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Assessing the Contribution of Environmental Impact Assessments in Informing Decision Makers Concerning the Booming of FDI in Tanzania

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Abstract

Tanzania has become one of the best choices for foreign direct investment (FDI) in East Africa and sub-Saharan Africa in general. The country has been pulling in an average of US$627 million a year and it is one of the continent's top foreign direct investment (FDI) performers. In 2011, the FDI value in the country reached $1,095,401,000.00 and the trend has been increasing. The booming of FDI is believed to have created jobs, increased incomes and contributed significantly to the national economy. Despite that, a large number of ordinary citizens have indicated dissatisfaction with this boom in FDI, which has caused a lot of conflict between investors and the surrounding communities where projects are taking place. In addition, environmental pollution has been observed in connection with a number of new investments. This paper assesses the contribution of environmental impact assessment (EIA) in informing the policy and decision-making process with regard to the boom in FDI in the country. The main focus of the study was to investigate the quality of the EIA undertaken and the extent to which they have influenced decision making with regard to the investments in Tanzania. This was done by reviewing EIA reports and having consultations with developers and regulatory authorities. The main findings are that, despite the existence of EIA for almost all development projects in the country, few of the mitigation measures proposed in the EIA reports are implemented by the developers. The study also revealed a number of EIA reports which were weak in terms of informing decision and policy makers to ensure that FDI would result in a *win-win* outcome. In addition, the enforcement and monitoring of environmental management plans by the authorities responsible was weak, partly due to inadequate resources.

Keywords: FDI, EIA, sustainable development, Tanzania

1. Introduction

Tanzania has become “the best choice for FDI in East Africa and has emerged as one of the sub-Saharan Africa's top foreign investment destinations. The country is pulling in an average of US$627 million a year and it is one of the continent's top FDI performers (Chiwango, 2012). In 2011 the figure for FDI in Tanzania reached $1,095,401,000.00 (Omundi, 2012). This remarkable amount of FDI was mainly due to policy changes in the state-controlled economy, which started in the 1980s, aimed at involving more private investors (Nelson & Makko, 2013), There was also favorable investment laws and a decline in corruption (Chiwango, 2012).

However, the impact of the booming FDI is rather mixed (Carkovicand & Levine, 2002; Moss et al., 2004; Ngowi, 2012; Nunnenkamp & Spatz, 2003; Hansen & Rand, 2006). There are those who argue that the booming of FDI has created jobs and is contributing greatly to the national economy (Ngowi, 2012). It is also argued that FDI has had a positive impact on productivity, especially of smallholder farmers who are linked to integrated producer schemes (Elibariki, 2007). The tourist industry has been one of the most significant elements in the trend of FDI, as it grew around 10% annually during the 1990s (Msuya, 2013), currently contributing over 17% of the country’s GDP. Gold mining has also attracted a remarkable number of foreign investors. The country has been a major focus for the exploration of gold on the African continent, receiving as much as 15% of exploration expenditure in Africa, and the mining industry in Tanzania grew by 27% in 1999. Tanzania has re-entered large-scale gold mining with a bang, with six gold mines having been opened since 1998. Production is high and rising, and today the country is the third largest gold producer on the continent after South Africa and Ghana. As