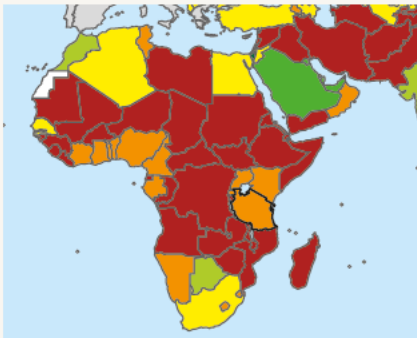


## Basic facts (2020)

Population: 58 million

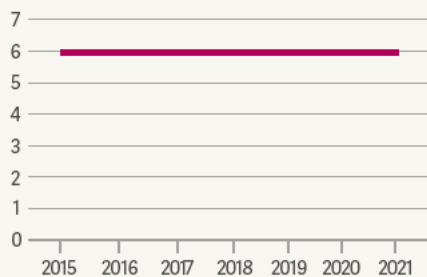
GDP, nominal: USD63 244 million

GDP/capita: USD 1 090



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

## Country classification history



Source: EKN

## Strengths

- + High average economic growth and high growth potential.
- + Moderate government debt
- + Relatively low cost of government debt

## Weaknesses

- Low GDP/capita
- Large agricultural sector means extensive exposure to climate change.
- Weak public institutions and weak political leadership
- Weak business climate and investment climate.

## Country leadership dominates the risk picture

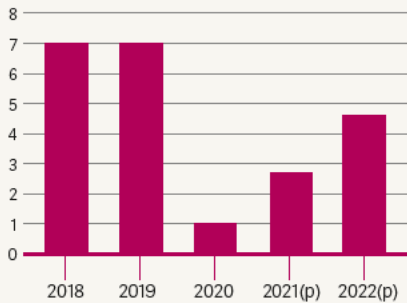
Since 2010, Tanzania has shown high economic growth rates, averaging around six per cent a year. The Tanzanian economy is relatively well diversified and the growth potential is high, not the least thanks to high levels of savings and investment compared to most economies on the African continent. The large agricultural sector means that the country is exposed to climate change-related risks, such as drought. Macroeconomically and fiscally, Tanzania is relatively stable. Inflation is low, from a regional perspective, averaging some five per cent a year over the past five years, and interest rates have fallen sharply since 2017. Government debt shows an upward trend as the share of GDP, but at a significantly lower rate than in many other African economies that, in similarity with Tanzania, have invested in large infrastructure investments. Thanks to declining current account deficits, significant hard currency earnings, relatively stable currency and limited foreign debt, external liquidity is relatively good. Tanzania's largest export product is gold, which accounts for approximately 30% of exports. On the other hand, weak public institutions, a difficult business environment, and weak political leadership dominate the risk picture. During former President Magufuli's time in power (2015 - 2021), efforts were made against the high level of corruption and the country's lack of infrastructure was rapidly expanded. At the same time, Magufuli's leadership was characterised by extensive state intervention, repression and capriciousness, which was devastating for international support and the business and investment climate. At the end of March 2021, Magufuli abruptly passed away, and was replaced by Sami Suhuli Hassan, a Muslim woman born in Zanzibar.

## Rhetorical scene change with Hassan

The coronavirus crisis means a sharp slowdown in growth in 2020-2021, not the least due to Tanzania's large tourism industry, which has lost up to 80 per cent of demand. Rising gold prices have a counteracting impact, which means weak growth of one to two per cent in 2020-2021 before the economy is again expected to pick up. Tanzania's public finances have been robust throughout the crisis, even if weak budget planning and implementation continue to pose a problem. The budget deficit has remained at a low level. Government debt still accounts for just under 40% of GDP and the cost of government debt accounts for approximately 10% of state revenues. Tanzania is one of the few countries in sub-Saharan Africa that has not received support from the IMF's response to the coronavirus crisis, its Rapid Credit Facility. Since more than 70% of government debt is in foreign currency, currency stability is a big part of the explanation. Stable current account, robust international reserves and credible monetary policy from the Bank of Tanzania support the Tanzanian shilling, which fell only 1% against the USD in 2020. This means that external liquidity remains good. International reserves currently correspond to approximately four months of import coverage.

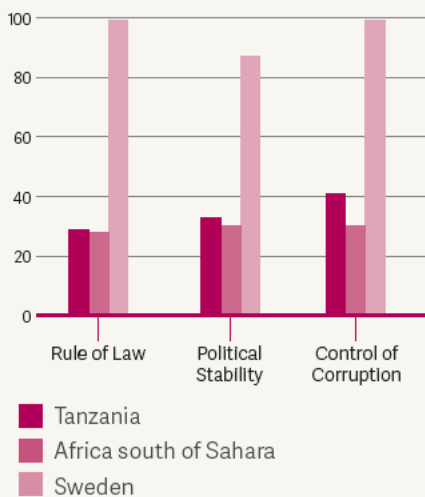
Tanzania imposed stringent restrictions early on when COVID-19 began to spread around the world, but quickly withdrew the restrictions and declared the country free from the spread of infection. Thus, from June 2020 until John Magufuli's death in March 2021, Tanzania has not taken any measures to combat the spread

## GDP growth (fixed prices, % per annum)



Source: IMFWEQ, Macrobond

## Business environment



Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

## Swedish export to Tanzania

	MSEK
2020	521
2019	309
2018	313
2017	496
2016	792

Source: SCB

## EKN:s exposure

	MSEK
Guarantees	2 238
Offers	80

of infection in the country and statistics are entirely non-existent. Tanzania's lack of coronavirus pandemic strategy has probably benefited the economy in 2020/21, but risks becoming a burden in the long run. Attracting tourists again requires vaccination of the population, which Tanzania, unlike the competing tourist destination Kenya for example, lacks altogether. The presidential transition from Magufuli to Hassan has meant a rhetorical change of scene, in both domestic as well as foreign policy. Three months into her presidency, President Hassan has pivoted on the prevalence of COVID-19 in the country, opened the door to improved relationships with Kenya and Uganda, and announced simplified rules and more predictability in the business and investment climate. At the same time, according to President Hassan, anti-corruption efforts and infrastructure spending will continue. However Hassan continues to face very strong opposition in both legislation and the Parliament, where Magufuli's political line still has strong support. It is therefore far too early to say what the presidential transition means in practice.

Overall, EKN sees a stable outlook for Tanzania in country risk category 6. Profound political change with strengthened political leadership, strengthened public institutions and improved business and investment climate can lead to an upgrade of the country risk category. A marked weakening of public finances and external liquidity may lead to a downgrade.

## Business environment

The business and regulatory environment in Tanzania is difficult and characterised by weak public institutions, extensive bureaucracy, and corruption. In the World Bank's Ease of Doing Business Index, Tanzania ranks 141th out of 190 countries, in other words, a weak position. Difficult and bureaucratic tax administration, great difficulties in obtaining work permits and generally aggravating state intervention in business are described as particularly challenging for companies. Compared to neighbouring Kenya, for example, the business climate is much more bureaucratic, complicated and unpredictable. In recent years, there have been several examples of large and sudden post-facto revised tax assessments on companies. In Verisk Maplecroft's Resource Nationalism Index (RNI), Tanzania is among the ten riskiest countries in terms of intervention, expropriation, and nationalisation of assets. The risk of the State making sudden changes to tax rules or the regulation of sectors with a view to strengthening the Treasury is considered to be particularly high.

## EKN:s policy

EKN applies normal risk assessment for sovereign, corporate and banking risks in both short-term (<1 year) as well as long-term risk terms. Other public risks, such as a ministry or public authority, require a letter of credit, or a bank or state guarantee.

## EKN:s commitment and experience

EKN's outstanding guarantees consist almost exclusively of an EPC transaction in the railway industry of almost SEK 2 billion. Other than that, there is a wide range of smaller transactions in the mining, paper, transport, and power

# Tanzania

industries. Over the past five years, EKN has approved an average of 14 transactions per year. The payment experience overall is positive. Current delays in payment amount to a bit over SEK 5 million, which is approximately in line with the average for the past five years. The debt of SEK 25 million relates almost exclusively to two transactions in the transport industry where the debtor is a private petrol company. The reason for the delay in payment and loss claim was stated to be a sharp decline in sales i.e. a commercial loss. EKN has had four Paris Club Agreements with Tanzania, signed from 1986 to 1993. No delays in payment or losses due to claims being paid out for political reasons have occurred since 1990. However, Tanzania benefited from debt relief under the HIPC (Heavily Indebted Poor Countries) Initiative in the early 2000s, which also included Sweden.