

AFRICA RISK CONSULTING

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Tanzania Summary 4 August 2020

Tension in the run up to the general election on 28 October continues to intensify with the ruling Chama Cha Mapinduzi (CCM) party deciding on its presidential candidates – mainland and Zanzibar – and commencing its pre-selection process for hopeful members of parliament. Leading opposition parties have commenced their own internal processes with several individuals flagging their intentions to run against President John Magufuli (2015-present) in the presidential race. The mining sector, a key focus of Magufuli's administration, is back in the spotlight with multiple disputes with international investors brewing. President Magufuli announces that, thanks to the power of prayer, Tanzania is free of the coronavirus. The government focuses on opening up the country to foreign visitors in an attempt to rebuild the tourism sector. Former president Benjamin William Mkapa (1995-2005) dies in a Dar es Salaam hospital aged 81, leading to a week of mourning in Tanzania and reflection of the highs and lows of his time in office.

Domestic politics continues to heat up

The **National Electoral Commission** announced on 21 July that **Tanzania's** general election will be held on Wednesday 28 October, a deviation from the normal practice of holding the general election on the last Sunday of October – a concession made in an apparent bid to appease religious bodies that objected to a Sunday vote.¹ Wednesday 28 October has subsequently been earmarked as a national holiday to allow citizens to vote. The ruling **Chama Cha Mapinduzi (CCM)** party will be aiming to improve on its 2015 electoral result where the party won 55% of the parliamentary vote and **John Magufuli** (2015-present) won 58% of the presidential vote.²

As was the case in 2015, Magufuli will lead the CCM to the election, accompanied by his running mate, vice president **Samia Suluhu**, after running unopposed as CCM's presidential candidate.³ President Magufuli will be expecting to lead the CCM to a comfortable sixth consecutive win at the general election in the dominant party state. In **Zanzibar**, where 32 candidates nominated to be CCM's presidential candidate in a hotly contested pre-selection process, **Dr Hussein Ali Mwinyi**, Zanzibar's minister for defence and son of former mainland president **Ali Hassan Mwinyi** (1985-1995), was victorious.⁴ Mwinyi was widely believed to have been mainland CCM's preferred candidate for the role.

Now that CCM's presidential candidates are confirmed, the party is undertaking its pre-selection process for hopeful members of parliament (MPs). The nomination period, which ran from 14-17 July, saw over 8,000 candidates put their names forward for constituencies across the country.⁵ In a move that increased the stakes for many hopeful MPs, President Magufuli announced that any appointed officials who chose to nominate themselves as potential MPs would have their existing government roles revoked and replaced immediately – therefore an unsuccessful pre-selection process would see these officials have no government roles to fall back on. A nominee of note was therefore the regional

¹ The Daily News, 21 Jul 2020

² Tanzanian Affairs, 1 Jan 2016

³ The Daily News, 11 Jul 2020

⁴ The Daily News, 10 Jul 2020

⁵ The Citizen, 16 Jul 2020

commissioner for **Dar es Salaam, Paul Makonda**. Makonda, who is currently under a **United States (US)** travel ban for human rights violations,⁶ ran unsuccessfully for the seat of **Kigamboni**. Makonda lost the CCM pre-selection to the incumbent and former deputy minister for health, **Dr. Faustine Ndugulile**.⁷ The CCM pre-selection process is, however, multi-faceted and the local level vote is just the first step in this process. All candidates must be vetted by various levels within the CCM hierarchy, and ultimately by the **National Executive Committee (NEC)**. Throughout the pre-selection process non-binding recommendations are made at each level, and the NEC can ultimately overturn all decisions.

While the CCM is running its internal pre-selection process, the opposition parties are finalising who will challenge Magufuli in the presidential race. **Bernard Membe**, a former foreign minister under the CCM who was expelled from the party (see *ARC Briefing Tanzania July 2020*), announced that he will run as opposition party **Alliance for Change and Transparency's (ACT Wazalendo)** presidential candidate.⁸ Opposition **Chama cha Demokrasia na Maendeleo (Chadema)** is likely to receive a boost in popularity as the party's former chief legal counsel, **Tundu Lissu**, who was shot multiple times in an unsolved attack in **Dodoma** in September 2017, returned to Tanzania on 27 July after nearly three years in exile in **Belgium**. Lissu was greeted at **Julius Nyerere International Airport** in Dar es Salaam by thousands of Chadema supporters⁹ and secured the party's presidential nomination on 3 August.¹⁰ It is yet to be determined if the various opposition parties will come together to form a formal coalition with the aim of minimising CCM's majority in the national assembly. However, as with any last-minute coalition, there is a risk of splintering and the coalition itself having little impact on the ultimate result in the national assembly.

The run up to the election and the election itself will remain clouded by speculation that President Magufuli may try to run for an unconstitutional third term after the conclusion of his presumed second term in 2025. A change to the constitution, to allow for such an event, would require a two-thirds majority in a parliamentary vote. CCM's majority in parliament is thus likely to be closely watched.

Mining sector back in the spotlight

The mining sector, which has often courted controversy during President Magufuli's time in power, is back in the spotlight. The sector was flagged in the country's **Second Five-Year Development Plan (2016/17 – 2020/21)** in 2016 as a focus area for the economy.¹¹ In 2017, however, a very public spat with **United Kingdom (UK)**-headquartered **Acacia Mining** combined with a significant overhaul of Tanzania's mining legislation, saw many companies exit Tanzania and many projects stall pre-construction. Small-scale miners have, however, benefitted throughout Magufuli's time in office, with the removal of VAT and withholding tax for small-scale projects, defined as a project where the capex is below \$100,000.

Large-scale investors, many of them foreign, continue to face challenges. In July, after UK-based **Petra Diamonds** announced its plans to put its **Williamson Diamond Mine** in **Shinyanga** up for sale, following months under care and maintenance due to depressed global diamond prices and the economic impact of Covid-19 (see below), the government – a 25% shareholder in the project – announced a halt to the sale process.¹² Petra Diamonds is in the process of restructuring its debt arrangements and the failure to sell key assets, coupled with a multi-year dispute with the Tanzanian government around a confiscated parcel of diamonds in September 2017, continue to impact the company's operations and its ability to engage with the Tanzanian government.¹³

⁶ US Department of State, 31 Jan 2020

⁷ The Daily News, 20 Jul 2020

⁸ Daily News, 18 Jul 2020

⁹ The East African, 27 Jul 2020

¹⁰ The Citizen, 4 Aug 2020

¹¹ Ministry of Finance and Planning, Jun 2016

¹² The Citizen, 6 Jul 2020

¹³ Reuters, 9 Sep 2017

Additionally, the decision by the government to commence actively enforcing its ruling to ban retention licences is also impacting multiple investors, and potential investors, in the sector.¹⁴ As referenced in *ARC Briefing Tanzania February 2020*, retention licences allow companies to request a delay in developing a mining project if global commodity prices make the project unfeasible. The government, however, cancelled existing retention licences in 2017 and re-tendered them on the **Mining Commission** website on 19 December 2019. Following the announcement of the re-tender, three companies – **Australia-based Indiana Resources**, and **Canada-based Winshear Resources** and **Montero Mining & Exploration Ltd** – indicated that they would pursue arbitration against the government. This commenced a six-month period that allowed for the parties to negotiate a settlement without pursuing a potentially expensive arbitration claim. With the parties lodging their intentions to file in January 2020, the six-month window is coming to an end. Indiana Resources and Winshear Resources have already announced their intention to pursue arbitration via the **World Bank's International Centre for Settlement of Investment Disputes**.¹⁵ It is most likely only a matter of weeks until Montero does the same.

Multiple costly and protracted arbitration cases will only serve to continue to paint Tanzania's investment climate – particularly in the extractives sector – in a negative light. There are multiple other retention licences that have been revoked, including the licence previously held in a joint venture between Canada-headquartered **Barrick Gold** and **Switzerland-headquartered Glencore** for the substantial **Kabanga** nickel project. It is unclear if additional companies, including Barrick and Glencore, intend to pursue a path of arbitration with the government.

The president, who aimed to shake up the sector to increase accountability, transparency, revenue and state ownership, is about to commence a campaign period with no new mines built and a handful of projects that have stalled pre-construction. Although there has been a recent spike in gold prices and apparent resolution of the ongoing spat with Barrick Gold, which culminated with the company finally being able to export concentrate in April 2020,¹⁶ the opposition will no doubt be looking to gain some political points in highlighting the lacklustre growth in the top end of the sector over the past five years.

The **Bank of Tanzania** announced on 9 July that gold is now Tanzania's leading foreign exchange earner after overtaking tourism, which has been hit by the **coronavirus** pandemic.¹⁷

Covid-19 update

Tanzania's unique approach to tackling Covid-19 continues with President Magufuli announcing on 20 July that, thanks to the power of prayer, the country is now free of the virus.¹⁸ The government's focus is now on opening up the country to foreign visitors in an attempt to rebuild the country's tourism sector – a sector that contributed 17% of Tanzania's GDP in 2019 and is traditionally the country's largest foreign exchange earner, generating over \$2 billion in revenues last year.¹⁹

The dramatic drop in tourism and associated foreign earnings has many businesses and individuals concerned about a forex shortage in Tanzania. Although the **Bank of Tanzania** (central bank) has rebuffed any such allegations, anecdotal evidence of delayed forex payments and the closing of some **United States (US)** dollar accounts by banks appears to indicate that a shortage is looming.²⁰

More broadly, there are conflicting numbers surrounding the health of the Tanzanian economy. In his budget speech in **Dodoma** on 11 June, finance and planning minister **Philip Mpango** revised the

¹⁴ The Citizen, 20 Jan 2020

¹⁵ The Citizen, 16 Jul 2020

¹⁶ Mining Weekly, 25 May 2020

¹⁷ The Citizen, 9 Jul 2020

¹⁸ The Citizen, 20 Jul 2020

¹⁹ The Citizen, 30 Sep 2019

²⁰ Bank of Tanzania, 12 May 2020

country's economic growth projections for 2020 downwards from 6.9% to 5.5%.²¹ The World Bank, however, paints a bleaker picture, estimating growth to be as low as 2.5% for 2020. The country is also facing the reality of limited multilateral support during this period, with the government's business as usual approach to tackling the virus seeing the country get some bilateral assistance from the US and **France**, but no significant multilateral assistance from the likes of the **International Monetary Fund** and the World Bank.

The economic reality of Covid-19 is seeing Tanzania make attempts to open up its skies and its tourism sector for foreign visitors. After briefly closing its international airports on 13 April, international flights were allowed to re-commence on 19 May, and the briefly imposed 14-day quarantine period for anyone entering the country was removed.²² Airlines currently arriving in Tanzania include **Emirates, Qatar, Netherlands**-headquartered **KLM, Turkish Airways** and **Ethiopian Airways**. A government announcement on 20 July stipulated that all arrivals would have to carry a negative Covid test to be allowed entry; however, as of the date of writing this is yet to be imposed and those consulted in the airline industry are unaware of if and when this is likely to come into force.

The opening up of international flights to and from **Kenya** has also caused a degree of confusion. A mis-interpretation of a Kenyan government edict saw incorrect news articles publish that those travelling from Tanzania would be banned from entering and resulted in a reciprocal ban put in place for those travelling from Kenya to Tanzania.²³ In reality, those flying in from Tanzania to Kenya will have to quarantine for 14 days upon arrival – a stipulation that the Kenyan government has put in place for the vast majority of international arrivals.²⁴

Former president Benjamin Mkapa dies aged 81

Former president of Tanzania **Benjamin William Mkapa** (1995-2005) died in a Dar es Salaam hospital on 24 July, aged 81.²⁵ The lack of announcement to clarify which hospital the former leader died in saw some people speculate if the cause of his death may have been **Covid-19**. This rumour appears to have been dispelled after Mkapa's family announced in a statement that the former president was admitted to hospital with malaria and ultimately died of a heart attack.

Following Mkapa's death, Tanzania embarked on seven days of mourning. The former president's multi-day funeral commenced on Sunday 26 July at **Uhuru Stadium** in Dar es Salaam and provided an opportunity for citizens to go and pay their respects. President Magufuli led a subsequent ceremony on Tuesday 28 July where he announced that the stadium would be renamed **Benjamin William Mkapa Stadium**.²⁶ The proceedings eventually moved to the south of the country where the former leader was buried in his hometown of **Lupaso, Mtwara** on Wednesday 29 July.

Mkapa, who served as Tanzania's third president, studied at **Makerere University** in **Uganda** and subsequently at **Columbia University** in the US. Mkapa was initially a diplomat and his career included postings as High Commissioner to Canada and as Ambassador to the US. Mkapa then transitioned to politics where he became Tanzania's foreign affairs minister.²⁷

Mkapa's run for presidency was supported by the country's founding president, **Julius Nyerere** (1964-1985) and he ran on an anti-corruption ticket, eventually establishing the **Presidential Commission on Corruption**, commonly referred to as the **Warioba Commission**. Mkapa himself was, however, dogged by allegations of lavish spending and corruption both during and after his presidency.

²¹ Reuters, 11 Jun 2020

²² The Citizen, 19 May 2020

²³ The Citizen, 2 Aug 2020

²⁴ The Citizen, 30 Jul 2020

²⁵ The Daily News, 24 Jul 2020

²⁶ The East African, 28 Jul 2020

²⁷ The Citizen, 25 July 2020

Mkapa's time in office is remembered as a period when many state-owned entities were privatised, and free market policies were adopted as the leader actively courted foreign investment and received financial support from the World Bank and the **African Development Bank**. Mkapa also created the **Tanzania Private Sector Foundation**, the peak body for the private sector, and subsequently the **Tanzania National Business Council**, the key mechanism for the private sector and government to engage, during his time in office.²⁸ The former president will be remembered fondly in Tanzania and the region more broadly.

Planner

8 Aug 2020 (**Tanzania**) Nane Nane Day (National Holiday);
 25 Aug – 27 Oct 2020 (**Tanzania**) Official campaign period for the general election;
 14 Oct 2020 (**Tanzania**) Nyerere Day (National Holiday); and
 28 Oct 2020 (**Tanzania**) General elections (National holiday).

Chronology

4 Aug 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Opposition party **Chadema** picks **Tundu Lissu** as its presidential candidate to run against President **John Magufuli** in the October election;

3 Aug 2020 **Dar es Salaam (Tanzania)** *The Citizen*. The **United States (US)** Ambassador to Tanzania **Dr Donald J Wright** presents his credentials to President **John Magufuli** at **State House**, becoming the first US ambassador to Tanzania since 2016;

3 Aug 2020 **Gaborone (Botswana)** *Mmegi*. Retailer **Choppies** CEO **Ramachandran Ottapathu** says Choppies will close unprofitable supermarkets in **South Africa, Kenya, Tanzania** and **Mozambique** and concentrate resources in **Botswana**;

2 Aug 2020 **Dar es Salaam (Tanzania)** *The Citizen*. **Tanzanian Civil Aviation Authority** bans **Kenya Airways** flights into Tanzania "on a reciprocal basis" after the Kenyan government fails to include **Tanzania** in a list of countries whose passengers would be allowed to enter Kenya;

30 Jul 2020 **Nairobi (Kenya)** *The Citizen*. Passengers travelling to **Kenya** from **Tanzania** will need to quarantine for 14 days upon arrival after the Kenyan airspace opens to international passengers on 1 August;

27 Jul 2020 **Dar es Salaam (Tanzania)** *The East African*. Opposition member and former chief legal counsel for **Chadema**, **Tundu Lissu** arrives in **Dar es Salaam** to contest for the presidency after spending three years in exile in **Belgium**;

24 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. Former president **Benjamin William Mkapa** dies in hospital in **Dar es Salaam** aged 81;

22 Jul 2020 **Dar es Salaam (Tanzania)** *UN News*. **United Nations** human rights experts calls on the **Tanzanian** government to end a crackdown on freedom of expression, peaceful assembly and association ahead of elections in October;

21 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. In a break with tradition, the **National Electoral Council (NEC)** announces that the election will be held on Wednesday 28 October, instead of a traditional Sunday election;

20 Jul 2020 **Dar es Salaam (Tanzania)** *The Citizen*. President **John Magufuli** announces that **Tanzania** is now free of **Covid-19** thanks to prayer, as the president aims to attract tourists during what is traditionally the high-season;

20 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. Former deputy minister of health **Dr**

²⁸ The Daily News, 30 Jul 2020

Faustine Ndugulile defeats regional commissioner for **Dar es Salaam, Paul Makonda**, for the ruling **CCM** party nomination in the constituency **Kigamboni**;

20 Jul 2020 **Dar es Salaam (Tanzania)** *Xinhua*. Communications regulator issues an alert over cyber attacks, saying between 10 and 15 organisations based in the country have reported cases of the malpractice.

18 Jul 2020 **Dar es Salaam (Tanzania)** *AP*. Opposition leader **Zitto Kabwe** says opposition parties are considering uniting ahead of October's general election and former foreign minister **Bernard Membe** announces that he has joined the opposition **Alliance for Change and Transparency-Wazalendo** party;

18 Jul 2020 **Dar es Salaam (Tanzania)** *The Citizen*. The **National Electoral Commission (NEC)** excludes leading non-government organisations (NGOs), including the **Tanzania Legal and Human Rights Centre, Tanzania Human Rights Defenders Coalition** and the **Tanzania Constitution Forum**, from its list of NGOs approved to monitor the October election;

18 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. Former ruling **CCM** party minister for foreign affairs **Bernard Membe** nominates as opposition party **Alliance for Change and Transparency (ACT Wazalendo)** presidential candidate;

16 Jul 2020 **Dar es Salaam (Tanzania)** *AFP*. **African Court on Human and Peoples' Rights** orders **Tanzanian** government to amend a section of its constitution that bars any court from probing the election of a president after a winner is officially announced;

16 Jul 2020 **Dar es Salaam (Tanzania)** *The Citizen*. **Canada**-headquartered company **Winshear Gold Corp** has filed a case with the **International Centre for Settlement of Investment Disputes** relating to the cancellation of the company's retention licences;

15 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. Former first lady **Salma Kikwete** picks up forms to run for the ruling **CCM** party in the **Mchinga** constituency in **Lindi** region;

14 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. Political aspirants for the ruling **CCM** party start picking up nomination forms to stand for pre-selection to run in the upcoming election;

12 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. President **John Magufuli** appoints **Dr Maduhu Kazi** as the executive director of the **Tanzania Investment Centre**, replacing **Godfrey Mwambe**;

11 Jul 2020 **Dar es Salaam (Tanzania)** *The Daily News*. President **John Magufuli** announces that **Samia Suluhu Hassan** will once again be his running mate for the upcoming October 2020 general election;

10 Jul 2020 **Dar es Salaam (Tanzania)** *The Citizen*. The central committee of the ruling **CCM** party has pardoned former secretary general **Abdulrahman Kinana** following his suspension from the party due to alleged misconduct;

10 Jul 2020 **Dodoma (Tanzania)** *The Daily News*. The ruling **CCM** party has confirmed its presidential candidates for the October 2020 general election with **President John Magufuli** contesting the mainland presidency and **Dr Hussein Mwinyi** contesting in **Zanzibar**;

9 Jul 2020 **Dar es Salaam (Tanzania)** *The Citizen*. **Bank of Tanzania** says gold is now **Tanzania's** leading foreign exchange earner after overtaking tourism, which has been hit by the **coronavirus** pandemic.

8 Jul 2020 **Dar es Salaam (Tanzania)** *The Citizen*. **National Bureau of Statistics** says the economy grew by 5.7% in Q1 2020 – which is slower than the 6.3% growth in the same period last year but still much higher than predictions following the **coronavirus** pandemic;

8 Jul 2020 **Arusha (Tanzania)** *The Daily News*. Former member of parliament for **Arumeru**

East, Joshua Nassari announces that he has left opposition party **Chadema** and is joining the ruling **CCM**;

6 Jul 2020 **Shinyanga (Tanzania)** *The Citizen*. Following the announcement by **United Kingdom**-based **Petra Diamonds** of its plan to sell the **Williamson Diamond Mine** in the **Shinyanga** region, the government, a 25% shareholder in the project, has announced a halt to the sale process;

6 Jul 2020 **Arusha (Tanzania)** *The Citizen*. **Tanzania** announces plans to repossess eight premium agriculture estates in the **Arusha** region in a bid to help improve horticulture production to increase annual exports from the current total of \$779m to \$3 billion by 2025;

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