

## AFRICA RISK CONSULTING

### Tanzania Monthly Briefing July 2021

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#### Tanzania Summary 6 July 2021

*President Samia Suluhu Hassan (2021-present) continues to take a more conventional path of tackling the Covid-19 pandemic, releasing statistics, asking for financial assistance from the International Monetary Fund (IMF) and putting government funds aside to procure vaccines. There is no indication to date, however, that the government will impose restrictions on movement, curfews or lockdowns. Tanzania's 2021/22 budget passes through the national assembly. The budget is largely an exercise in tweaking existing policies with no large-scale changes to key sectors of the economy. President Suluhu raises prospects that the stalled Bagamoyo port project will move towards construction. If constructed, it will be East Africa's largest deep-water port.*

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#### President Suluhu acts on Covid-19

President **Samia Suluhu Hassan** (2021-present) has continued to make progress in normalising **Tanzania's** response to the **Covid-19** pandemic. Under late former president **John Magufuli** (2015-2021) Tanzania ceased releasing statistics on Covid-19 case numbers and deaths on 29 April 2020. However, government spokesperson **George Msigwa** confirmed on 14 June that Tanzania would recommence releasing data on Covid-19 cases and deaths.<sup>1</sup> President Suluhu announced on 28 June the first statistics since her presidency commenced, confirming that 100 patients were hospitalised with the virus.<sup>2</sup> Anecdotal reports within Tanzania appear to confirm that case numbers in the **Mwanza** region are spiking with hospitals reportedly nearing capacity. Mwanza's proximity to **Uganda**, where case numbers are currently climbing, may be a contributing factor.<sup>3</sup>

Suluhu's release of statistics coincides with the government's request for financial assistance from the **International Monetary Fund (IMF)**. The government officially lodged a request with the IMF in mid-June for TSh 1.3 trillion (\$563m) in loan assistance to help address the economic impact of the pandemic.<sup>4</sup> President Suluhu said the country is putting aside \$470m to procure vaccines and support sectors of the economy that have been adversely impacted by the pandemic, an approach in strong contrast to that of Magufuli, who expressed significant scepticism over internationally manufactured vaccines entering Tanzania and instructed citizens to pursue a business-as-usual approach during the pandemic.<sup>5</sup> The announcement of funding and the government's desire to procure vaccines for its citizens came as the ministry of health, community development, gender, elderly and children announced that Tanzania risks being hit with a third wave of the pandemic.<sup>6</sup> President Suluhu advised citizens of their need to take precautions to avoid this.<sup>7</sup>

Tanzania's desire to acknowledge the pandemic and put measures in place to procure vaccines and protect the economy is no doubt being well received by the country's regional neighbours, many of which have put stringent controls in place to curb the spread of the virus in their own countries. However, more than three months into President Suluhu's time in office, we are yet to see the

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<sup>1</sup> The East African, 14 Jun 2021

<sup>2</sup> The Citizen, 28 Jun 2021

<sup>3</sup> The East African, 28 Jun 2021

<sup>4</sup> The Citizen, 17 Jun 2021

<sup>5</sup> The Citizen, 28 Jun 2021

<sup>6</sup> Daily News, 19 Jun 2021

<sup>7</sup> The Citizen, 25 Jun 2021

government impose lockdowns, curfews or other restrictions on movement within the country. Nevertheless, progress to date appears to be garnering broad base support within Tanzania, and among regional neighbours and traditional donor partners.

### Tanzania's 2021/22 budget is read

Finance and planning minister **Dr Mwigulu Nchemba** presented Tanzania's 2021/22 budget to the national assembly on 10 June.<sup>8</sup> The budget, passed by the national assembly on 14 June, totalled TSh 36.36 trillion (\$15.61 billion) in expenditure.<sup>9</sup> Media reporting has largely commented on the fact that the budget is broadly unremarkable – a change from many of the budgets passed during President Magufuli's time in office.

The budget has given employees and businesses a slight reprieve. In a popular move, the pay-as-you-earn rate (PAYE) for the lowest tax bracket is lowered from 9% to 8%. Small businesses also get a break: while businesses with 10 or more employees must contribute to the government's skills and development levy, previously this applied to employers with four or more employees. Mandatory payments by employers into the workers' compensation fund are lowered from 1% of total employee salaries to 0.6%.<sup>10</sup> The agriculture and livestock sectors get a reprieve with VAT exemptions on livestock farming insurance, while the barley sector sees a reduction in excise duty for locally grown barley used in making beer. However, the gaming sector will be adversely impacted with the introduction of a 10% gaming tax on all gaming revenue.

Political will for the **East African Crude Oil Pipeline (EACOP)** that runs from Uganda to Tanzania was cemented in the budget. Key provisions include a depreciation rate of 5% for assets captured under the EACOP, effectively harmonising depreciation rates for the project in line with the agreements signed between the Ugandan and Tanzanian governments. The project also now enjoys VAT-exempt status on imports and local purchases, as well as a VAT exemption for crude oil in an attempt to minimise costs to consumers and decrease operational costs for the project.

The telecommunication sector was dealt a mixed hand. While smartphones, tablets and modems are now VAT exempt, new levies are imposed on mobile money transfers. A daily sim card levy has also been imposed. Both levies are dependent on the frequency and amount of usage. The decision to impose additional fees on a sector that is so intrinsically linked to financial inclusion in the country drew mixed commentary, with global financial consultancy **PwC** noting in its annual budget analysis:

*"[The changes] could have an unintended detrimental effect on financial inclusion. It is also not certain on how prepared the Telcos are in terms of having robust systems for implementing the proposed taxes/levies."*<sup>11</sup>

Overall, the budget had a positive reception from Tanzanians and international investors alike. After a number of years where the budget brought in sweeping, and at times very much unanticipated changes, there is praise for a budget that is largely focused on tweaking existing measures rather than overhauling key sectors of the economy. The budget is being viewed within the prism of President Suluhu's commitment to improve Tanzania's investment climate.

### Bagamoyo port back on?

President Samia Suluhu announced on 26 June that talks regarding the **Bagamoyo** port project would recommence.<sup>12</sup> In her remarks, made in the commercial capital of **Dar es Salaam**, Suluhu noted:

*"I would like to share with you the good news that we have started negotiations on reviving the whole Bagamoyo port project."*<sup>13</sup>

<sup>8</sup> The East African, 10 Jun 2021

<sup>9</sup> The East African, 14 Jun 2021

<sup>10</sup> PwC, National Budget Bulletin, Nurturing investment growth; embedding economic resilience

<sup>11</sup> PwC, National Budget Bulletin, Nurturing investment growth; embedding economic resilience

<sup>12</sup> The Citizen, 27 Jun 2021

<sup>13</sup> Reuters, 26 Jun 2021

The planned deep-water port is located in Bagamoyo, just 75 km north of Dar es Salaam and is estimated to cost \$10 billion. If constructed, it will be **East Africa's** largest deep-water port. The port is expected to handle 20 times the cargo currently being processed at the port of Dar es Salaam, and would no doubt significantly decrease congestion at the port, at times unwieldy and slow to move. There are plans for the construction of a special economic zone adjacent to the port, providing significant opportunities for investors wanting to be in close proximity to the new development.

The port agreement was initially signed under former president **Jakaya Kikwete** (2005-2015) during a state visit to Tanzania by **China's** leader, **Xi Jinping** (2013-present), and was to be another stepping stone in China's ambitious **Belt and Road Initiative**. The port is slated to be a three-way agreement between the Tanzanian government, China's **Merchants Holding International (CMHI)** and the **Omani State General Reserve Fund (SGRF)**.<sup>14</sup> The planned port has effectively been the Omani's *raison d'être* for keeping its office running in Tanzania. However, construction of the port faced roadblocks under former president Magufuli, who expressed scepticism around the terms of the deal. On multiple occasions, most recently in April 2020, Magufuli announced that the port would not be progressing towards construction.<sup>15</sup>

A former government official, who is privy to much of the detail of the port project, told ARC the agreement disproportionately favours the investors. Nevertheless, Suluhu's announcement has renewed interest in the port and increased the chances that it will be built. If built, the port will add significant economic activity to the coastal town of Bagamoyo, which has been struggling with a decline in tourism due to the Covid-19 pandemic. It would also increase Tanzania's attractiveness as the gateway for transit goods to and from its landlocked neighbours.

## Planner

7 Jul 2021 **(Tanzania)** Saba Saba (national holiday)  
 8 Aug 2021 **(Tanzania)** Nane Nane (national holiday)  
 2021 **(Tanzania)** Commencement of construction of **Uganda-Tanzania** oil pipeline  
 2024 **(Tanzania)** Local elections  
 2025 **(Tanzania)** General elections

## Chronology

2 Jul 2021 **Dar es Salaam (Tanzania)** *The Citizen*. The **African Guarantee Fund for Small and Medium-sized Enterprises (AGF)** and the **Tanzania Agricultural Development Bank (TADB)** sign into effect a memorandum of understanding that will allow the TADB to lend an additional \$20m to agricultural businesses;

1 Jul 2021 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu** receives a special report from the controller auditor general citing irregularities in funds released from the **Bank of Tanzania** to the **Tanzania Ports Authority (TPA)** and the **Tanzanian Roads Agency (TANROADS)**;

30 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. Prime minister **Kassim Majaliwa** says authorities have simplified the issuance of work permits to attract foreign investors;

28 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. **Tanzania** releases statistics on **Covid-19** for the first time in more than a year and President **Samia Suluhu** announces that the country is putting aside \$470m to procure vaccines;

27 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu** announces that

<sup>14</sup> Dredging Today, 3 Mar 2014

<sup>15</sup> The China Africa Project, 20 Apr 2020

talks to revive the stalled **Bagamoyo** port project will recommence;

26 Jun 2021 **Dar es Salaam (Tanzania)** *The Daily News*. **Tanzania Roads Agency (TANROADS)** chief executive **Engineer Patrick Mfugale** dies in **Dar es Salaam**;

26 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. Opposition **Chadema** vice chairman **Tundu Lissu** says he is ready and willing to return to **Tanzania** to work with President **Samia Suluhu** after his stay in exile in **Belgium** since last year's election;

25 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu** urges the public not to ignore a third wave of **Covid-19**;

23 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu** flies to **Maputo (Mozambique)** for a two-date state visit and to attend an emergency meeting of the **Southern African Development Community (SADC)** to discuss the terrorism threat in Mozambique and other pressing matters;

22 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. The **high court** overturns the decision to ban prominent advocate **Fatma Karume** from practising on the mainland;

19 Jun 2021 **Dar es Salaam (Tanzania)** *The Daily News*. The ministry of health, community development, gender, elderly and children warns of a potential third wave of **Covid-19** in Tanzania;

18 Jun 2021 **Dar es Salaam (Tanzania)** *The East African*. The **World Bank** has agreed to fund \$292m for **Zanzibar** to improve its electricity, water and transport infrastructure;

18 Jun 2021 **Dar es Salaam (Tanzania)** *The Daily News*. DSE-listed **Tanga Cement** reports a 25% increase in profit in 2020, compared to 2019;

17 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. The ministry of finance and planning officially lodges a request for loan assistance totaling TSh 1.3 trillion (\$563m) from the **International Monetary Fund (IMF)** to help address the economic impact of the pandemic;

15 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. The **Kobero-Kabanga** and **Mugina** borders between **Tanzania** and **Burundi** are set to re-open following their closure due to the **Covid-19** pandemic;

14 Jun 2021 **Dar es Salaam (Tanzania)** *The East African*. Government spokesperson **George Msigwa** confirms that **Tanzania** will commence releasing data on **Covid-19** cases and deaths, having stopped doing so in April 2020;

14 Jun 2021 **Dar es Salaam (Tanzania)** *The Citizen*. **German** company **BOSCH** announces it is in talks with the government of **Zanzibar** to look at investment opportunities in the Isles;

14 Jun 2021 **Mwanza (Tanzania)** *The Citizen*. President **Samia Suluhu** announces that **Tanzania** should prepare for blockchain technology and the introduction of cryptocurrencies such as **Bitcoin**;

14 Jun 2021 **Dodoma (Tanzania)** *The East African*. Parliament passes the 2021/22 national budget worth TZS36.36 trillion (\$15.61 billion);

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