

## **Investment Climate:**

Tanzania's economy is growing rapidly after years of stagnation. The key areas of development are mining, tourism and value-added agriculture. These developments, in conjunction with large donor-driven infrastructure and social spending programmes have had good spin-offs for Tanzania's small manufacturing base as well. Regional developments such as the revival of the EAC, benefits under AGOA and the signing of the SADC FTA should all help broaden potential economic activity.

The Tanzanian economy relies on agriculture, with the main crops being tea, cotton, coffee, cashew nuts, wheat, sisal, cassava, rice, tobacco and maize. Agriculture employs about 90% of the labor force and contributes approximately 50% to GDP. Industry in Tanzania is limited mainly to the processing of agricultural products and the production of light consumer goods. There is potential for Tanzania to become a significant exporter of seafood to Japan

## **Inflation**

A prudent monetary policy exercised by the Bank of Tanzania has resulted in a significant decline in inflation in recent years. Inflation has declined from levels above 30% in 1995 to 5.3% in April 2001. This has been achieved despite the drought of 1999, which exerted upward pressure on food prices and risking global oil prices. The progress that has been made in lowering inflation has been supported by the continued implementation of the government's economic reform programme.

## **Lending Rates**

The Commercial banks lending rates were above 40% in 1995 and are currently standing at 19%.

## **Currency**

The beginning of 2001 saw the Tanzanian Shilling depreciating nearly 12% from Tsh805 to Tsh 900 against the US\$ between January and June. The currency has however recovered to Tsh888.25 in August 2001. Despite the currency's weakness, foreign exchange reserves have increased significantly in recent years on the back of capital inflows associated with FDI, debt relief, external financing and tourism.

## **IMF Funding**

Economic growth could further benefit should the IMF's recommendations for total debt cancellation materialize in 2001. In the mean time, the government has intensified its efforts in implementing socio-economic reforms and the poverty reduction strategy paper (PRSP). The PRSP is key to the country's acceptance for total debt cancellation. The current macroeconomic environment should enable the country to achieve the economic targets as set out in the PRSP