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Tanzanian authorities charge three subsidiaries of United Kingdom (UK)-based Acacia Mining, an employee and a former employee, with money laundering and tax evasion. Acacia Mining threatens to invoke a bilateral trade treaty between the UK and Tanzania to force face-to-face negotiations between the company and the Tanzanian government. Tanzania seeks to diversify and develop its energy sector, commissioning a coal power plant and seeking investors in wind and solar power to make Tanzania an industrial economy by 2025. The Tanzania Airports Authority introduces new levies on air travel to pay for improved security equipment at airports. Tanzanian billionaire Mohammed Dewji is kidnapped as he enters a hotel in Dar es Salaam.

Authorities charge Acacia Mining subsidiaries and two employees with corruption

The **Tanzanian Prevention and Combatting of Corruption Bureau (PCCB)** charged three subsidiaries of **United Kingdom (UK)-based Acacia Mining (Pangea Minerals Limited, Bulyanhulu Gold Mine Limited and North Mara Gold Mine Limited)**, along with an employee and a former employee of the company, with 39 counts of money laundering and tax evasion.¹ In a public statement released on 17 October, Acacia Mining, a subsidiary of **Canada**-based mining giant **Barrick Gold**, stated that all parties have denied all charges.²

Acacia Mining noted that the PCCB made these arrests as part of a “war that the government is waging on the minerals sector”.³ The government’s actions have damaged Acacia Mining, the company with the largest footprint in Tanzania. The **Tanzania Revenue Authority** presented the company with a \$190 billion bill for unpaid taxes, fines and interest payments in July 2017.⁴ The company settled this bill with the Tanzanian government by handing it 16% ownership in three gold mines, 50% in revenue from those mines and making a \$300m payment to the state (see *ARC Briefing Tanzania April 2018*).⁵ Acacia’s full year earnings in 2017 dropped 38% below 2016’s earnings and shareholders’ dividends were cut.⁶ The mining sector as a whole suffered in 2017 when the government banned the export of copper, nickel, and silver ores.⁷

Negotiations between Acacia Mining’s parent company, Barrick Gold, and the Tanzanian government to solve an ongoing tax dispute and to lift Acacia Mining’s export ban have lasted 19 months with no resolution in sight.⁸ As a result, Acacia Mining stated on 19 October that it may invoke a bilateral investment treaty between the UK and Tanzania to compel the Tanzanian government to negotiate with it face-to-face over the next six months.⁹

This episode shows investors that the resource nationalism that has characterised President **John Magufuli**’s (2015-present) rule so far and the “war” against mining companies is set to continue.

¹ Reuters, 18 Oct 2018.

² Reuters, 18 Oct 2018.

³ Press Release, Acacia Mining plc, 17 Oct 2018.

⁴ Quartz, 28 Jul 2017.

⁵ Seeking Alpha, 19 Oct 2017.

⁶ Proactive Investors, 12 Feb 2018.

⁷ TanzaniaInvest, 7 Mar 2017.

⁸ IOL, 21 Oct 2018.

⁹ Business Day, 19 Oct 2018.

Investors should keep abreast of negotiations between Acacia Mining and the Tanzanian government, to further understand the government's attitude towards the minerals sector.

Tanzania seeks to diversify and develop its energy sector

The state-owned energy company, **The Tanzania Electric Supply Company Limited (Tanesco)**, offered potential investors the opportunity to finance, build, operate, own and transfer wind and solar power projects in September.¹⁰ These current tenders, tapping into underexploited resources in Tanzania, must be completed by 2020.¹¹ Tanesco's tenders show the Tanzanian government's wish to increase its energy capacity fast, and move away from its reliance on hydroelectric and natural gas to meet the country's growing energy needs.

The energy projects show Tanzania seeking to diversify its energy supply away from its better-established sources of energy: natural gas (45%), hydroelectric (42%) and liquid fuel (13%).¹² Tanesco states that the wind projects must produce more than 50 megawatts, while solar projects must produce at least 20 megawatts.¹³ Tanesco seeks to generate 350 megawatts in total through these projects.¹⁴ This ambitious goal shows the Tanzanian government's commitment to the development of the energy sector. Further evidence of Tanzania's development in this regard is the recent submission of a formal tender qualification document by **Ireland-based power company Kibo Energy Plc** to build, own and operate the **Mbeya coal to power project (MCP)**.¹⁵ This project will eventually generate 600 megawatts from an underused energy source in Tanzania.¹⁶

President Magufuli is eager to increase Tanzania's energy supply. It forms a vital part of his plan to make Tanzania an industrialised economy by 2025 (see *ARC Briefing Tanzania August 2018*).¹⁷ In particular, the **Stiegler's Gorge** hydroelectric dam (2,100 megawatts once completed) and the **Kinyerezi** gas power plant near Dar es Salaam (167.82 megawatts) have embodied the government's energy drive, but these new developments in coal, wind and solar energy show investors that Tanzania is anxious to increase its energy output by any means possible.

Air travel levy and security threats could affect tourism revenue

The **Tanzania Airports Authority (TAA)** introduced a \$5 levy on international air travel and \$2 on domestic air travel, with effect from 1 October.¹⁸ The TAA has levied the fee to pay for improved security equipment at airports, including perimeter fences and scanners.¹⁹ The levy is in addition to the existing departure tax on passengers, currently at \$5.70 per passenger for domestic flights and \$49 for international air travel.²⁰ The extra levy could adversely affect the tourism trade to Tanzania at a time when the Tanzania government is aiming to increase tourist traffic to the country.²¹ **Sirili Akko**, chief executive officer of the **Tanzania Association of Tour Operators (TATO)**, warned that these new taxes could discourage tourists from visiting Tanzania.²² Although tourism is Tanzania's largest source of foreign currency, the Tanzania government has marginalised the sector, focusing instead on increasing industrialisation (see *ARC Briefing Tanzania April 2018*).²³

¹⁰ The East African, 27 Sept 2018.

¹¹ Tanesco, 18 Sept 2018.

¹² The East African, 27 Sept 2018 and TanzaniaInvest.com

¹³ The East African, 27 Sept 2018.

¹⁴ The East African, 27 Sept 2018.

¹⁵ Power Technology, 19 Oct 2018.

¹⁶ Proactive Investors, 19 Sept 2018.

¹⁷ Xinhua, 4 Apr 2018.

¹⁸ eTN Tanzania, 25 Sept 2018.

¹⁹ eTN Tanzania, 25 Sept 2018.

²⁰ eTN Tanzania, 25 Sept 2018.

²¹ eTN Tanzania, 25 Sept 2018.

²² eTN Tanzania, 25 Sept 2018.

²³ eTN Tanzania, 25 Sept 2018.

Adding yet more barriers to travelers to Tanzania, the government has cancelled “*visa on arrival*” policy for travellers from **Nigeria, Mali, Niger, Ethiopia** and **Somalia**, among others.²⁴ Travelers from these countries now fall into what Tanzania’s immigration department calls the “*referral visa category*”:

*“Applicants whose nationals fall under this category are not advised to book flight tickets or make payments for any reservations in Tanzania before they get approval for their Visa. Applicants of Referral Visa are advised to apply at least two months before their date of travel.”*²⁵

This had a negative impact on the **AfriLabs Gathering** that began on October 11, as some attendees were turned away at Dar es Salaam airport when they landed to attend the conference.²⁶

Would-be tourists may be further deterred from travelling to Tanzania after the kidnap of Tanzanian billionaire **Mohammed Dewji** at the **Colosseum Hotel** in the **Oyster Bay** area of **Dar es Salaam** on 11 October, a place popular with tourists.²⁷ Dewji returned home safely during the early hours of 20 October, and it is unclear whether a ransom was paid to ensure his release.²⁸ Police suspect that Dewji’s kidnappers came from outside of Tanzania as Dewji told police that they spoke very little Swahili, Tanzania’s official language.²⁹

Dewji’s kidnap highlights the risk of kidnap in Dar es Salaam and Tanzania more generally. The UK government’s travel advice to those visiting Tanzania notes that “*violent and armed crime is increasing*” in the country and that British tourists have been kidnapped, assaulted and robbed in Dar es Salaam.³⁰ The UK government also advises visitors to take particular care whilst in the city centre, and in the affluent suburbs of Oyster Bay and **Masaki**.³¹

The arrest of 104 Tanzanians suspected of planning to establish militant bases across Tanzania’s southern border in northern **Mozambique** highlights yet another security threat in Tanzania.³² Violence in the **Cabo Delgado** province of Mozambique, carried out by suspected ‘Islamist’ attackers, has killed more than 100 people since October 2017 (see *ARC Briefing Mozambique June 2018*).³³ Inspector General of Police **Simon Sirro** announced on 19 October that security forces sought to arrest such militants in the south and east of Tanzania over the past few months, with some escaping into Mozambique.³⁴ Those organisations and companies operating in Tanzania close to the Mozambique border must beware of security threats in this region.

The increased tax on visitors to Tanzania and concerns of insecurity in the country could damage the tourist industry. The sector is vital to Tanzania, accounting for 17.5% of national GDP in 2016 and earning \$2.2 billion in 2017.³⁵ Furthermore, the industry employed 11% of the country’s labour force in 2013.³⁶ Investors and businesses operating in Tanzania should monitor security threats and tax changes.

²⁴ Quartz, 12 Oct 2018.

²⁵ Tanzania Ministry of Home Affairs, Immigration Department website

²⁶ Quartz, 12 Oct 2018.

²⁷ BBC, 20 Oct 2018.

²⁸ BBC, 20 Oct 2018.

²⁹ The East African, 20 Oct 2018.

³⁰ www.gov.uk

³¹ www.gov.uk

³² VOA, 20 Oct 2018.

³³ VOA, 20 Oct 2018.

³⁴ VOA, 20 Oct 2018.

³⁵ The East African, 21 May 2018.

³⁶ World Tourism and Travel Council Data, 2013.

Planner

Mar 2019 **Dar es Salaam (Tanzania)** *East African Community*. **East Africa Health and Scientific Conference**;

2020 **(Tanzania)** *Africanews*. General elections;

Chronology

21 Oct 2018 **Dar es Salaam (Tanzania)** *eNCA*. Police arrest 104 suspected militants who planned to establish bases in **Cabo Delgado (Mozambique)**;

19 Oct 2018 **Dar es Salaam (Tanzania)** *IOL*. **Ireland**-based energy company, **Kibo Energy**, submits tender to supply 600 megawatts of coal power to the state-owned **Tanzania Electricity Supply Company**;

19 Oct 2018 **Dar es Salaam (Tanzania)** *FT*. **United Kingdom**-based mining company, **Acacia Mining**, threatens to sue the **Tanzanian** government over intimidation tactics related to Acacia's alleged \$190 billion in unpaid back taxes;

11 Oct 2018 **Dar es Salaam (Tanzania)** *Al Jazeera*. Armed men kidnap **Africa's** youngest billionaire, **Mohammed Dewji**, as he enters a hotel;

9 Oct 2018 **Dar es Salaam (Tanzania)** *africanews*. Immigration authorities reportedly cancel visa on arrival policy for travellers from **Nigeria, Mali, Niger, and Somalia**, among others;

9 Oct 2018 **Dar es Salaam (Tanzania)** *Think GeoEnergy*. The **Tanzania Geothermal Development Company Ltd** prepares drilling activities that could develop 200 megawatts of geothermal power by 2025;

28 Sep 2018 **Dar es Salaam (Tanzania)** *IOL*. Authorities deny Kenyan **Sylvia Mulinge** a work permit to become **Vodacom Tanzania's** chief executive officer;

25 Sep 2018 **Dar es Salaam (Tanzania)** *The East African*. **Tanzania Airports Authority** director-general, **Richard Mayongela**, announces a \$5 security levy on air passengers;