

AFRICA RISK CONSULTING

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Tanzania Summary 4 February 2022

President Samia Suluhu (2021-present) announces a significant cabinet reshuffle, further extending her control over the party and cabinet. The reshuffle sees close allies of former president John Magufuli (2015-2021) dropped from the cabinet, including minister for land William Lukuvi and minister for constitutional and legal affairs Professor Palamagamba Kabudi. Ridhiwan Kikwete, son of former president Jakaya Kikwete (2005-2015), becomes deputy minister for land. Travel restrictions ease as of 29 January, with travellers from Tanzania now permitted to travel to and through the United Arab Emirates (UAE). Australia-based mining giant BHP is back in Tanzania, announcing a \$50m investment in the Kabanga nickel project.

President Suluhu reshuffles her cabinet

President **Samia Suluhu** (2021-present) announced a significant cabinet reshuffle on 8 January.¹ The reshuffle is the most significant since Suluhu came to power in March 2021 following the death of President **John Magufuli** (2015-2021). From an investor perspective, the ministers for big ticket ministries such as mining, energy and works and transport remain the same. However, Suluhu has re-combined the ministry of investment with the industry and trade ministry, sacking the two existing ministers and appointing Dr **Ashatu Kijaji** to head the new ministry. The ministry was split under Magufuli in an attempt to make the country more investor friendly.

Lower-level movement in the extractives space saw the deputy minister for minerals and the permanent secretaries for both minerals and energy replaced. Consistency in the extractives space, particularly as negotiations for the liquefied natural gas (LNG) project in **Lindi** are underway, will be a relief for investors involved. Optimism for LNG was also buoyed by the 25 January announcement that the energy ministry had hired **United States (US)**-based law firm **Baker Botts LLP** as transaction advisors for its negotiations on the LNG project.²

This cabinet reshuffle sidelines key Magufuli allies, moving younger politicians into key roles. Suluhu dropped senior cabinet ministers **William Lukuvi** and **Palamagamba Kabudi** from the ministry of land and ministry of constitutional and legal affairs respectively. Lukuvi was replaced by his former deputy, **Angeline Mabula**, while long term cabinet minister **George Simbachawene** moved from the ministry of home affairs to replace Kabudi. Simbachawene has held multiple senior roles over the past two decades. In an interesting move, **Ridhiwan Kikwete**, son of former president and Suluhu ally President **Jakaya Kikwete** (2005-2015), was appointed as deputy minister for land.

The reshuffle followed the resignation of speaker of the house **Job Ndugai** after his criticism of the amount of debt the country was taking on (see *ARC Briefing Tanzania Feb 2022*). The ruling **Chama Cha Mapinduzi (CCM)** party elected deputy speaker of the house Dr **Tulia Ackson** as speaker of the national assembly on 20 January following a competitive pre-selection process in which over 70 individuals nominated themselves for the role.³

There is a sense that those in key roles will remain in their positions for the foreseeable future, barring high level examples of poor performance. The focus of the political calendar will now move

¹ The East African, 8 Jan 2022

² The East African, 25 Jan 2022

³ The East African, 20 Jan 2022

towards budget preparations, with input from the private sector and lobbying groups commencing in February when the early stages of the budget formulation begin. President Suluhu also made changes within the **Tanzania Revenue Authority (TRA)** with the 18 January appointment of **Mcha Hassan Mcha** as deputy commissioner of the TRA.⁴

Travel bans lifted as the economy continues to steady

The **United Arab Emirates (UAE)** has allowed travellers from Tanzania to travel to and through the UAE, as of 29 January.⁵ The lifting of the ban is welcome relief for those wanting to travel not just to the UAE but onward to destinations via the global travel hub.

Tanzania is also starting to align more with global Covid reporting norms, with the 26 January announcement by the ministry of health that it would commence releasing Covid statistics on a weekly basis.⁶ The cost of Covid testing, combined with lingering scepticism as to whether or not test results produced by the government laboratory are accurate, is likely to continue to deter people from getting tested. Unless people are travelling and require a PCR test result, many opt to take rapid tests, whose results are not captured under government data.

As the world learns to live with the new omicron variant, the impact on the Tanzanian economy has been mixed. As a regional logistics hub, Tanzania continues to struggle with challenges in the clearing and forwarding sectors. The **Tanzania Freight Forwarders Association (TFFA)** announced on 26 January that an increase in global shipping prices means that the freight charges on a 20-foot container have risen by 233% since the start of the pandemic.⁷ This sharp increase impacts both the willingness of companies to send goods and the ability of customers to pay for them. However, there have been positive developments on the logistics front in **Zanzibar** with the announcement that Zanzibar and **Oman** have signed a memorandum of understanding to look at the feasibility of developing the **Malindi Tourist Port**.⁸ The Zanzibari economy, heavily dependent on tourism, has struggled during the past two years and will welcome new investment.

The broader economy is performing well. The **Monetary Policy Committee (MPC)** of the **Bank of Tanzania (BoT)** (central bank) noted at its 31 January meeting that economic growth on the mainland stood at 4.9% in the first three quarters of 2021. Growth in Zanzibar was buoyed by a recent uptick in tourism, growing by 8.8% in the third quarter of 2021, compared to 3.3% in the same period of 2020. BoT governor **Florens Luoga** noted that growth was driven by construction, agriculture, mining and quarrying, manufacturing and transport.⁹ Luoga reported that inflation increased from 3.8% in July 2021 to 4.2% in December, due to supply-side factors, but remained within the BoT's target range of 3-5%.

The MPC expects that “*due to the recent satisfactory performance of the economy and continuing recovery of the global economy*”, macroeconomic targets for 2021/22 set forth in the Monetary Policy Statement issued in June 2021 will be achieved,¹⁰ Economic growth will continue to be driven in large part by the types of Covid-19 related restrictions the government puts in place. Evidence to date, continues to indicate that any intervention will be in the form of government advisories rather than government-imposed restrictions on movement and mandates relating to masks and social distancing.

⁴ Daily News, 18 Jan 2022

⁵ The Citizen, 27 Jan 2022

⁶ The Citizen, 26 Jan 2022

⁷ The Citizen, 26 Jan 2022

⁸ The Citizen, 21 Jan 2022

⁹ The Citizen, 2 Feb 2022

¹⁰ The Citizen, 2 Feb 2022

BHP re-enters Tanzania

Australia-headquartered mining giant **BHP** re-entered **Tanzania** on 10 January with a \$50m investment in the **Kabanga Nickel Project**.¹¹ The investment by BHP is significant for the development of the Kabanga project and also a vote of confidence in Tanzania's mining sector more broadly. The investment comprises \$40m to aid development of the project and an additional \$10m to help develop the technology required to further develop the low-carbon hydrometallurgical processing technology required to make the smelting process more efficient and environmentally friendly. BHP announced that subject to conditions precedent, it would look to invest a further \$50m in the project.

Located in the **Kagera** region of Tanzania near the country's border with **Burundi**, the deposit is set to be one of the largest nickel mines in the world. project was granted its special mining licence (SML) in October.¹² The decision by the company to invest in Tanzania, at a time when the **Canadian Fraser Institute's 2020** annual survey of mining and exploration destinations ranks Tanzania as one of the most challenging geographies in which to invest, has certainly turned heads.¹³

This is BHP's first investment in **Africa** following the company's 2015 decision to spin off **South32**.¹⁴ The significance of the company's investment is highlighted by the fact that BHP has been risk-adverse in recent years when assessing country risk and ascertaining in which geographies they are comfortable operating. With many companies struggling to obtain funding to move their projects into construction in recent years, BHP's investment will no doubt be used as evidence for optimism among capital and mining companies about the future of Tanzania's mining sector.

¹¹ The East African, 10 Jan 2022

¹² The Citizen, 28 Oct 2021

¹³ Fraser Institute, February 2021

¹⁴ Mining.com, 10 Jan 2022

Planner

- 2022 **(Tanzania)** Commencement of construction of **Uganda-Tanzania** oil pipeline
- 2024 **(Tanzania)** Local elections
- 2025 **(Tanzania)** General elections

Chronology

- 2 Feb 2022 **Dar es Salaam (Tanzania)** *Daily News*. **France**-headquartered **TotalEnergies** and **China**-headquartered **China National Offshore Oil Corporation** announce final investment decision on the **Uganda-Tanzania** crude oil pipeline;
- 1 Feb 2022 **Dar es Salaam (Tanzania)** *Daily News*. President **Samia Suluhu** appoints former **BBC** presenter **Zuhura Yunus** as the new director of presidential communications;
- 29 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. The **Tanzania Electric Supply Company Limited (TANESCO)** announces 10 days of rolling power cuts across the country;
- 27 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. The **United Arab Emirates (UAE)** announces that travelers from **Tanzania** will be allowed entry into **Dubai** from 29 January onwards;
- 26 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. The ministry of health announces that statistics on **Covid-19** will now be released on a weekly basis;
- 26 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. The **Tanzania Freight Forwarders Association (TFFA)** announces freight charges on a 20-foot container have risen by 233% since the start of the **Covid-19** pandemic following an increase in global shipping prices;
- 25 Jan 2022 **Dar es Salaam (Tanzania)** *The East African*. The energy ministry hires **United States (US)** law firm **Baker Botts LLP** as transaction advisors for its negotiations on the liquefied natural gas project in **Lindi**;
- 24 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. The government earns Tsh 19.2 billion (\$8.34m) from the most recent sale of hunting blocks;
- 21 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. **Zanzibar** and **Oman** sign a memorandum of understanding to look at the feasibility of developing the **Malindi Tourist Port**;
- 20 Jan 2022 **Dar es Salaam (Tanzania)** *The East African*. The ruling **Chama Cha Mapinduzi (CCM)** party nominates deputy speaker Dr **Tulia Ackson** to take over as speaker of the national assembly;
- 19 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. **Australia**-listed exploration company **Marvel Gold** has reclaimed its exploration licences at the **Chialo** graphite project;
- 18 Jan 2022 **Dar es Salaam (Tanzania)** *Daily News*. President **Samia Suluhu** appoints **Mcha Hassan Mcha** as the deputy commissioner of the **Tanzania Revenue Authority (TRA)**;
- 17 Jan 2022 **Dar es Salaam (Tanzania)** *The East African*. **Tanzania** and **Burundi** sign an agreement to build a \$900 railway line to connect the two countries;
- 12 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. **Kenya**-based textile company **Basra Textiles Limited** is setting up a \$51m factory in **Zanzibar**, aiming to export goods from there;
- 10 Jan 2022 **Dar es Salaam (Tanzania)** *The East African*. **Australia**-headquartered mining giant **BHP** re-enters **Tanzania** with a \$50m investment in the **Kabanga Nickel** project;
- 8 Jan 2022 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu** announces that the government is in discussions with the **African Development Bank** about setting up a bank targeting the small and medium enterprise market in **Tanzania**;

8 Jan 2022 **Dar es Salaam (Tanzania)** *The East African*. President **Samia Suluhu** announces a significant cabinet reshuffle.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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