

AFRICA RISK CONSULTING**Tanzania Monthly Briefing March 2019**

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*The Tanzanian government suspends **The Citizen** newspaper for seven days for violating media regulations. Critics claim the move is part of a series of attacks by President John Magufuli (2015-present) on freedom of expression. Mining regulation amendments cut local ownership requirements, in effect lowering barriers to entering Tanzania's mining sector for local and international companies. Government threatens Acacia Mining with closure of North Mara mine if a solution to water spillage is not found by 30 March. Movement between Tanzania and Kenya at Namanga One-Stop Border Post is almost at a standstill following ongoing trade disputes.*

Magufuli's press clampdown continues with suspension of major national newspaper

Tanzania's government suspended **The Citizen**, a leading English-language national newspaper, for seven days from 27 February for publishing articles about the depreciating Tanzanian shilling and the decline of civil liberties.¹ The suspension builds on a trend of attacks on freedom of expression by President **John Magufuli** (2015-present), who has been widely accused of harassing and detaining members of the media and political opposition leaders in what appears to be an attempt to centralise power and return to one-party rule. Eight **European** diplomats based in Tanzania have condemned the suspension.² Magufuli's rising authoritarianism is likely to result in further losses in foreign direct investment, particularly from Western donors.

A government official said that the suspension was primarily in response to two articles published by **The Citizen**.³ One reports that the Tanzanian shilling is at its lowest against the **United States (US)** dollar in three years and the other cites a US politician's remarks about alleged human rights and democracy concerns in Tanzania.⁴ **Hassan Abbas**, director of the information ministry's **Tanzania Information Services Department**, claims that the articles were "*misleading and one-sided*", which violates licence conditions.⁵ Abbas claims that **The Citizen**'s reporting is based on illegitimate sources from private currency exchange bureaus and that the news outlet did not consult with the **Bank of Tanzania** (central bank). A day after enforcing the suspension, the government revoked licences of a number of private currency exchange bureaus for "*operating illegally*".⁶ It is unclear whether the two events are linked.

The latest move by Magufuli's administration follows a string of similar events in which the government has endeavoured to curb dissent and limit freedom of expression. Four media publications have been shut down in the last two years for allegedly "*disseminating false information*" or "*threatening national security*".⁷ Moreover, the government has restricted opposition rallies and detained dozens of opposition politicians. **Muthoki Mumo**, a member of the **Committee to Protect Journalists**, an independent nonprofit organisation that promotes press freedom worldwide, states:

¹ The East African, 27 Feb 2019.

² Continental Telegraph, 3 Mar 2019.

³ All Africa, 3 Mar 2019.

⁴ All Africa, 3 Mar 2019.

⁵ All Africa, 3 Mar 2019.

⁶ Reuters, 28 Feb 2019.

⁷ Human Rights Watch, 6 Mar 2019.

*"Tanzania is sending a troubling message that public debate on critical matters is a punishable offence. Unfortunately, media shutdowns have become all too familiar as President John Magufuli's government relentlessly tries to silence the free press."*⁸

International nongovernmental organisation **Human Rights Watch** shared this stance, voicing concerns about recent government actions that prevent discussions about important issues facing the country from taking place and creating an environment of fear.⁹

While Tanzania's constitution still guarantees the right of citizens to be informed on issues of importance to society, the government has gradually eroded this right in practice. New legislation under Magufuli's administration – most notably, the **Media Services Act of 2016**, which gives the government power to restrict and limit the independence of the media – has empowered the government. Magufuli's increasingly authoritarian and interventionist approach has resulted in criticism and funding withdrawals from several Western donors (see *ARC Briefing Tanzania February 2019*). A report by the **Economist Intelligence Unit**, a **United Kingdom**-based think tank, confirms that Magufuli's "poor commitment to democracy," as well as his protectionist economic policies and conservative social policies, have discouraged private sector investment.¹⁰

Local ownership regulatory changes in Tanzania's mining sector

The **Mining Local Content Amendment Regulations of 2019** passed through Tanzania's parliament on 8 February, relaxing previously stringent and protectionist regulations in the mining sector. The amendments notably remove the requirement for Tanzanians to own a controlling stake in companies and banks' operations in the mining sector.¹¹ In effect, the regulatory changes will reduce barriers to entry for local banks and international companies and could help increase development. However, confidence in Tanzania's mining sector is considerably damaged due to Magufuli's growing regulatory and legislative instability and the government's two-year dispute with **Canada**-based mining company **Barrick Gold** subsidiary, **Acacia Mining**. How relations between the government and Acacia Mining unfold will have a significant impact on how receptive international companies are to the improved investment opportunities made available by the mining amendments.¹²

The mining regulations are expected to receive Magufuli's assent, which will pass the bill into law, in the coming weeks. Importantly, the regulations contain two changes to the **Mining Local Content Regulations of 2018 (Local Content Regulations 2018)**, which are part of the **Mining Act 2010**:

- 1) Minimum procedural ownership by Tanzanian companies decreases from 51% to 20%;
- 2) Minimum Tanzanian ownership of banks used to transact business decreases from 51% to 20%.¹³

The Local Content Regulations 2018 define a "Tanzanian company" as having at least 51% of its equity owned by Tanzanian citizens or by Tanzanian citizens holding at least 80% of executive and senior management positions and 100% of non-managerial positions. In contrast, the 2019 regulations define a Tanzanian company as having at least 20% of its equity owned by Tanzanian citizens. Similarly, the Local Content Regulations 2018 defined a "Tanzanian bank" as a bank that has a majority Tanzanian shareholding. The 2019 amendment regulations define a Tanzanian bank as having at least 20% of its equity owned by Tanzanian citizens.

Tanzania's mining sector has received the new regulations positively. The less stringent regulations make it easier for local commercial banks to provide services to the mining sector. Moreover, the

⁸ Committee to Protect Journalists, 1 Mar 2019.

⁹ Human Rights Watch, 6 Mar 2019.

¹⁰ The East African, 11 Mar 2019.

¹¹ The East African, 11 Mar 2019.

¹² Analyst, London.

¹³ Clyde & Co., 4 Mar 2019.

amendments are likely to boost development by attracting more international investors.¹⁴ A major problem caused by the Local Content Regulations 2018 is that many Tanzanian companies do not have sufficient capital or expertise to maximise Tanzania's abundant resources.

The regulatory changes illustrate the eagerness of Magufuli's administration to improve investment in the mining sector. However, while Magufuli may appear to be conciliatory of late, mining companies have grown wary of his unpredictable and inconsistent approach to regulatory and legislative matters. His reputation with international investors has been tarnished by a prominent tax dispute with Acacia Mining, which stemmed from a \$190 billion penalty issued by the government for under-declared export revenue since 2000 (see *ARC Briefing January 2019* and *ARC Briefing December 2018*). A deal was reached on 20 February, in which Acacia Mining paid a fine of \$300m to resolve the outstanding tax claims.¹⁵ However, subsequently, recently appointed mining minister **Dotto Biteko** threatened to close Acacia Mining's **North Mara** mine for a water spillage, and gave the mining company until 30 March to resolve the problem.¹⁶ Acacia Mining has since reported that the water spill has stopped.¹⁷ If the dispute continues and Acacia Mining ends its operations in Tanzania, it is likely to significantly discourage potential international investors in Tanzania's mining sector despite Magufuli's recent regulatory compromises.

Trade dispute brings Namanga border crossing to standstill

Trade between Tanzania and **Kenya** at **Namanga One-Stop Border Post (Namanga)** has been at a standstill since 25 February following the decision by Tanzanian authorities to re-examine all manufactured goods from Kenya. The goods are examined in Tanzania even though they have been certified safe by the **Kenyan Bureau of Standards**. Tanzania's actions are in retaliation for the Kenyan authorities' blocking of Tanzanian tiles destined for Kenya last year.¹⁸ The Kenyan authorities denied entry of the tiles, which had been approved by the **Tanzanian Bureau of Standards**. The Namanga One-Stop Border Post was launched by Magufuli and Kenya's President **Uhuru Kenyatta** (2013-present) in May with the aim of easing cross-border trade.¹⁹ However, political differences between Magufuli and his counterpart continue to hamper trade relations.

Trade disputes have incurred heavy costs for the manufacturing sector in both Tanzania and Kenya, particularly for metal and automotive companies.²⁰ Both countries are part of the **East African Community's (EAC) Common Market**, which enacts the free movement of locally manufactured goods between member states.²¹ However, Tanzania currently imposes a 25% import duty on various Kenyan confectioneries.²² Tanzanian authorities claim that Kenya imports sugar from outside the EAC to produce these goods, which is not compliant with Common Market protocol. Kenya has banned Tanzanian liquefied petroleum gas in retaliation. The countries are also in an ongoing trade dispute over cigarettes, with Tanzania imposing an 80% import duty on Kenya-manufactured cigarettes.

Trade disputes and the protectionist policy agendas of Magufuli and Kenyatta, continue to hinder trade between Tanzania and Kenya, as well as overall EAC intra-trade. In 2018, 20% of EAC trade was between member states, whereas intra-regional trade in the **Southern African Development Community** was at 46% and in the **European Union** it was 67%.²³ In the same year, Tanzania's intra-EAC imports declined by 18.6% to \$243.2m, largely due to reduced imports from Kenya.²⁴

¹⁴ Analyst, London

¹⁵ Mining Review, 11 Mar 2019.

¹⁶ Financial Times, 8 Mar 2019.

¹⁷ Financial Times, 8 Mar 2019.

¹⁸ Source, Tanzania contact

¹⁹ All Africa, 7 May 2018.

²⁰ The East African, 9 Mar 2019.

²¹ www.eac.int, accessed 14 Mar 2019.

²² The East African, 29 Jan 2019.

²³ www.eac.int, 6 Dec 2018.

²⁴ The East African, 27 Feb 2019.

A recent meeting between the Tanzanian minister for East Africa Cooperation and his Kenyan counterpart does not appear to have delivered a solution to the trade disruptions at Namanga.²⁵ EAC negotiations over a **Common External Tariff (CET)** for goods entering the region are expected to continue until the end of the year.²⁶ The CET is likely to resolve a number of the persistent trade disputes between member states, but first they must find agreement on the details of the tariff.

Planner

27-29 Mar 2019 **Dar es Salaam (Tanzania)** East Africa Health & Medical Expo;
 9-11 Apr 2019 **Dar es Salaam (Tanzania)** Sub-Sahara Oil and Gas Summit and Exhibition;
 3-5 Jun 2019 **Arusha (Tanzania)** Africa Aviation Conference and Exhibition (AACE);
 25-28 Jun 2019 **Dar es Salaam (Tanzania)** Expo Tanzania (Trade Fair);
 3-4 Jul 2019 **Dar es Salaam (Tanzania)** Africa LPG Summit;
 27-29 Sep 2019 **Dar es Salaam (Tanzania)** Tanzania Oil, Gas & Mining Expo;
 7-9 Nov 2019 **Dar es Salaam (Tanzania)** Power & Energy Africa;
 2020 **(Tanzania)** *Africanews*. General elections;

Chronology

12 Mar 2019 **Dar es Salaam (Tanzania)** *All Africa*. Tanzanian government only received 6.9% of the pledged development funds for 2018-19 financial year, equating to 144 billion Tanzanian shillings (TSh) (\$63.383m);

12 Mar 2019 **Dar es Salaam (Tanzania)** *Reuters*. Tanzanian government plans to raise total spending to TSh33.11 trillion (\$14.16 billion) in 2019-20;

10 Mar 2019 **Dar es Salaam (Tanzania)** *IPP Media*. Tanzanian government launches **Tanzania Livestock Master Plan (TLMP)**, which aims to generate TSh1.4 trillion (\$597m) for the livestock sector, 64% of which is forecast to come from the private sector;

8 Mar 2019 **Dar es Salaam (Tanzania)** *Mining Weekly*. Mining minister **Dotto Biteko** threatens **Acacia Mining** with closure of **North Mara** mine if solution to water spillage not found by 30 March;

8 Mar 2019 **Dar es Salaam (Tanzania)** *The Citizen*. **Rwanda's** President **Paul Kagame** concludes two days of bilateral talks with President **John Magufuli**;

7 Mar 2019 **Dar es Salaam (Tanzania)** *The Citizen*. Former CEO of **Bank M**, **Sanjeev Kumar Purushothaman**, is charged with fraud, money laundering and obtaining money by false pretence, two months after the **Bank of Tanzania** (central bank) revoked Bank M's licence;;

3 Mar 2019 **Dar es Salaam (Tanzania)** *Xinhua*. President **John Magufuli** appoints **Palamangamba Kabudi**, a frontline actor in the government's negotiations with the mining sector, as new minister of foreign affairs and East African cooperation, replacing **Augustine Mahiga**, who becomes legal and constitutional affairs minister;

28 Feb 2019 **Dar es Salaam (Tanzania)** *IOL*. **Bank of Tanzania** (central bank) bolsters its clampdown on illegally operating currency exchange bureaus, following the closure of several outlets in **Arusha** in 2018;

²⁵ The East African, 9 Mar 2019.

²⁶ Standard, 5 Mar 2019.

28 Feb 2019 **Dar es Salaam (Tanzania)** *Bloomberg*. **United States** authorities investigate **Germany**-based software provider **SAP SE** following accusations of graft in Tanzania and **Kenya** in 2015 in which SAP is accused of bribing officials at the **Tanzanian Ports Authority** with \$800,000;

28 Feb 2019 **Dar es Salaam (Tanzania)** *The Exchange*. Two regulatory authorities, the **Tanzanian Food and Drugs Authority** and the **Tanzanian Bureau of Standards**, merge as part of government saving plans;

27 Feb 2019 **Dar es Salaam (Tanzania)** *The Citizen*. Tanzanian government has positive shift in stance towards the **East African Community's Economic Partnership Agreement** with the **European Union**;

25 Feb 2019 **Dar es Salaam (Tanzania)** *Bloomberg*. Tanzanian government aims to double sugar output and be a net exporter by 2022;

21 Feb 2019 **Dar es Salaam (Tanzania)** *Africanews*. The Tanzanian government burdened by its buy-up of the 2018 harvest, invites private sector to buy cashew nuts;

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