DETERMINATION OF LEVEL OF IMPORTS IN THE CONSTRUCTION INDUSTRY IN TANZANIA

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ABSTRACT

The construction industry has to be competitive and be able to undertake most of the construction projects in Tanzania and export its services and product according to the Tanzania construction policy. This is contrary to the fact that the industry is dominated by Foreign Service providers to the tune of approximately 70 percent in terms of market share. This study employed an econometric model estimation to answer the question of what determined import for construction services in Tanzania for the period 1985-2008. The Ordinary Least Square technique was adopted and applied for regression analysis using Stata 10 software. The findings reveal that four out of five variables are significant in determining the imports of construction service imports to Tanzania. While the national GDP is insignificant, both FDI inflows to the industry and the cost of construction or affordability negatively determine construction service imports of Tanzania. Both productivity and total country imports are positive determinants for construction service imports. To safeguard the existence, participation and performance of local construction service providers, the Government is advised to consider the above determinants in its policy-making machinery by especially encouraging investment-based service imports which in the long run will build the capacity of the local construction service providers and ultimately reduce the dominance of foreign providers.

***Keywords**: Import Performance, Construction, Trade*

INTRODUCTION

Construction is one of the industries that are booming in the whole world. The industry contributes a huge chunk to global GDP, amounting to 10%. It has immense potential for generating a huge amount of employment. It has been found that the construction industry offers employment to around 7 percent of the workforce around the globe. It **is**

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