

AFRICA RISK CONSULTING

Tanzania Monthly Briefing March 2020

Tanzania Summary 9 March 2020

The ruling Chama Cha Mapinduzi (CCM) party expels former foreign minister Bernard Membe amid further defections from opposition Chadema party members to CCM, signalling the start of internal party jockeying leading up to the October general election. Tempered celebration meets the release of prominent journalist Erick Kabendera after seven months in jail, with many continuing to question why he was arrested in the first place. State-owned airline Air Tanzania continues to face turbulence in the international arena after losing a court case over an aborted leasing agreement. Tanzania is on high alert for the spread of the coronavirus COVID-19. Although no cases have been reported, with the country's multiple points of entry, porous borders and varying degrees of health services, there are real concerns around the government's ability to fight any outbreak.

Political jockeying begins ahead of October polls

Domestic politics is beginning to heat up in the lead up to the October general election with President **John Magufuli** (2015-present) seeking to cement not just the dominance of the ruling **Chama Cha Mapinduzi (CCM)** across the country, but also his own position within his party. The decision by CCM's central committee on 28 February to expel former foreign minister **Bernard Membe** from the party is a striking example. On the same day, the central committee also announced that former secretary general **Abdulrahman Kinana** (largely credited with helping Magufuli secure the CCM nomination to run as the party's presidential candidate in 2015), was given an official warning and placed under 18 months' observation. The central committee also hauled in **Yusuf Makamba**, another former secretary general of CCM and father of former environment minister **January Makamba** (whom Magufuli demoted on 21 July), but ultimately forgave him.¹ The allegations, and subsequent punishments, taken against the party heavyweights were centred around growing factional dissent and dissatisfaction relating to Magufuli's leadership in the lead up to the October general election. Specifically, the central committee's sanctions relate to the contents of multiple recorded **WhatsApp** calls where the party heavyweights were caught speaking negatively about the president and the way CCM is currently being run. Although it was highly unlikely that another CCM MP would have challenged Magufuli to be the party's presidential candidate for the October election, the sidelining of Membe ensures that the one possible wildcard is now ineligible to stand.

In addition to jostling within the CCM, defections to the CCM are increasing. Over the past four years, 13 MPs, along with scores of lower level politicians, have defected to the ruling party. Some are former CCM members returning to the party, whilst others are becoming CCM members for the first time. Notably, former prime minister **Fredrick Sumaye** rejoined the CCM having defected to opposition **Chadema** in 2015 to run as Chadema's presidential candidate. Former prime minister **Edward Lowassa** had also defected from the CCM to Chadema, but rejoined CCM on 1 March 2019. In addition to high-profile CCM returnees, former Chadema secretary general **Vincent Mashinji** defected to CCM on 18 February.² Such high numbers of defections have led to allegations of bribery and coercion, however there is no evidence to date to confirm this.

¹ Daily News, 28 Feb 2020

² The Citizen, 18 Feb 2020

During a politically charged month, prominent journalist **Erick Kabendera** was released from jail on 24 February, after spending seven months in prison. The journalist was initially arrested over claims relating to his **Tanzanian** citizenship but ultimately charged with money laundering and tax evasion (see *ARC Briefing Tanzania August to December 2019*). Kabendera negotiated his way out of jail by pleading guilty and committing to pay a total fee of \$118,000, partially paid to secure his release and the rest due in installments.³ Although his release has been widely celebrated, this has been tempered somewhat by the anger surrounding his arrest in the first place, which is widely believed to be due to his connections to an anti-Magufuli faction within the CCM. **United Kingdom (UK)**-headquartered non-governmental organisation **Amnesty International** noted:

*"It is outrageous that he had to pay such a hefty fine to gain his freedom after having been unjustly jailed for exercising his right to freedom of expression... He has already suffered so much simply for doing his job and should have been released unconditionally. There is absolutely no justice in what transpired in the **Dar es Salaam** court today."*⁴

Kabendera's release has once again placed in the spotlight declining press freedoms, civil liberties and democratic space during President Magufuli's first term in office.

More turbulence for Air Tanzania

In the latest blow to Tanzania's national carrier, a UK court on 27 February ordered state-owned **Air Tanzania** to pay **Liberia**-based aircraft leasing and trading company **Willis Trading** \$30.1m in compensation after the airline aborted an **Airbus** aircraft leasing deal in 2013. Air Tanzania will also have to pay interest on the money owed. Air Tanzania announced on 28 February that it intends to appeal the decision.⁵ The leasing deal was signed by then-managing director of Air Tanzania, **David Mattaka**. Mattaka was charged in 2016 for allegedly signing the lease without adhering to the necessary procurement guidelines.⁶

The latest controversy is one of many for the national carrier, which was revived in 2016 at the directive of President Magufuli amid mixed reactions. Many felt that reviving the airline was a matter of national pride, noting that **Kenya**, **Rwanda** and **Ethiopia** have national carriers (**Uganda** has since revived its national airline), so Tanzania should have one, too. However, there was concern among business analysts that the government was spending a significant amount to revive what is often a loss-making industry.⁷

Air Tanzania's operations to date have had mixed results. The airline has extended itself to international routes, including flights to **South Africa**, **Zimbabwe**, **Zambia**, **Uganda**, **India**, **Comoros** and **Burundi**, with limited success. On 6 October Air Tanzania announced that it was indefinitely suspending the **Dar es Salaam-Johannesburg** (South Africa) route due to a lack of profitability after its launch on 28 June.⁸ Nevertheless, the airline announced in August that it is negotiating landing slots at **Gatwick Airport** in **London** (UK) in a bid to re-launch a direct **Dar es Salaam-London** route, a service that was lost in March 2013 when UK-based **British Airways** stopped flying directly due to profitability issues.⁹ The airline has deferred the commencement of its **Dar es Salaam-Guangzhou** (**China**) route until there is more clarity around the coronavirus outbreak (see below).

Other troubles have beset the national airline since its revival in 2016. In 2017 an Air Tanzania aircraft was seized in **Canada** after **Stirling Civil Engineering Ltd** launched a claim in the **International Court of Arbitration** over a road contract that was terminated under the

³ IPS, 25 Feb 2020

⁴ IPS, 25 Feb 2020

⁵ The Citizen, 27 Feb 2020

⁶ The Citizen, 28 Feb 2020

⁷ Source, analyst, Dar es Salaam

⁸ The Citizen, 6 Oct 2020

⁹ eTurboNews, 31 Mar 2013

administration of former president **Jakaya Kikwete** (2005-2015).¹⁰ More recently, Air Tanzania planes were seized in South Africa in August and Canada in November over an on-going land dispute with a retired Tanzania-based farmer. Although the aircraft were eventually released, the events highlight the risk exposure that the airline is under and generate significant negative publicity over unsettled bills and outstanding court cases. While revitalising the airline was intended as an act of national pride, it has in many instances caused embarrassment to the government.

Despite the patchy revival of Air Tanzania, airline sector infrastructure has improved under the current administration. The long-awaited Terminal 3 of the **Julius Nyerere International Airport** in Dar es Salaam was opened on 1 August last year.¹¹ Additionally it was announced in December 2019 that the **African Development Bank** is lending the government \$272m to build an international airport in the country's capital, **Dodoma**.¹²

COVID-19 risk

COVID-19, better known as the **coronavirus**, continues to threaten international travel and trade. To date, confirmed cases in **sub-Saharan Africa** have remained limited, with a handful of cases reported across South Africa, **Nigeria**, **Cameroon** and **Senegal**. **North Africa's** exposure is slightly higher with confirmed cases in **Algeria**, **Egypt**, **Morocco** and **Tunisia**.¹³ The speed with which the virus is transmitted means that case numbers and locations are increasing at an alarmingly fast rate. The **World Health Organisation (WHO)** has earmarked Tanzania as one of the countries at risk of importing the disease.¹⁴

Minister for Health, Community Development, Gender, Senior and Children **Ummu Mwalimu** held a press conference on 1 March in which she urged citizens to be vigilant, and outlined precautions the government has undertaken to date:

*"The government has strengthened the screening of travelers at the ports and border... we have also purchased personal preventative equipment for coronavirus which has been distributed to all regional and district health facilities across the country."*¹⁵

Additionally, to protect against a spread of the virus in more remote areas, where diagnostic capabilities may not be established, Tanzania is using mobile labs to help test for the virus.¹⁶

The proactive statements and assurances are in stark contrast to the government's response, or lack thereof, to rumoured **Ebola** cases in Tanzania in September when it was roundly criticised for downplaying threats and failing to pass information regarding potential Ebola-related deaths on to the WHO.¹⁷

If the virus does enter Tanzania, the government's ability to control any outbreak is likely to be limited. Heightened areas of risk are likely to be the country's commercial capital, Dar es Salaam, with its significant port and international flight linkages, as well as tourist hotspots **Kilimanjaro** and **Zanzibar**. Additionally, areas such as **Kigoma** in the west of country, long underdeveloped and with large numbers of refugees and asylum seekers arriving from Burundi and the **Democratic Republic of the Congo**, could also be at heightened risk.

Economically, the coronavirus is having a detrimental impact on the Tanzanian economy, as China is the country's largest trading partner. Industry and trade minister **Innocent Bashungwa** noted that

¹⁰ Reuters, 6 Nov 2017

¹¹ Tanzania Invest, 6 Aug 2019

¹² African Development Bank Group, 19 Dec 2019

¹³ Oxford Analytica, 6 Mar 2020

¹⁴ The Citizen, 1 Mar 2020

¹⁵ The Citizen, 1 Mar 2020

¹⁶ VOA, 4 Mar 2020

¹⁷ BBC, 22 Sep 2019

“the impact on our bilateral trade has been significant”.¹⁸ Although there are no confirmed statistics, the Chinese Embassy in Tanzania confirmed the drop.¹⁹ China’s Ambassador to Tanzania, **Wang Ke**, highlighted that trade volumes between the two countries were \$3.97 billion in 2019, a number that is likely to be significantly less in 2020.²⁰ Companies are reporting significant wait times when trying to engage with and order goods from Chinese suppliers. In terms of Tanzania’s exports to China, dominated by raw materials, the longer the coronavirus outbreak continues to spread, the larger the impact will be. Air Tanzania has also placed its plans to commence flights to Guangzhou on hold.

Planner

7 Apr 2020 **(Tanzania)** Karume Day (national holiday);
 26 Apr 2020 **(Tanzania)** Union Day (national holiday);
 7 Jul 2020 **(Tanzania)** Saba Saba Day (national holiday);
 8 Aug 2020 **(Tanzania)** Nane Nane Day (national holiday); and
 October 2020 **(Tanzania)** General elections.

Chronology

7 Mar 2010 **Dar es Salaam (Tanzania)** *Daily News*. The **International Monetary Fund** announces that the estimated rate of economic growth in **Tanzania** is close to 6%, with annual inflation at 3.7%;

6 Mar 2020 **Dar es Salaam (Tanzania)** *Daily News*. Prime minister **Kassim Majaliwa** demands that all bauxite mining in **Lushoto District** be suspended, following complaints of environmental degradation;

5 Mar 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Heavy rains lead to a collapsed bridge on the **Morogoro-Dodoma** road, leaving travelers stranded on a key transport route across the country;

5 Mar 2020 **Dar es Salaam (Tanzania)** *Daily News*. Joint meeting of labour and employment ministers across the **Southern African Development Community (SADC)** commences in Dar es Salaam;

5 Mar 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Efforts to improve transportation in Dar es Salaam continue with the state-owned **Tanzania Railway Corporation** announcing plans to construct six new rail networks to service the city and its surrounding suburbs;

3 Mar 2020 **Dar es Salaam (Tanzania)** *The Citizen*. In a surprising move, President **John Magufuli** meet with key opposition figures at **State House**;

2 Mar 2020 **Dar es Salaam (Tanzania)** *The East African*. Bilateral trade between Tanzania and **China** is suffering due to the continuing spread of the coronavirus with significant drops in cargo and passengers;

1 Mar 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Minister for Health, Community Development, Gender, Elderly and Children **Umyy Mwalimu** urges all citizens to be vigilant and take precautions to avoid catching and spreading the coronavirus;

29 Feb 2020 **Dar es Salaam (Tanzania)** *Daily News*. The prosecution in the case against three former executives of **United Kingdom**-based **Acacia Mining** requests an extension to complete the investigation that focuses on tax evasion and money laundering;

29 Feb 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Member of parliament and main

¹⁸ The Citizen, 29 Feb 2020

¹⁹ The Citizen, 29 Feb 2020

²⁰ The Citizen, 1 Mar 2020

opposition party **Chadema** national chairman **Freeman Mbowe** is arrested following a political rally in **Nkoromu Masama** district;

28 Feb 2020 **Dar es Salaam (Tanzania)** *Daily News*. Former foreign minister **Bernard Membe** is expelled from ruling party **Chama Cha Mapinduzi (CCM)** by the party's central committee, former secretary general **Abdulrahman Kinana** receives a warning and will be under observation for 18 months, whilst **Bumbuli** constituency MP **Yusuf Makamba** is forgiven;

27 Feb 2020 **Dar es Salaam (Tanzania)** *The Citizen*. A **United Kingdom** court orders Tanzania's state-owned airline, **Air Tanzania**, to pay a **Liberian** company \$30.1m in compensation after the airline aborted its aircraft leasing deal; Air Tanzania is appealing the decision;

25 Feb 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Power producer **Songas** names **Anael Samuel** as its new CEO, the first Tanzanian to fill the role;

24 Feb 2020 **Dar es Salaam (Tanzania)** *The East African*. Prominent Tanzanian journalist **Erick Kabendera** is released after spending seven months in jail, pleading guilty to money laundering and tax evasion and negotiating his freedom;

22 Feb 2020 **Arusha (Tanzania)** *The East African*. The **East African Community (EAC)** heads of state summit, scheduled to take place on 29 February, is postponed after it fails to achieve a quorum;

18 Feb 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Further defections take place in the general election year as former opposition party **Chadema** secretary general **Vincent Mashinji** defects to the ruling **Chama Cha Mapinduzi (CCM)**;

17 Feb 2020 **Dar es Salaam (Tanzania)** *The Citizen*. The **World Bank** has committed Sh1.03 trillion (\$435m) to help Tanzania fight poverty by supporting the **Tanzania Social Action Fund**;

17 Feb 2020 **Dodoma (Tanzania)** *Daily News*. Tanzania calls on its donor partners for assistance as it prepares for a potential outbreak of locusts that has already plagued the **East African** region;

14 Feb 2020 **Dar es Salaam (Tanzania)** *Daily News*. Prime minister **Kassim Majaliwa** officially launches the masterplan for the development of **Dodoma** city;

14 Feb 2020 **Dar es Salaam (Tanzania)** *Daily News*. The Tanzanian government signs a Sh3.3 trillion (\$1.4 billion) deal with **Standard Chartered Bank Tanzania** to fund the next stage of the standard gauge railway linking **Morogoro** and **Dodoma**;

10 Feb 2020 **Dar es Salaam (Tanzania)** *The Citizen*. Former prime minister **Fredrick Sumaye** rejoins the ruling **Chama Cha Mapinduzi (CCM)** after defecting to opposition **Chadema** in 2015 to run as they party's presidential candidate;

8 Feb 2020 **Dar es Salaam (Tanzania)** *The Citizen*. **Godfrey Simbeye**, executive director of the influential **Tanzania Private Sector Foundation**, resigns after 12 years in the role.

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.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)