

## AFRICA RISK CONSULTING

### Tanzania Monthly Briefing June 2023

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#### Tanzania Summary 6 June 2023

*The Tanzanian government announces the completion of negotiations with Norway's Equinor and United Kingdom-headquartered Shell for the liquefied natural gas (LNG) export terminal in Lindi region on 19 May. Petroleum Upstream Regulatory Authority (PURA) managing director Charles Sangweni expects the host government agreement (HGA) and production sharing agreement (PSA) to be signed in the coming weeks. President Samia Suluhu Hassan (2021-present) continues her vision of promoting Tanzania as East Africa's logistics hub by privatising Dar es Salaam port. Port improvements and expansions have been a pillar of Hassan's administration as she seeks to promote Tanzania's strategic location to investors. Traders at Dar es Salaam's Kariakoo market stage a rare strike from 15 to 17 May over the enforcement of new tax legislation by the Tanzania Revenue Authority (TRA). The government's measured approach to resolution, led by prime minister Kassim Majaliwa, supports Hassan's commitment to expanding civic freedoms of expression.*

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#### Milestones underway for the realisation of long-anticipated LNG project

The **Tanzanian** government announced on 19 May it had completed negotiations with **Norway's Equinor** and **United Kingdom**-headquartered **Shell** for the development of the **Lindi**-based offshore liquefied natural gas (LNG) export terminal.<sup>1</sup> Equinor and Shell are the joint operators of the project alongside **United States**-headquartered **ExxonMobil**, **Indonesia**-headquartered **Medco Energi**, **Singapore**-headquartered **Pavilion Energy**, and national oil company **Tanzania Petroleum Development Corporation (TPDC)**. Energy minister **January Makamba** stated that the next steps are to present the agreements to the government's cabinet for approval and signing.<sup>2</sup> **Petroleum Upstream Regulatory Authority (PURA)** managing director **Charles Sangweni** expressed the expectation that the production sharing agreement (PSA) and host government agreement (HGA) would be signed within the next few weeks.<sup>3</sup>

Following the signing of the HGA, stakeholders will begin front-end engineering design and, in line with previous estimates, construction is expected to begin in June 2025 following a final investment decision (FID). **Shell Tanzania's** vice president **Jared Kuehl** stated that the international energy companies (IECs) involved in the project are "happy" that the negotiations had been completed and see the forthcoming signing of the PSA and HGA as an "important step" in implementing the long-awaited project.<sup>4</sup> Tanzania's permanent secretary (PS) in the energy ministry **Felchesmi Jossen Mramba** revealed on 13 May that a recent technical analysis also pushed the project's cost estimates up from \$30 billion to \$42 billion, making it the largest energy project in eastern and southern Africa.<sup>5</sup>

The LNG project's negotiations previously stalled due to regulatory delays under former president **John Magufuli** (2015-2021), however, since president **Samia Suluhu Hassan** (2021-current) took office, she has worked to kickstart stagnant projects aimed at improving the economy. The government signed a framework agreement with the IECs on 11 June 2022 and although the HGA was

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<sup>1</sup> Reuters, 19 May 2023

<sup>2</sup> Reuters, 31 May 2023

<sup>3</sup> The Citizen, 22 May 2023

<sup>4</sup> The Citizen, 22 May 2023

<sup>5</sup> The East African, 13 May 2023

expected to be signed by December last year, its imminent approval is highly anticipated by stakeholders. Equinor's Tanzania country manager **Unni Fjaer** stated that the project is a "*fantastic LNG opportunity for the country and the world.*"<sup>6</sup>

Crucially included in the agreements is the provision that the **Tanzania People's Defence Forces (TPDF)** will be responsible for guaranteeing the security of the project.<sup>7</sup> Although the security situation in Tanzania is relatively stable, the LNG terminal's proximity to the border of **Mozambique's Cabo Delgado** province puts the project at increased risk. Cabo Delgado has been plagued by the insurgency, perpetrated by **Ahlu al-Sunnah wal-Jamaah (ASWJ)** since 2017. Incidents have been recorded in southern Tanzania, particularly **Mtwara** region, where militants enter Tanzania illegally by crossing the **Rovuma River**, but are sporadic. Nevertheless, the government will want to assure all investors that it is taking steps to prevent any spill over of insecurity.

The LNG project is believed to have significant domestic and regional benefits. Media reports indicate that 1,763 Tanzanian firms have registered to capitalise on opportunities for the provision of goods and services during the construction phase.<sup>8</sup> A macroeconomic study by **Stanbic Bank Tanzania** from October 2022 reports that the project is expected to add between \$7 and \$15 billion per year to Tanzania's gross domestic product (GDP).<sup>9</sup>

Regional neighbours **Uganda** and **Kenya** have already signed agreements to purchase Tanzania's LNG and during the **10th East African Petroleum Conference and Exhibition** held in May in **Kampala** (Uganda), Tanzania pitched 26 onshore and offshore exploration areas that will be available to prospective investors during the country's first licensing bid round since 2013.<sup>10,11</sup> Details of the bid round are expected to be unveiled in late 2023 to early 2024.<sup>12</sup>

### Private sector investment in Dar es Salaam port to expand the capacity and efficiency

Works and transport minister **Makame Mbarawa** announced on 23 May that the government authorised a Public Private Partnership (PPP) model to help pursue private investors to operate the Dar es Salaam port.<sup>13</sup> Shortly after, Mbarawa stated on 5 June that the government had found a suitable partner in the **United Arab Emirates**-based multinational logistics company **DP World** to help develop the port. Before DP World is given operating control of berths 5-7 at the port, parliament is tasked with approving the Intergovernmental Agreement (IGA) between Tanzania and UAE. Other contenders vying for the port's contract were **India's Adani Group** and UAE's **AD Ports**.

DP World has increasingly expanded its operations in Africa – it assumed management of **Somaliland's Berbera Port** on the **Gulf of Aden** in 2017, a strategic location in the **Horn of Africa**.<sup>14</sup> The addition of Dar es Salaam Port to their portfolio secures the logistics company a foothold in **East Africa** and boosts Tanzania's goal of becoming East Africa's logistics hub.

Mbarawa told the media that the government has "*great confidence*" in DP World and, with their partnership, expects to be able to clear vessels in one day and increase port revenue collection by 233.7% by 2033.<sup>15</sup> Presently the port contributes TSh7.78 trillion (\$3.26 billion), equivalent to 37% of the total customs revenue.<sup>16</sup>

The plans to privatise Dar es Salaam port followed the **World Bank's** publication of the **Container Port Performance Index 2022** on 18 May, which placed Dar es Salaam ahead of its top regional

<sup>6</sup> Further Africa, 22 May 2023

<sup>7</sup> The Citizen, 25 May 2023

<sup>8</sup> The Citizen, 22 May 2023

<sup>9</sup> Tanzania LNG: A Macroeconomic Study, Oct 2022, stanbicbank.co.tz

<sup>10</sup> Business Insider, 13 May 2023

<sup>11</sup> The East African, 13 May 2023

<sup>12</sup> Upstream Online, 24 May 2023

<sup>13</sup> Daily News, 23 May 2023

<sup>14</sup> DP World, dpworld.com

<sup>15</sup> Africa Intelligence, 19 May 2023

<sup>16</sup> Daily News, 23 May 2023

competitor, **Mombasa Port** in Kenya. Dar es Salaam ranked 312<sup>th</sup> and Mombasa 326<sup>th</sup> out of 348 ports ranked. Although Tanzanian media lauded this as a substantial victory, the port maintained an overall low ranking out of the ports indexed. Nonetheless, Dar es Salaam's outperformance of Mombasa is an indicator of Tanzania's growing importance in the region. It further demonstrates that the \$357m **Dar es Salaam Maritime Gateway Project (DMGP)** launched in 2017 has created measurable improvements.<sup>17</sup>

The DMGP, combined with improved rail linkages within the port, are aimed at achieving smooth evacuation of cargo despite increased volumes. **Tanzania Ports Authority (TPA)** data reports that Dar es Salaam port is responsible for 95% of the country's international trade and handles over 18 million tonnes of cargo per year.<sup>18</sup> Through road and rail linkages along the **Central Corridor**, Dar es Salaam port also serves the inland countries of **Burundi**, the **Democratic Republic of Congo (DRC)**, **Malawi**, **Rwanda**, Uganda, **Zambia**, and **Zimbabwe**.<sup>19</sup>

During the 10<sup>th</sup> East African Petroleum Conference and Exhibition 2023, TPA's marketing and public relations director **George Fasha** stated that Dar es Salaam port is expected to handle over 90% of the equipment and material imported for the construction of the **East African Crude Oil Pipeline (EACOP)** project and will serve as a "seamless gateway" for Uganda's oil and gas projects.<sup>20</sup> To achieve these goals, it is essential that the port operates efficiently and utilises up-to-date technology, and the privatisation of port operations is crucial to creating the capacity ahead of increased demand.

Hassan sees Tanzania's ports as a key component to accelerate economic growth and development and has focused on port infrastructure improvements throughout the country. The government financed the TSh 428 billion (\$179.8m) upgrading of **Tanga** port to increase capacity and passenger berth and an expansion project at **Mtwara** port worth TSh 157 billion (\$65.9m). Mtwara regional commissioner **Ahmed Abbas** also recently called on investors to construct dry ports in the region, as the port is handling increased cargo volumes to help meet increased demand for coal, a result of the **Russia-Ukraine** war.<sup>21</sup>

Further infrastructural improvements will be necessary ahead of the construction of the offshore Lindi LNG project. Hassan has also reignited the search for investors in the \$10 billion **Bagamoyo** port project which, upon completion, will be promoted as East Africa's largest port and will help ease congestion at the Dar es Salaam port. Construction of this project is expected to begin this year.

### Government engages with striking Kariakoo traders to resolve issues in tax legislation

Medium and small-scale traders in **Dar es Salaam's** largest and busiest commercial market **Kariakoo Market** closed their shops between 15 and 17 May in a protest against port bureaucracy, confiscation of goods by the **Tanzanian Revenue Authority (TRA)**, and the requirement that traders register monthly stock movements.<sup>22</sup> An amendment to Section 45A of the **Tax Administration Act 2015** in the **Finance Act 2022** requires traders to register goods in their storage facilities monthly with the TRA chief commissioner. The TRA also charges tax on these storage facilities, an additional expense for the traders. Finally, the amendment requires traders, including small-scale greengrocers, to use newly issued electronic fiscal devices (EFDs) when issuing sales receipts.<sup>23</sup>

Traders stated that the new "nuisance" levy on storage facilities led to them being double taxed at ports and in shops and harassed by TRA officials who, if not bribed, would confiscate goods for reasons such as lacking EFD receipts or missing taxpayer identification numbers.<sup>24</sup>

<sup>17</sup> The World Bank, 25 Jan 2022, worldbank.org

<sup>18</sup> Tanzania Ports Authority, ports.to.tz

<sup>19</sup> Tanzania Ports Authority, ports.to.tz

<sup>20</sup> New Vision, 22 May 2023

<sup>21</sup> Daily News, 5 Jun 2023

<sup>22</sup> The Chanzo, 15 May 2023

<sup>23</sup> The East African, 20 May 2023

<sup>24</sup> The Citizen, 27 May 2023

Although the traders asked for an audience with Hassan, she sent prime minister **Kassim Majaliwa** in her place on 17 May. While addressing the strikers he stated that they had “*serious demands*” and that the government would listen to their grievances.<sup>25</sup> During the meeting, Majaliwa announced the suspension of the TRA task force and formed a committee of 14 government officials and traders to investigate the reported challenges and see how to handle them.<sup>26</sup> Traders viewed these efforts as sufficient to end the strike and business resumed at the market on 18 May. Majaliwa further promised the traders that the government will suspend taxes charged on storage facilities until the relevant regulations are reviewed and that seized merchandise would be released to traders and all tax arrears reviewed.<sup>27</sup>

Following Majaliwa’s directives, TRA invited owners of confiscated goods to visit TRA’s warehouses with documents proving their ownership. The aforementioned committee also agreed to reduce the fines for possession of goods without EFD receipts from between TSh 30,000 and TSh 1.5m (\$12.64 - \$632.18) to between TSh 30,000 and TSh 150,000 (\$12.64 - \$63.2). However, as of 27 May, only two out of over one hundred traders showed up to collect their goods.<sup>28</sup> Although stakeholders did not address the reason for the low turnout, it is speculated that for many of the traders, the amount of the fine is higher than the original cost of the goods.

Despite its quick resolution, the three-day trading freeze affected both local and international traders from neighbouring countries such as Burundi, DRC, Malawi, Rwanda, Uganda, and Zambia who use Kariakoo as a main gateway for supplying goods to their countries.<sup>29</sup> The market’s estimated revenue from the first nine months of the fiscal year is estimated at TSh 127.44 billion (\$53.7m), providing an important contribution to Tanzania’s economy.<sup>30</sup> Due to the strike, the government lost an estimated TSh 472m (\$198,927) in daily revenue.<sup>31</sup>

While strike action is extremely rare in Tanzania, a key takeaway from the event is the way the government responded to the aggrieved citizens. Neither the traders nor the police resorted to violence to communicate their message, showing a significant step towards Tanzania being regarded as a peaceful democratic country. The government’s treatment of the protesting traders stands in stark contrast to the suppression of public demonstrations during Magufuli’s presidency, giving credence to Hassan’s rhetoric of opening civic space and encouraging freedom of expression.

## Planner

7 Jul 2023	<b>(Tanzania)</b> Saba Saba (national holiday)
25-26 Jul 2023	<b>Dar es Salaam (Tanzania)</b> Africa Human Capital Heads of State Summit
26-27 Jul 2023	<b>Zanzibar (Tanzania)</b> Zanzibar Energy and Industry Summit
8 Aug 2023	<b>(Tanzania)</b> Nane Nane (national holiday)
5-9 Sep 2023	<b>Dar es Salaam (Tanzania)</b> Africa’s Food System Forum (AGRF) Summit
20-21 Sep 2023	<b>Dar es Salaam (Tanzania)</b> Tanzania Energy Congress
20-27 Sep 2023	<b>Dar es Salaam (Tanzania)</b> Chinese investment and trade visit
3-5 Oct 2023	<b>Dar es Salaam (Tanzania)</b> Tanzania Health Summit
6-8 Oct 2023	<b>Dar es Salaam (Tanzania)</b> Swahili International Tourism Expo (S!TE) 2023

<sup>25</sup> NTV, 17 May 2023

<sup>26</sup> Mwananchi, 18 May 2023

<sup>27</sup> The Citizen, 18 May 2023

<sup>28</sup> The Citizen, 27 May 2023

<sup>29</sup> The Citizen, 16 May 2023

<sup>30</sup> Daily News, 15 May 2023

<sup>31</sup> Mwananchi, 20 May 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

6 Jun 2023 **Dodoma (Tanzania)** *Daily News*. State minister in the president's office **Angellah Kairuki** announces that the government has recruited 18,449 teachers and health workers and reveals interventions to fill the remaining gap of 2,751 health experts;

5 Jun 2023 **Zanzibar (Tanzania)** *The Citizen*. Zanzibar high court temporarily stops the land and housing development ministry from interfering with the ownership of 411 hectares of land owned by **United Kingdom** firm **Pennyroyal Limited** after the **Zanzibar Investment Promotions Authority (ZIPA)** cancelled their building permit in July 2022;

5 Jun 2023 **Dar es Salaam (Tanzania)** *Business Insider*. Government awards the tender for the construction of the TSh 61 billion (\$25.7m) **African Court in Tanzania on Human and People's Rights (AfCHPR)** headquarters to **Chinese** contractor **CRJE (East Africa) Limited**;

3 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Tanzania's first **Boeing 767** freighter, 767-300F, which cost \$37m to manufacture, lands at the **Julius Nyerere International Airport** and is expected to boost cargo freight within **East Africa**;

2 Jun 2023 **Dar es Salaam (Tanzania)** *World Health Organisation*. Tanzania declares the end of the **Marburg Virus Disease (MVD)** outbreak. A total of nine cases and six deaths were recorded in the outbreak which was declared on 21 March;

2 Jun 2023 **Zanzibar (Tanzania)** *Sportface*. Tanzania emerges as a serious candidate to host **Formula 1's Africa Grand Prix** with a €500m (\$535.3m) project funded by the **Zanzibar Investment Promotion Authority (ZIPA)** with the support of the government;

1 Jun 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Bank of Tanzania** (central bank) governor **Emmanuel Tutuba** issues new directives aimed at controlling foreign exchange trading as several **African** countries, including **Kenya**, struggle with a shortage of **United States** dollars;

30 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Home affairs minister **Hamad Masauni** says Tanzania is consulting **United States**-based **Bill and Melinda Gates Foundation** on the possibility of establishing a Universal National Identification Card (ID) to integrate the national ID card with other IDs and cut government costs in purchasing raw cards and printing IDs;

29 May 2023 **Kishapu (Tanzania)** *Daily News*. **Tanzania Electric Supply Company Limited (TANESCO)** signs an agreement with **French** energy major **Total Energies** for the \$46.3m construction of Tanzania's largest solar power plant in Kishapu (**Shinyanga**);

29 May 2023 **Arusha (Tanzania)** *Daily News*. Acting director of tourism at the tourism and natural resources ministry **Thereza Mugobi** appeals to investors to construct more hotels in Tanzania, citing a shortage of hotel beds to accommodate the rapidly growing tourism sector;

29 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Government provides details on development projects that will be implemented under public-private partnerships, including a 50km bridge connecting mainland Tanzania and **Zanzibar** and a 205km expressway between **Kibaha** and **Morogoro**;

28 May 2023 **Zanzibar (Tanzania)** *The Citizen*. Senior officials from the finance ministers of mainland Tanzania and Zanzibar meet to discuss budget preparations and issues such as taxation, policy, and the general economy;

28 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Tanzania National Roads Agency (Tanroads)** announces that **Nyerere Road** in Dar es Salaam will close from 28 May until 30 September for the construction of the **Standard Gauge Railway (SGR)**;

26 May 2023 **Macau (China)** *Daily News*. Tanzania opens an honorary consulate in **Macau** to boost bilateral relations;

25 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Bank of Tanzania's** (central bank) Monetary Policy Committee says foreign exchange reserves closed at \$4.9 billion (about TSh 11.7 trillion) at the end of April, almost 11% lower than the \$5.5 billion (about TSh 13.1 trillion) registered at the end of April 2022;

24 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Defence minister **Innocent Bashungwa** says Tanzania's borders on land and water are safe despite hostility and threats from neighbouring countries, such as **Uganda** and **Kenya**, stemming from illegal immigrants;

24 May 2023 **Dar es Salaam (Tanzania)** *Business Insider*. Works and transport ministry intends to invest TSh 3.418 trillion (\$1.44 billion) in development finance for projects such as the building of seven new highways, the **Standard Gauge Railway (SGR)**, and port upgrades;

24 May 2023 **Dar es Salaam (Tanzania)** *International Union for Conservation of Nature and Natural Resources (IUCN)*. The vice president's office, **Swedish** embassy in Tanzania, and **International Union for Conservation of Nature (IUCN)** launch project '**SUSTAIN Eco**' to support ecosystem management across government, businesses, and local communities to balance priorities for sustainability and growth;

24 May 2023 **Dar es Salaam (Tanzania)** *Daily News*. **State Mining Corporation (STAMICO)** sets aside TSh 1.8 billion (\$762,824) for infrastructure improvements at two demo-mining centres located in **Lwamugasa** and **Katente** wards in **Geita Region**;

23 May 2023 **Dar es Salaam (Tanzania)** *Daily News*. President **Samia Suluhu Hassan** makes a minor reshuffle of regional commissioners and district commissioners to further enhance the activities of the government.

23 May 2023 **Doha (Qatar)** *The Chanzo*. **Zanzibar's** president **Hussein Ali Mwinyi** meets with **Qatar's** prime minister and foreign affairs minister, **Sheikh Mohammed bin Abdulrahman bin Jassim Al-Thani** on the side lines of the 2023 **Qatar Economic Forum** to discuss bilateral cooperation in such sectors as energy and transportation;

22 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Foreign affairs and East African cooperation minister **Stergomena Tax** announces the launch of **Diaspora Digital Hub (DDH)**, a system designed to increase diaspora involvement in the Tanzanian economy.

20 May 2023 **Dodoma (Tanzania)** *The Citizen*. President **Samia Suluhu Hassan** inaugurates Tanzania's new state house in Dodoma to further promote Dodoma's development as Tanzania's capital and seat of power;

18 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu Hassan** reveals that Tanzania is planning to build a satellite and that negotiations to reach the scientific milestone have already begun;

18 May 2023 **Zanzibar (Tanzania)** *The Chanzo*. Zanzibar's president **Hussein Ali Mwinyi** meets with opposite party **ACT Wazalendo's** leadership and agrees to establish a special committee comprising members from both parties to focus on developing a plan for implementing the recommendations of the democracy task force report;

17 May 2023 **Mbeya (Tanzania)** *Bloomberg*. A spokesperson for **Tazama Pipelines Limited** states that the 1,710km **Tazama** pipeline between **Tanzania** and **Zambia** has leaked over 6,200 barrels of fuel following a rupture by a road contractor on 15 May;

16 May 2023 **Dar es Salaam (Tanzania)** *The Chanzo*. National assembly approves a TSh 1.235 trillion (\$523.5m) budget for the health ministry for the 2023/24 fiscal year, representing about 2.78% of the total TSh 44.38 trillion (\$18.8 billion) budget for 2023/24;

15 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Tanzania Plant Health and Pesticides Authority** announces it is installing laboratories at border points to address the infiltration of pesticides, herbicides, and other consumable chemicals into the country;

12 May 2023 **Kidatu (Tanzania)** *See News*. **Croatian** engineering company **Koncar** signs a \$3.4m contract for the reconstruction of the 220-kilovolt switchyard at a hydropower plant in Kidatu;

12 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Swiss** Embassy in Tanzania launches a TSh 26.4 billion (\$11.18m) fund as part of its innovation for social change project to support the growth of impact-driven micro, small and medium-sized enterprises (MSMEs) over the course of the next five years;

11 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. **Pula Graphite Partners** and **Pula Group LLC** abruptly drop their \$195m lawsuit filed in 2022 in the commercial division of Tanzania's high court against **African Rainbow Minerals (ARM)** and its six affiliates, which had claimed a breach of a non-disclosure and non-compete agreement;

10 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Tanzania and the **Netherlands** agree to work together to strengthen electronic certification (E-cert) for sanitary and phytosanitary processes in the Tanzanian horticultural sector;

9 May 2023 **Dar es Salaam (Tanzania)** *The Citizen*. Livestock and fisheries development minister **Abdallah Hamis Ulega** says the government plans to suspend fishing activities in **Lake Tanganyika** for three months in a bid to increase the fish population in **Africa's** deepest lake.