

AFRICA RISK CONSULTING

Tanzania Monthly Briefing July 2023

Tanzania Summary 11 July 2023

United States-headquartered credit rating agency Fitch Ratings assigns Tanzania a 'B+' rating with a stable outlook on 9 June. This is the first time Fitch has assigned it such a favourable credit rating, increasing Tanzania's ability to borrow on the international financial market. Finance and planning minister Mwigulu Nchemba presents the TSh44.39 trillion (\$18.20 billion) 2023/2024 budget on 15 June. Members of parliament (MPs) begin debating it on 19 June and approve it on 26 June. President Samia Suluhu Hassan (2021-present) dissolves the finance and planning ministry on 5 July, establishing a standalone finance ministry and a new planning and investment ministry. Energy minister January Makamba arrives in China for an official visit on 21 June at the invitation of his Chinese counterpart, Jianhau Zhang. Makamba confirms on 22 June that China-headquartered China National Offshore Oil Corporation (CNOOC) is planning oil and gas exploration in partnership with the state-owned Tanzania Petroleum Development Company (TPDC).

Fitch assigns Tanzania B+ rating with stable outlook

United States (US)-headquartered credit rating agency **Fitch Ratings** assigned Tanzania a Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'B+' with a stable outlook on 9 June, marking the first time it has assigned Tanzania such a favourable credit rating and thereby increasing Tanzania's ability to borrow on the international financial market.¹ Fitch noted that Tanzania's rating reflects its fairly strong macroeconomic performance, driven by high real Gross Domestic Product (GDP) growth, relatively low inflation, moderate debt and a positive reform agenda driven by the country's 40-month **International Monetary Fund (IMF) Extended Credit Facility (ECF)** programme.² The programme is focused on strengthening the fiscus and creating space for social spending and high-yield public investment, in addition to attracting additional external financing and supporting the **National Development Plan**. With IMF support, Tanzania has been able to verify all its debts and launch a strategy to begin clearing debts with its various creditors. Overall, government debt stood at 41.5% of GDP at the end of the 2022 financial year and is expected to remain stable at 41.4% at the end of the 2023 financial year.³

Fitch forecasts that real GDP growth will reach 5.2% this year and increase to 6% in 2024, driven by the mining and tourism sectors and increasing infrastructure development, with revenues from gas developments reflected in GDP from 2028 onwards.⁴ Fitch also acknowledged that Tanzania has been successful in containing inflation. Average inflation registered 4.3% in 2022, below the **Bank of Tanzania's (BoT)** (central bank) 5% target but was assisted by costly fuel subsidies that were removed in January. The agency forecasts that annual inflation will increase to 4.6% in 2023, owing to the removal of the fuel subsidies, before dropping to 4% in 2024.⁵ Despite the increase, Tanzania's inflation rate has been far below that of its regional peers and has shown resilience in the face of global economic shocks such as the **Russia-Ukraine** conflict.

¹ Fitch Ratings, 9 Jun 2023

² Fitch Ratings, 9 Jun 2023

³ Fitch Ratings, 9 Jun 2023

⁴ The Citizen, 11 Jun 2023

⁵ Fitch Ratings, 9 Jun 2023

On the downside, Fitch listed weak governance, a weak macroeconomic policy framework, public financial management problems, external pressures and low GDP per capita as reasons for not assigning Tanzania a higher rating. Fitch states that the BoT has limited independence and weak capacity, which is a rating constraint; however, the central bank has not had to implement significant monetary policy changes to control inflation. While weak public financial management has led to an accumulation of arrears, these have been mostly addressed through the IMF arrangement. Although positive, Tanzania was unable to achieve this without IMF guidance.

Tanzania's current account deficit rose from 3.4% of GDP in 2021 to 6.9% of GDP in 2022, a reflection of higher global oil prices and a more expensive import bill. The current account deficit is expected to decrease to 4.7% of GDP in 2023, but this is contingent on the global economic climate continuing to recover. International reserves have also dropped significantly, from \$6.4 billion at the end of 2022 to \$5.2 billion at the end of 2023, and Fitch expects recovery of reserves to be moderate. Fitch added that the Tanzanian authorities often overestimate revenue collection, which can skew spending and forecasts for the year.

In a positive outcome for President **Samia Suluhu Hassan** (2021-present) and her administration, Fitch noted that political risks have been reduced and stability has increased.⁶ Fitch commended Tanzania's renewed engagement with the international community and international institutions such as the IMF. Fitch forecasts that the ruling **Chama Cha Mapinduzi (CCM)** will win the 2025 election, noting a lack of effective opposition on the mainland. This bodes well for policy continuity and stability, another positive factor in the credit rating. Overall, Tanzania's rating is reflective of the changes under the new administration and indicates that its decisions are encouraging more positive sentiment about the country.

Parliament approves 2023/2024 budget

Finance and planning minister **Mwigulu Nchemba** presented the TSh 44.39 trillion (\$18.20 billion) 2023/2024 budget to parliament on 15 June. Members of parliament (MPs) began debating the budget on 19 June and approved it on 26 June. The budget increased by 7%, from TSh 41.5 trillion (\$17.29 billion) to the approved figure.⁷ The budget outlines that domestic revenue will finance approximately 70.7% of the budget – equal to TSh 31.38 trillion (\$12.87 billion), while the **Tanzania Revenue Authority** will finance TSh 26.73 trillion (\$11.37 billion), and non-tax revenue will contribute TSh 4.66 trillion (\$1.91 billion).⁸

Nchemba highlighted that the priority projects to be funded by the budget include the construction of the **Standard Gauge Railway (SGR)**, improving national carrier **Air Tanzania**, producing electricity from **Julius Nyerere Hydropower Dam** and implementing the planned liquefied natural gas (LNG) project in the **Lindi Region**.⁹ Nchemba outlined goals and targets for the 2023/2024 financial year during his budget presentation including increasing economic growth from 4.7% in 2022 to 5.2% in 2023, increasing domestic revenue to 14.9% of Gross Domestic Product (GDP) in 2023/2024, up from 14.4% in 2022/2023, and increasing tax collection from 11.5% of GDP in 2022/2023 to 12% in the new financial year.¹⁰ An annual inflation target band for the medium term was set at 3%-7%.

Other proposals outlined in the budget include an exemption for all precious metals, gems and minerals sold in local refineries or mineral markets from value-added tax (VAT), while charging artisanal miners 2% income tax as the government tries to bolster and equal out tax collection. Nchemba proposed several excise duties including:

- 20% on beer and tobacco products,
- 20% excise duty on imported and locally made gambling machines;

⁶ The Citizen, 11 Jun 2023

⁷ The Citizen, 26 Jun 2023

⁸ The Citizen, 16 June 2023

⁹ The Citizen, 16 June 2023

¹⁰ The Citizen, 16 June 2023

- TSh 20 (\$0,0082) per kg excise duty on imported and locally produced cement;
- TSh 80 per (\$0,033) litre excise duty on petroleum oils.¹¹

Overall, Nchemba noted that the budget sets out to attract further investment while encouraging local production of goods and less reliance on imports, especially locally produced goods.

Minor cabinet shuffle

President Hassan dissolved the finance and planning ministry on 5 July, establishing a standalone finance minister and a new planning and investment ministry. Hassan kept former finance and planning minister Nchemba as finance minister and appointed **Kitila Mkumbo** as planning and investment minister. This has helped to resolve an empty portfolio, as Hassan divided the industry, trade and investment ministry in February. The investment docket was removed from the ministerial portfolio and placed under the control of the president's office. Hassan did not appoint a new minister until this reshuffle.

A key takeaway from this reshuffle is that the planning and investment ministry will remain under the president's office, meaning Hassan will have a direct hand in the operations of the ministry. This has been done to help streamline investment in Tanzania, which has been increasing under Hassan's administration.

Hassan also appointed former deputy secretary in the finance and planning ministry **Lawrence Mafuru** as the executive secretary of the newly established **National Planning Commission (NPC)**. The NPC will also fall under the president's office and is mandated with designing, planning, coordinating, and managing development plans that are national development priorities.

China to invest in oil and gas

Energy minister **January Makamba** arrived in **China** for an official visit on 21 June, at the invitation of his Chinese counterpart, **Jianhau Zhang**, to strengthen bilateral ties between the two ministries and work on improving cooperation in the energy sector.¹² Makamba confirmed on 22 June that China-headquartered **China National Offshore Oil Corporation (CNOOC)** is planning oil and gas exploration in partnership with the state-owned **Tanzania Petroleum Development Company (TPDC)**.¹³ Makamba confirmed that the exploration will take place in TPDC's blocks 4/1B and 4/1C. These blocks are located near the gas blocks owned by **Norway** headquartered **Equinor**, US-headquartered **ExxonMobil** and **United Kingdom**-headquartered **Shell**. These three companies are involved in the development of the LNG project in the Lindi Region.

Makamba also relayed that Tanzania and CNOOC are working on an agreement to do seismic studies in unassigned blocks ahead of a licensing round expected in the first quarter of 2024. There is a high likelihood that additional oil and gas will be found through studies as approximately only 30% of the area with potential hydrocarbons has been explored. China's introduction into the exploration mix will add competition among international investors who are considering or already keen on Tanzania.

¹¹ The Citizen, 16 June 2023

¹² Daily News,

¹³ Bloomberg, 22 Jun 2023

Planner

25-26 Jul 2023 **Dar es Salaam (Tanzania)** Africa Human Capital Heads of State Summit

26-27 Jul 2023 **Zanzibar (Tanzania)** Zanzibar Energy and Industry Summit

8 Aug 2023 **(Tanzania)** Nane (national holiday)

5-9 Sep 2023 **Dar es Salaam (Tanzania)** Africa's Food System Forum (AGRF) Summit

20-21 Sep 2023 **Dar es Salaam (Tanzania)** Tanzania Energy Congress

20-27 Sep 2023 **Dar es Salaam (Tanzania)** Chinese investment and trade visit

3-5 Oct 2023 **Dar es Salaam (Tanzania)** Tanzania Health Summit

6-8 Oct 2023 **Dar es Salaam (Tanzania)** Swahili International Tourism Expo (S!TE) 2023

14 Oct 2023 **(Tanzania)** Nyerere Day (national holiday)

25-26 Oct 2023 **Dar es Salaam (Tanzania)** Tanzania Mining & Investment Forum

11-13 Dec 2023 **Arusha (Tanzania)** **European Alliance for Innovation (EIK)** International Conference on Emerging Technologies for Developing Countries

2023 **(Tanzania)** Commencement of construction of **Bagamoyo Port**

2024 **(Tanzania)** Local elections

2025 **(Tanzania)** Expected commencement of construction of **Lindi**-based LNG project

2025 **(Tanzania)** General elections

Chronology

9 Jul 2023 **Dar es Salaam (Tanzania)** *Daily News*. An **Indian** business delegation says after a four-day prospecting visit that many of its members will return to invest in mining, oil, education and the health sector;

6 Jul 2023 **Dar es Salaam (Tanzania)** *Daily News*. Tanzania and **Zambia** announce plans to construct a new oil and gas pipeline to help facilitate trade and energy demand between the two countries;

5 Jul 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Finance and planning ministry signs three financial grant agreements valued at €179.35m (\$194.74m) with the **European Union** to support budget operations;

4 Jul 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Iran's** ambassador to Tanzania, **Hussein Behineh**, reports that his country imported goods worth \$35m from Tanzania during the 2021/22 fiscal year;

3 Jul 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Air Tanzania Company Ltd** will start flying its newly acquired cargo plane on 28 July and plans to introduce cargo flights to **Dubai** and **China**, depending on demand by the business community;

30 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. The government permits upcountry passenger buses to operate for 24 hours in a bid to further stimulate the economy in the transportation sub-sector;

27 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Taifa Gas** announces a \$100m investment in power generation in **Zambia** through a joint venture with local company **Delta Marimba**, which will establish the first Liquefied Petroleum Gas (LPG) plant in the northern part of the neighbouring country;

25 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. The government announces that the **Tanzania Investment Centre (TIC)** has signed \$1.805 billion in performance contracts with investors aimed at

addressing the shortage of important commodities, including edible oil, sugar, cement and iron rods as part of efforts to significantly create jobs, reduce imports, and save foreign currency;

22 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Tanzania stands to save \$25m of its foreign exchange earnings on completion of construction of a \$311m float glass factory in **Mkuranga District (Coast Region)**, scheduled for September, with production capacity expected to meet and exceed demand in Tanzania and neighbouring countries in **East Africa**;

21 Jun 2023 **Dar es Salaam (Tanzania)** *Business Insider*. **Kenya** and Tanzania agree to establish a \$309m 2,000MW electrical transmission line to import and export electricity;

21 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Members of the public have demanded that the government provide more details on the terms and conditions of its **Intergovernmental Agreement (IGA)** aimed at enhancing economic and social cooperation between Tanzania and the **Emirati of Dubai** to expand and improve Tanzanian ports;

20 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Vodacom Tanzania** managing director **Philip Besiimire**, speaking at **Mwananchi Thought Leadership Forum** on “*Digital Transformation for a Sustainable and Inclusive Future*”, says the government and other players need to put more effort into ensuring that internet penetration and use increase in order to keep up with the speed of technology and achieve a digital economy by 2025;

19 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Tanzania Renewable Energy Association (Tarea)** chairman **Prosper Magali** reports that the use of ICT has helped to improve service delivery, especially the payment systems through Pay-As-You-Go and monitoring;

18 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu Hassan** says her government is assessing the performance of government corporations, warning that non-performing parastatals face deregistration;

15 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. The government announces the completion of procedures for purchases of gold through the **Bank of Tanzania (BoT)** (central bank) in order to establish a **National Gold Reserve**;

14 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Air France** launches direct flights from **Paris** to Dar es Salaam after a 28-year absence, making it the 31st route in **sub-Saharan Africa**;

12 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu Hassan** declares at a public rally in **Mwanza** that Tanzania remains “*one and united*”, apparently reacting to recent politicians appearing to question why **Zanzibar** was not included in the Intergovernmental Agreement (AGA) on ports between Tanzania and **Dubai**;

10 Jun 2023 **Dar es Salaam (Tanzania)** *Daily News*. Permanent secretary in the minerals ministry **Kheri Mahimbali** outlines measures the ministry is taking to ensure that mining contributes 10% to GDP by 2025, already nearly reaching the goal with the sector contributing 9.7% in Q3 2022;

8 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Tanzania Breweries Limited** announces investment in a malting plant that is expected to boost the agricultural sector and improve the livelihoods of farmers by scaling up local purchases of barley from 5,000 tonnes to 12,000 tonnes and then 32,000 tonnes over five years once completed;

7 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. A day after the **Tanzania Ports Authority (TPA)** refuted claims that the government was going to hand the Dar es Salaam port to **Dubai-based DP World** for 100 years, port stakeholders say the misinformation around the subject resulted from a lack of concrete information on plans for the port;