

AFRICA RISK CONSULTING

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Major opposition parties, Chama cha Demokrasia na Maendeleo (Chadema) and Alliance for Change and Transparency (ACT)-Wazalendo, call for reforms to create an independent electoral commission, a straightforward majority presidential victory and the ability to question presidential results in court ahead of October's general elections. The Bank of Tanzania's (central bank) monthly economic review for December shows gold export earnings rose 42% year-on-year in the year ending November, to \$2.14 billion from \$1.51 billion. The United States (US) embassy in Tanzania issues a security alert for its citizens in Tanzania following heightened tensions in the Middle East in the aftermath of US air strikes that killed Iranian major general Qassem Soleimani.

Opposition tries again to push reforms

Two major opposition parties, **Chama cha Demokrasia na Maendeleo (Chadema)** and **Alliance for Change and Transparency (ACT)-Wazalendo**, on 4 January revamped efforts to push a series of constitutional reforms, including for an independent electoral commission, a straightforward majority presidential victory and an ability to question presidential results in court, ahead of October's general elections.¹ The reforms are desperately needed for credible elections and to improve the country's democratic credentials, which have been severely damaged by President **John Magufuli's** (2015-present) increasing authoritarianism – but it will be a miracle if they gain any traction.²

Magufuli's administration has gradually tightened its grip on political activities. The coalition failed to make an impact during the civic elections in November, partly due to the ban of open-air political rallies and intimidation (see *ARC Briefing Tanzania December 2019*). The November local election was boycotted by the opposition, which claimed that the government disqualified many of their candidates and intimidated both politicians and the public. The opposition hopes that the proposed reforms will reverse the clampdown on political activities and dissent, and boost its quickly diminishing hopes of electoral victory in October. Chadema's newly-appointed secretary-general, **John Mnyika**, has said there is no point going into the October election with the current constitution and an electoral body run by the ruling party, **Chama cha Mapinduzi**. Mnyika said:

*"Following what happened during the November local election, we need to emphasise this issue. The first assignment will be demanding an independent commission in various ways."*³

ACT-Wazalendo chief adviser **Seif Sharrif Hamad** shares Mnyika's position. Hamad is looking to partner with non-state actors, civil society organisations and religious institutions to push the reforms. Hamad is a **Zanzibari** politician and has significant influence in the semi-autonomous isles. The **Political Parties Council (PPC)**, a forum for all political parties, has also pledged to back the call for reforms by political parties and will present the demand to the secretariat.

The push for a constitutional review and reforms is not new. The **Tanzania Constitution Forum (TCF)**, an umbrella organisation for over 22 civil society organisations advocating for constitutional reforms, last year called for similar reforms but made no headway. The TCF asked the government to institute minimum reforms in the run up to November's local government elections and October's

¹ The East African, 4 Jan 2020

² ARC's Tanzanian analyst

³ The East African, 4 Jan 2020

scheduled general election. The previous failed attempt, as well as an attempt by the **Tanzania Centre for Democracy** in 2013 that stagnated in 2015, shows that the incumbent government has no appetite for a constitutional change of this nature.

A public dispute in December between leaders of Chadema and ACT-Wazalendo – the most touted coalition ahead of the upcoming general election – made the coalition’s prospects of victory in October that much more implausible.⁴ The dispute was over ACT-Wazalendo’s criticism of Chadema for its decision to accept a government invitation to attend **Independence Day** celebrations on 9 December. ACT-Wazalendo argued that there was no independence to celebrate under Magufuli’s administration.

An upsurge in gold earnings

The **Bank of Tanzania** (central bank) said in its monthly economic review for December that earnings from gold exports rose 42% year-on-year in the year ending November, to \$2.14 billion from \$1.51 billion.⁵ The upsurge was helped by increased output and higher prices, both of which are set to continue their positive trajectories in 2020. Tanzania’s mining sector turnaround is happening at the perfect time.⁶

The central bank attributes the increase in gold earnings to government measures to strengthen supervision of mining activities in the country.⁷ Tanzania relaxed its **Mining Sector Regulations 2018** last year to allow for greater state equity participation as well as increases in levies and taxes (see *ARC Briefing Tanzania September 2019*). The government also set up mineral trading hubs across the country to pull small-scale miners, brokers and dealers into the formal sector.⁸ These centres were to provide more transparency in the country’s mining industry and stop mineral smuggling and tax evasion. Magufuli’s government has also recently emerged from a two-year-long conflict with **United Kingdom**-based gold miner **Acacia Mining** over unpaid tax allegations, which Magufuli will use to show success in his resource nationalism agenda (see *ARC Briefing Tanzania November 2019*).

However, Tanzania’s boost in earning from gold exports relies heavily on the surge in gold price last year – which increased by almost 20% in dollar terms. If 2019 ended well for the metal, then 2020 has started even better. Gold prices on 6 January surged to their highest since April 2013 at \$1,582.59 per ounce.⁹ Gold market analysts predict that the year will continue in much the same way. **United States (US)**-based financial services firm **Goldman Sachs** maintained its three-, six- and 12-month forecast for gold at \$1,600 per ounce, contending safe-haven bullion to be a better hedge than oil during phases of geopolitical uncertainty.¹⁰

As the golden years for the safe-haven asset look to continue in 2020, Tanzania’s output is expected to grow substantially. Part of this will come from the end of hostility between the government and Acacia Mining, and the launching of its new joint mining firm, **Twiga Minerals Corporation**. But it will also come from improvements elsewhere in the mining sector. Tanzania announces in July that it had awarded **Chinese** firms licences for the construction of a mineral smelter and two gold refineries to, which are expected to be operational in early 2020. **East Africa**-focused gold producer, developer and explorer **Shanta Gold Limited** announced on 20 December that its **New Luika Gold Mine** in south-west Tanzania had successfully connected to the state power grid supplied by the **Tanzania Electric Supply Company Limited (TANESCO)**.¹¹ Shanta Gold chief executive officer **Eric Zurrin** said:

⁴ The Citizen, 15 Dec 2019

⁵ The Daily Nation, 6 Jan 2020

⁶ ARC’s Tanzania analyst

⁷ The Daily Nation, 6 Jan 2020

⁸ Currently there are 28 trading hubs in the mineral-rich areas of Arusha, Chunya, Dar es Salaam, Dodoma, Geita, Iringa, Kahama, Katavi, Kigoma, Manyara, Mara, Mbeya, Mwanza, Namanga, Ruvuma, Sekenke, Shinyanga, Singida, Songwe, Tabora and Tanga.

⁹ CNBC, 7 Jan 2020

¹⁰ Kitco, 10 Dec 2019

¹¹ Proactive Investors, 20 Dec 2019

"Lowering New Luika's costs reduces the cut-off grade required for ounces to make it into the mine plan effectively reducing the hurdle for exploration success."¹²

The bank said total exports rose 12% year-on-year to \$9.53 billion in the year ending November. The bank said earnings from tourism, another primary foreign exchange earner, rose to \$2.52 billion in the year to November from \$2.45 billion in the same period a year earlier.

Tanzanian gold reserves are estimated at 45m ounces, and gold production stands at around 50 tonnes per year. Tanzania is the fourth-largest gold producer in **Africa** after **Ghana, South Africa** and **Mali**.

Security concerns over US-Iran relations

The United States embassy in **Tanzania** on 7 January issued a security alert for its citizens in Tanzania following heightened tensions in the **Middle East** in the aftermath of US airstrikes that killed **Iranian** major general **Qassem Soleimani**.¹³ Iran has vowed revenge against US interests after Soleimani was killed but it is not clear how this will be enacted. While **Africa** does not appear to be a focal point of the emerging conflict between the US and Iran, US and **Western** businesses and citizens in Tanzania, and elsewhere in Africa, should tighten security procedures.¹⁴ Iran will not want to damage its trade and diplomatic relations in Africa.

The US attack has heightened the risk of an attack by a network of Iran-backed terror cells in Africa. **The Washington Institute** fellow on **Shia Islamist** militarism **Phillip Smyth** believes Iran will look to show its influence on a global scale and he thinks Iran may look for "low-hanging fruit or easier targets that they can go after" in an "unexpected location" – which may be in Africa.¹⁵ UK-based newspaper **The Telegraph** published a report in June 2019 saying Soleimani was setting up terror cells in several African countries including **Sudan, Chad, Ghana, Niger, The Gambia** and the **Central African Republic**, to target the US and other Western military bases on the continent.¹⁶

The US embassy in the commercial capital, **Dar es Salaam**, said heightened tension in the Middle East may result in security risks to US citizens abroad. The alert advised US citizens to keep a low profile, be aware of their surroundings, stay alert in locations frequented by tourists, review their personal security plans and have travel documents up to date and easily accessible. The embassy said it will continue to review the security situation and will provide additional information as needed. Tanzania is ranked as 'Level 2: Exercise with caution' in the US embassy's travel advisory ratings, in which 'Level 1' is the least concern and 'Level 4' advises against all travel. The US embassy warns citizens to "exercise increased caution in Tanzania due to crime, terrorism, and targeting of LGBTI persons."

Soleimani was the commander of the **Quds Force of Islamic Revolution Guards Corps (IRGC)**. He was killed in a US airstrike in **Baghdad (Iraq)** on 3 January. Soleimani was widely seen as Iran's second most powerful figure behind Supreme Leader **Ayatollah Ali Khamenei** (1989-present), who said Iran's response would match the scale of Soleimani's killing.

¹² Proactive Investors, 20 Dec 2019

¹³ The Citizen, 7 Jan 2020

¹⁴ ARC's Tanzania analyst

¹⁵ Voice of America, 4 Jan 2020

¹⁶ The Telegraph, 24 Jun 2019

Planner

October 2020 **(Tanzania)** General elections;

9 Dec 2020 **(Tanzania)** Independence Day (national holiday);

Chronology

7 Jan 2020 **Dar es Salaam (Tanzania)** *The Citizen*. The **United States** embassy in **Tanzania** issues a security alert for its citizens working in Tanzania following heightened tensions in the **Middle East** in the aftermath of US air strikes that killed **Iranian** major general **Qassem Soleimani**;

6 Jan 2020 **Dar es Salaam (Tanzania)** *The East African*. Minister for finance and planning **Phillip Mpango** says revenue collection was slightly below target in the first five months of the 2019/2020 financial year at \$3.7 billion;

6 Jan 2020 **Dar es Salaam (Tanzania)** *The East African*. Minister for finance and planning **Phillip Mpango** launches the **Government Accounting Consolidation System**, a digital platform that consolidates accounting information across central and local government;

6 Jan 2020 **Dar es Salaam (Tanzania)** *Mining Weekly*. **Bank of Tanzania** (central bank) says earnings from gold exports rose 42% year on year in the year to November;

6 Jan 2020 **Dar es Salaam (Tanzania)** *The Citizen*. **Tanzania Revenue Authority** provisional data shows that Tanzania's trade with **Kenya** recorded a deficit of \$35.8m in 2018, down from a surplus of \$90.2m in 2017;

4 Jan 2020 **Dar es Salaam (Tanzania)** *The East African*. Two major opposition parties, **Chama cha Demokrasia na Maendeleo** and **ACT-Wazalendo**, call for an independent electoral commission, a simple majority presidential victory and a possibility to question presidential results in court ahead of October's general elections;

24 Dec 2019 **Dar es Salaam (Tanzania)** *The Citizen*. Human rights activist **Tito Magoti** is charged with economic crimes, causing civil society organisations to criticise the clampdown on dissent;

24 Dec 2019 **Dar es Salaam (Tanzania)** *The Citizen*. **African Development Bank** and **Tanzanian** authorities agree on a \$272m loan to build a new international airport at the administrative capital, **Dodoma**;

17 Dec 2019 **Dar es Salaam (Tanzania)** *Ventures Africa*. **Vodacom Tanzania** partners with online money transfer service **WorldRemit** to enable ten million **M-Pesa** customers to receive money directly to their M-Pesa wallets from friends and family living abroad;

17 Dec 2019 **Dar es Salaam (Tanzania)** *The Citizen*. Heavy rains bring businesses and transport to a standstill in commercial capital **Dar es Salaam**, with more torrential rains expected in Dar es Salaam, **Coast**, **Tanga**, **Morogoro**, **Dodoma** and **Singida** regions, and parts of the **Zanzibar** archipelago;

9 Dec 2019 **Dar es Salaam (Tanzania)** *The Citizen*. President **John Magufuli** pardons a record 5,533 prisoners serving jail terms, saying the move was aimed at easing congestion in prisons;

8 Dec 2019 **Dar es Salaam (Tanzania)** *Standard Media*. **Tanzanian** business tycoon **Ali Mufuruki**, the founder and CEO of **Roundtable of Tanzania** and **Africa Leadership Initiative East Africa**, passes away in a **South African** hospital;

6 Dec 2019 **Dar es Salaam (Tanzania)** *Mining Technology*. **Australia**-based **Amani Gold** completes its first shipment of approximately 6.77kg of gold from **Geita** mineral hub to a refinery in **Hong Kong**;

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