for industrial development by MNCs, it would require putting in place serious infrastructural project as a viable tool to facilitate industrial development in the country.

In order to do away with these inconsistencies, it is important to take note of some of these important recommendations gleaned from the study which include the following:

While there is clearly scope to improve consistency and coherence, there are some very positive elements that were contributed to by the respondents during the interviews as a way for facilitating and promoting the implementation of the industrial policy in the country. These include:

- First and foremost, ensuring that the legal and regulatory framework is revisited and streamlined to match with international levels of best practices, for example, why should it take one month to open a company/business when it only takes a day in a country like Rwanda, and other countries that have been credited for being the best when it comes to Ease of doing business index?
- Strengthening the mechanisms and environment within which to carry out corporate governance as a way of making companies accountable to investors and the public and building confidence among the potential investors in and outside the country;
- Increasing embedness of industrial policies within wider national development policies, exploiting synergies (e.g. in employment, agriculture and education) and enhancing the visibility of industrial objectives;
- A better targeted sectoral focus, with sometimes a clearly defined prioritization of strategic sectors and products. Prioritization is a crucial requirement in order to map needs and formulate national positions in international trade negotiations.
- A quite consistent match between national and continental policies relating to resource-based manufacturing as the easiest road into manufacturing and product diversification. This realization gives direction (with the assessment of natural resources and the need to add value to exports) and provides a good opportunity to establish a fruitful public-private dialogue;
- Policy measures that go beyond simple macro-economic stability and export promotion. Without underestimating the need for investments in infrastructure and private sector development, the presence of concrete policy reflects translates the acceptance of a larger governmental role in the promotion of productive restructuring;

- A common utilization of tariffs (and sometimes export taxes) in a strategic manner, sometimes matching strategic products for development and tariff peaks;
- Some limited emergence of regional markets – as opposed to global markets only - as a possible environment to promote economies of scale and competitiveness, such for Tanzania, to increase its participation in the East African Community;
- The wide recognition that the acquisition and diffusion of information technologies is a fundamental aspect of modern manufacturing, a consequential redesign of education policies and sometimes clear identification of opportunities for technological leap-forging;
- The understanding that access to finance is critical for the advancement of the industrial process, and hence that governments might need to intervene in a deficient financial services sector.

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## APPENDICES

### Appendix I: Questionnaire Administered to the Respondents

RESEARCH TITLE: **THE ROLE OF MULTINATIONAL CORPORATIONS AND CORPORATE GOVERNANCE IN FACILITATING INDUSTRIAL DEVELOPMENT IN TANZANIA: THE CASE OF COCA COLA KWANZA IN DAR ES SALAAM**

Dear respondent,

You have been randomly selected to give information on **ROLE OF MULTINATIONAL CORPORATIONS AND CORPORATE GOVERNANCE IN FACILITATING INDUSTRIAL DEVELOPMENT IN TANZANIA: THE CASE OF COCA COLA KWANZA LIMITED IN DAR ES SALAAM**

The information you provide will be used in a study which seeks to understand the phenomenon of MNC and Corporate governance in facilitating industrial development in Tanzania

The information will be strictly used for the purpose of this study only and will remain confidential. Therefore, kindly respond truthfully and faithfully to all of the following questions / items:-

**Please make comments or put (✓) mark as appropriate**

1. Sex.....

- Male ( )
- Female ( )

2. Age.....years.

- Below 20 years ( )
- 20 – 30 ( )
- 31 – 40 ( )
- 41 – 50 ( )
- 50 and above ( )

3. Level of education.

- Informal education ( )
- Primary education ( )
- Secondary education ( )
- Advanced Secondary education ( )
- Tertiary education ( )
- Other, specify.....

4. Job designation (Please mention)

.....

1. Have you heard the existence of Multinational Corporations in Tanzania economy?

Yes [ ]

No [ ]

2. Is Coca-Cola owned and managed by foreign investors?

Yes [ ]

No [ ]

3. Do you know that Coca-Cola is Multinational Corporations?

Yes [ ]

No [ ]

5. Do you think MNCs, like Coca Cola, help our industries in Tanzania?

Yes.....( )

No..... ( )

4. Do you observe any industrial technological improvement since the coming of South African Investors?

Yes [ ]

No [ ]

5. Do you think those improvements enhance industrial productivity and efficiency?

Yes [ ]

No [ ]

6. Does the production capacity increasing progressively from year to year?

Yes [ ]

No [ ]

7. Have you benefited technically from technological improvement brought by foreign investors?

Yes [ ]

No [ ]

8. Is on and off-site training and development programme about production, technology and maintenance provided regularly by your company?

Yes [ ]

No [ ]

9. Does the sales figure grow significantly from good marketing strategy?

Yes [ ]

No [ ]

## Appendix II: Questionnaire to General Management and Administrations

1. Do you understand Multinational Corporation?

Yes [ ]

No [ ]

2. Do you understand corporate governance?

Yes [ ].....( If Yes how) .....

.....

No [ ].....(If No why) .....

.....

3. Does Coca Cola use the principle of Multinational Corporation?

Yes [ ]..... (If Yes how).....

.....

No [ ]..... (If No why).....

.....

4. Do you understand the corporate governance principles?

Yes [ ]..... (If Yes how).....

.....

No [ ]..... (If No why) .....

.....

5. Is Coca-Cola currently abiding to international standard management practices?

Yes [ ] ..... (If Yes how) .....

.....

No [ ] ..... (If No why) .....

.....

6. Do you think corporate governance contributed to industrial productivity and managerial efficiency?

Yes [ ] ..... (If Yes how) .....

.....

No [ ] ..... (If No why) .....

.....

7. Do you think Coca-Cola benefited directly from Foreign Direct Investment?

Yes [ ] ..... (If Yes how) .....

.....

..

No [ ] ..... (If No why) .....

.....

8. Does Coca-Cola comply with national and international tax reporting laws?

Yes [ ] .....(If Yes how) .....

.....

No [ ] ..... (If No why) .....

.....

### **Appendix III: Questionnaires to TIC, TRA, NBS and Ministry of Industry and Trade**

1. Do you think we are prepared enough to integrate Multinational Corporations in our economy?

Yes [ ]

No [ ]

2. Do you think Multinational Corporations contribute to industrial development?

Yes [ ]

No [ ]

3. Do you think Multinational Corporations contribute to industrial development?

Yes [ ]

No [ ]

4. Does the established investment institutional and regulatory framework regulate effectively the activities of MNCs always?

Yes [ ]

No [ ]

5. Is a national investment act reflecting the current investment situation in international standards?

Yes [ ]

No [ ]

6. Does the FDI trend grow progressively over a period of time?

Yes [ ]

No [ ]

7. Is our national investment policy directing Multinational Corporations at developing industrial sector?

Yes [ ]

No [ ]

8. Do Multinational Corporations invest in corporate social responsibility?

Yes [ ]

No [ ]

9. Does the transfer of technology and skills by Foreign Direct Investment infiltrate to Tanzanian citizens and companies?

Yes [ ]

No [ ]

10. Does the investment climate established by government help to attract and retain investors?

Yes [ ]

No [ ]

11. Does the manufacturing sector contributed significantly to GDP after allowing Foreign Direct Investment?

Yes [ ]

No [ ]