

## AFRICA RISK CONSULTING

### Tanzania Monthly Briefing December 2019

---

#### Tanzania Summary 6 December 2019

*President John Magufuli's (2015-present) ruling Chama Cha Mapinduzi (CCM) party wins more than 99% of seats in local elections that main opposition party Chadema boycotted over alleged violence and intimidation by the state. The international community condemns the Tanzanian government's withdrawal of the right of individuals and non-governmental organisations (NGOs) to directly file cases against it at the Arusha-based African Court on Human and Peoples' Rights (AfCHPR), the regional rights court. Tanzania's political and social environment under President Magufuli has gone from bad to worse in 2019 – and the negative trend is highly likely to continue into 2020. Foreign investors are scared off and foreign-owned businesses operating in the country are increasingly targeted by an anti-foreign business environment. While Tanzania's economic outlook remains mostly positive in the medium and long term, the biggest threat comes from the government itself – which will almost certainly win the national elections scheduled for October 2020.*

---

#### Tanzanian politics: a one-horse race?

President **John Magufuli's** (2015-present) ruling party, **Chama Cha Mapinduzi (CCM)**, won more than 99% of seats in local elections on 24 November that the main opposition party, **Chadema**, boycotted over alleged violence and intimidation by the state.<sup>1</sup> The vote highlights the sorry state of affairs characterising **Tanzanian** politics, and is a worrying precursor to national elections scheduled for October 2020.<sup>2</sup> If last month's local elections are anything to go by, next year's national elections will be a one-horse race and Magufuli will have a second term in office.

The **United States (US)** and **United Kingdom (UK)** governments, traditionally two of Tanzania's largest donors, expressed concern on 27 November over the management and result of the local elections.<sup>3</sup> There are multiple substantiated allegations of authorities locking up members of the opposition and critical journalists. The US embassy in Tanzania published a statement saying:

*"The US is deeply concerned by reports of irregularities in Tanzania's November 24 local elections. Election officials overwhelmingly excluded opposition candidates during the election process. This troubling development calls into question the credibility of the election process and results. The Government of Tanzania's refusal to provide observation accreditation in a timely manner to credible, experienced organisations further erodes confidence in the process."*

Public dissent and freedom of information have been all but quashed in Tanzania, which has had a devastating effect on everyone from the ruling CCM party to the **World Health Organisation's** fight against **Ebola** (see *ARC Briefing Tanzania October 2019*). Former CCM party ideology secretary and member of parliament (MP) for **Mtama, Nape Nnauye**, was made to publicly apologise to Magufuli in September after being caught in a leaked telephone conversation in July allegedly conspiring against the president. In another illustration of Magufuli's desire to consolidate power ahead of next year's elections, the president dismissed **Modestus Kipilimba** as director-general of the **Tanzania**

---

<sup>1</sup> The Citizen, 25 Nov 2019

<sup>2</sup> ARC's Tanzania analyst

<sup>3</sup> Aljazeera, 27 Nov 2019

**Intelligence and Security Service (TISS)** for unknown reasons in September after three years in the post and replaced him with **Diwani Athuman Msuya**.<sup>4</sup>

When asked about that the chances of Magufuli being replaced in next year's election, our source said it is "*virtually 0%*".<sup>5</sup> The source said the best-case scenario for business is that Magufuli shifts his attention from consolidating power to growing the economy in his second term as president. The source was not optimistic about this scenario – the only reason his company has not closed operations in Tanzania is because of the amount of capital already invested – similar to many other foreign-owned companies in the country.<sup>6</sup>

### The decimation of the judicial system

The Tanzanian government on 2 December withdrew the right of individuals and non-governmental organisations (NGOs) to directly file cases against it at the **Arusha-based African Court on Human and Peoples' Rights (AfCHPR)**, the regional rights court.<sup>7</sup> The move is the Magufuli administration's latest assault on the judicial system in the country, which is having a devastating effect on social and political freedoms, as well as on business and foreign investment.<sup>8</sup>

Government's move to withdraw from a protocol that allows cases to be filed against it at the AfCHPR will spark fear in the country's business community, which already sees the country's judicial system as corrupt and bias.<sup>9</sup> A reputable source, a foreign owner of a large and well-established Tanzania-based business with experience in the public and private sectors, detailed how the breakdown in the rule of law has severely damaged the business environment and foreign direct investment. The source said the biased and corrupt judiciary, coupled with an "*anti-foreign administration*" has empowered "*government and court officials at all levels*" to target foreign companies operating in the country with "*egregious tax demands*" and hefty financial penalties.<sup>10</sup> The source said foreign-owned companies are especially targeted by corrupt court officials.

The move has widespread implications on the authority and legitimacy of the AfCHPR. It is a betrayal of efforts in **Africa** to establish regional human rights bodies that can deliver justice and accountability. The AfCHPR plays a vital role in the continent's judicial system, with judges from across the **African Union** working on rights cases. Under Magufuli, there have been numerous adverse reports about Tanzania's human rights status such as cases of infringement on freedoms and crackdown on rights defenders, the press and opposition. Reports show that Tanzania has the highest number of lawsuits filed by individuals and NGOs as well as judgments issued against it by the AfCHPR.<sup>11</sup> Of the 70 decisions issued by the AfCHPR as of September 2019, 28 decisions, or 40%, were on **Dodoma**.<sup>12</sup>

The international community has condemned Tanzania's actions, which have sparked fears of increasing repression since Magufuli came into power. As well as eroding judicial integrity, Magufuli's administration has severely eroded Tanzania's social and political freedoms during his tenure. This trend looks only to worsen in 2020. The **United Nations High Commissioner for Human Rights** on 4 December urged the Tanzanian government to reconsider its decision to withdraw from the AfCHPR protocol.<sup>13</sup> International human rights group **Amnesty International** said the withdrawal of such rights would rob people and organisations in Tanzania of a vital avenue to justice, in a country whose justice system is deeply flawed.

<sup>4</sup> The East African, 12 Sep 2019

<sup>5</sup> Source, foreign business owner, Tanzania

<sup>6</sup> Source, foreign business owner, Tanzania

<sup>7</sup> Amnesty International, 2 Dec 2019

<sup>8</sup> ARC's Tanzania analyst; source, foreign business owner, Tanzania

<sup>9</sup> Source, foreign business owner, Tanzania

<sup>10</sup> Source, foreign business owner, Tanzania

<sup>11</sup> Ventures Africa, 5 Dec 2019

<sup>12</sup> Ventures Africa, 5 Dec 2019

<sup>13</sup> AllAfrica, 4 Dec 2019

## Can the economy ride the storm?

The **World Bank's** latest **Economic Update** forecasts the Tanzanian economy to grow 5.8% in 2020 compared with an estimated 5.6% this year, and for growth to rise to 6.1% in 2021.<sup>14</sup> As the World Bank's forecasts show, Tanzania has the potential to experience top-ranking economic growth rates on the continent and in the world next year – the biggest threat preventing the country achieving this is its own government.<sup>15</sup> For now, while Magufuli has severely eroded social and political freedoms, macro-economic indicators paint a much more optimistic picture for the years ahead. However, rising authoritarianism, as well as uncertain, erratic and anti-foreign government policies, are discouraging private sector investment and damaging business confidence – and will continue to do so next year. A leaked **International Monetary Fund (IMF)** report warned in April that “*unpredictable and interventionist*” policies were crimping growth, and the IMF lowered its growth forecast for 2019 and 2020 to around 4% (see *ARC Briefing Tanzania May 2019*).

A business-owner said he expects the business climate to worsen in the medium and long term given the Magufuli administration's lack of a strategy to improve business attractiveness. The source said the Tanzanian government “*doesn't understand the investment climate*” and is “*hostile to foreign investors*”.<sup>16</sup>

The World Bank's latest forecast said, “*despite the recent recovery in exports, inflows are still lower than historical averages*” and that foreign direct investment had dropped by one-third, to \$1.0 billion from \$1.5 billion, between 2015 and 2018. The World Bank warned that spending pressures expected as a result of next year's elections mean the country needs to strengthen its fiscal management.

The World Bank's 2019 economic growth forecast for Tanzania, 5.6%, is markedly lower than the national government estimate of 7.1%. Finance minister **Philip Mpango** told parliament in June that the economy would grow by 7.1% in 2019, up from 7.0% in 2018. This is the second time this year that the World Bank's estimates have differed sharply from the government's. The World Bank said in July that Tanzania's 2018 growth was at 5.2%. The IMF has also reported lower economic growth figures than the Tanzanian government this year.

## Magufuli's trump cards in 2020

Magufuli has two trump cards for the October 2020 election: one relates to infrastructure and the other to the energy sector.<sup>17</sup>

President Magufuli has invested billions of dollars in an ambitious industrialisation drive and claims his most significant achievements are in this area.<sup>18</sup> Projects include the construction of a new rail line, revival of the national airline, and a hydro-power plant. Magufuli on 26 November received a \$1 billion syndicated loan arranged by **Burundi**-headquartered **Trade and Development Bank (TDB)** for infrastructure projects, and said the government is seeking an additional \$500m from the regional lender.<sup>19</sup> In total, Tanzania wants to spend \$14.2 billion over the next five years to build a 2,561-km standard-gauge railway network connecting its main **Indian Ocean** port of **Dar es Salaam** to the rest of the country.

The progress of Magufuli's infrastructure projects should be watched closely in 2020. His ability to gain the necessary funding and delivery of the projects will impact how effective this trump card will be in the October national election. A \$7.6 billion loan the government said in 2016 it had agreed to with the **China**-based **Export-Import Bank** to build a railway line that will link it to neighbours was never disbursed.

<sup>14</sup> The Citizen, 3 Dec 2019

<sup>15</sup> ARC's Tanzania analyst

<sup>16</sup> Source, foreign business owner, Tanzania

<sup>17</sup> ARC's Tanzania analyst

<sup>18</sup> ARC's Tanzania analyst

<sup>19</sup> Reuters, 26 Nov 2019

Additionally, Magufuli and CCM would stand in good stead to win the 2020 election and cement control of office for another ten years if the **Host Government Agreement (HGA)** for a \$30 billion liquefied natural gas (LNG) project in the southern region of **Lindi** is concluded in the coming months.<sup>20</sup> Energy minister **Medard Kalemani** told stakeholders at the third oil and gas congress in Dar es Salaam on 2 October that talks between the **Tanzania Petroleum Development Corporation** and **Norway**-based **Equinor** and **Netherlands**-based **Royal Dutch Shell** on the HGA were at an advanced stage. Tanzanian authorities have been locked in talks with the international oil companies for the past five months to finalise the terms of developing the LNG project in Lindi. The latest analysis of the project from the US-based non-profit **Natural Resource Governance Institute** predicts a final investment decision in 2023. While revenues will only start flowing under Magufuli's successor, the potential rents during the investment phase will be significant.

### Planner

9 Dec 2019 (**Tanzania**) Independence Day (national holiday);  
 25 Dec 2019 (**Tanzania**) Christmas Day (national holiday);  
 26 Dec 2019 (**Tanzania**) Boxing Day (national holiday);  
 October 2020 (**Tanzania**) General elections;

### Chronology

4 Dec 2019 **Dar es Salaam (Tanzania)** *All Africa*. The **United Nations High Commissioner for Human Rights** urges **Tanzanian** government to reconsider its decision to block individuals and NGOs from directly filing cases against the government to the **Arusha-based African Court on Human and Peoples' Rights**;

3 Dec 2019 **Dar es Salaam (Tanzania)** *The Citizen*. **World Bank** says **Tanzania's** economy will grow 5.8% in 2020 compared with an estimated 5.6% this year, and growth will rise to 6.1% in 2021;

3 Dec 2019 **Dar es Salaam (Tanzania)** *The East African*. **Tanzania, Burundi** and the **DRC** agree to construct a standard gauge railway connecting Burundi and the DRC, two landlocked countries, with Tanzania's **Dar es Salam** port;

2 Dec 2019 **Dar es Salaam (Tanzania)** *Amnesty International*. The **Tanzanian** government withdraws the right of individuals and NGOs to directly file cases against it at the **Arusha-based African Court on Human and Peoples' Rights**;

28 Nov 2019 **Dar es Salaam (Tanzania)** *Reuters*. **Nigeria**-based and **New York Stock Exchange**-listed online retailer **Jumia Technologies** shuts down e-commerce business in **Tanzania**;

27 Nov 2019 **Dar es Salaam (Tanzania)** *Aljazeera*. The **US** and **UK** governments express concern over local elections held on 24 November in **Tanzania** where the ruling **Chama Cha Mapinduzi** won 99% of seats;

26 Nov 2019 **Dar es Salaam (Tanzania)** *Reuters*. **Tanzania** has received a \$1 billion syndicated loan arranged by **Burundi**-headquartered **Trade and Development Bank** for infrastructure projects and is seeking an additional \$500m from the regional lender;

25 Nov 2019 **Dar es Salaam (Tanzania)** *The Citizen*. Ruling party **Chama Cha Mapinduzi** won more than 99% of seats in local elections that the opposition boycotted for alleged violence and intimidation;

<sup>20</sup> Africa Confidential, 27 Sep 2019

24 Nov 2019 **Dar es Salaam (Tanzania)** *The East African*. Local government elections were held without the main opposition party, **Chadema**, which boycotted the ballot box citing violence and intimidation;

23 Nov 2019 **Dar es Salaam (Tanzania)** *The Citizen*. Government says it has summoned **Canada's** envoy to protest after an aircraft set to be delivered to state-owned **Air Tanzania** was impounded in a land compensation dispute;

19 Nov 2019 **Dar es Salaam (Tanzania)** *The Citizen*. Minister for finance and planning **Philip Mpango** appeals to the **African Development Bank** for a soft loan for the construction of a 224-km highway from **Dodoma** to **Morogoro**;

### 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](http://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](http://www.africariskconsulting.com)

### Getting in touch

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

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